



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Wednesday, 25th November 2015

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Sir Richard J. Collas, Kt, Bailiff and Presiding Officer

Law Officers

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St Peter Port South

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R. Domaille, A. H. Langlois, R. A. Jones

St Peter Port North

Deputies M. K. Le Clerc, J. A. B. Gollop, P. A. Sherbourne,
R. Conder, E. G. Bebb, L. C. Queripel

St Sampson

Deputies G. A. St Pier, K. A. Stewart, P. L. Gillson,
P. R. Le Pelley, S. J. Ogier, L. S. Trott

The Vale

Deputies M. J. Fallaize, L. B. Queripel, M. M. Lowe,
A. R. Le Lièvre, A. Spruce, G. M. Collins

The Castel

Deputies D. J. Duquemin, C. J. Green, M. H. Dorey,
B. J. E. Paint, J. P. Le Tocq, S. A. James, M. B. E., A. H. Adam

The West

Deputies R. A. Perrot, A. H. Brouard, A. M. Wilkie,
D. de G. De Lisle, Y. Burford, D. A. Inglis

The South-East

Deputies H. J. R. Soulsby, R. W. Sillars, P. A. Luxon,
M. G. O'Hara, F. W. Quin, M. P. J. Hadley

Representatives of the Island of Alderney

Alderney Representatives L. E. Jean and S. D. G. McKinley, O. B. E.

The Clerk to the States of Deliberation

S. M. D. Ross, Esq. (H.M. Senior Deputy Greffier)

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Comptroller);
D. B. Jones (*indisposé*)

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Greffier

EVOCATION

Billet d'État XX

HEALTH AND SOCIAL SERVICES DEPARTMENT

X. Arrangements for Secondary Healthcare from 1st January – Debate continued

The Senior Deputy Greffier: Billet d'État XX, Article X: the continuation of the debate.

The Bailiff: We continue the debate on the amendment proposed by Deputy Adam, seconded by Deputy Le Lièvre.

5 Deputy Lowe.

Deputy Lowe: Thank you, sir.

10 Sir, I rise to my feet and it was following Deputy Bebb's speech yesterday where he was saying that, 'In the new term, when Health and Social Services Department have negotiated with the MSG, it is right and proper that they make that decision within the first three to four weeks, no more than six weeks of a new election period because we needed to trust them.' Now I know, for many of the new Members – and it was the same when I first got elected; it has been very prominent as well this term – that they did not want mid-term elections, because it has taken two years to learn the ropes and yet they are happy to hand over to a new States' Department, to
15 Members who may all be completely new to the States, to make a major decision on an MSG contract worth hundreds of millions of pounds. And I just find that so wrong and so, therefore, I do support this amendment.

20 I also see it as a double whammy. I see it as protecting those Members of HSSD, whoever they are when they are elected, because they will come back to this States and this States will give them guidance by having a thorough debate on the way to go forward. So I see it as a win-win for States' Members when they are elected onto HSSD, but also as a safeguard. It is a major contract and so therefore to allow until the end of the year – which still does not give an awful lot of time, but it gives them more time. I think they are elected to the States' Departments in the middle of May and this decision has to be taken by the end of June. They will not know anything, possibly,
25 about what has been going on, how this States operate. I can remember one time, one new Member actually did not even know we met monthly. There is a huge amount to learn when you

come into the States and understand mandates and things like that. The induction alone takes a long time for States' Members to understand, over a certain Department.

30 **Deputy Luxon:** Point of correction, Mr Bailiff, please.

The Bailiff: Deputy Luxon.

35 **Deputy Luxon:** Sir, yesterday I did try and clarify. Deputy Fallaize and others mentioned that it was a decision date by the 30th June next year. It is not. That is not what the policy letter says. The policy letter is clear that we have up until December 2016, but the target date at the end of June is to give an indication of how the negotiations... It is purely a target date. It is not a drop dead date. So, new States' Members will not have to make a decision within six weeks of...

40 **Deputy Lowe:** In that case, I look forward to you supporting this amendment then, because this amendment will have it in writing and it will be in black and white, because it is all very well having verbal assurances in the States. Verbal assurances mean absolutely nothing. It has to be in black and white. That is what you are voting on.

45 So, I would suggest that they actually support this amendment – which is a very wise amendment – to protect not only the HSSD Members but also to protect the States as a whole for a major contract.

Thank you, sir.

50 **The Bailiff:** Deputy Le Lièvre and then Deputy Hadley.

Deputy Le Lièvre: Thank you, sir.

Members of the Assembly, I would say that Part V of the policy letter very accurately describes the views of most of the general public and many Members of this Assembly and it says:

'... the specialist health insurance scheme has been highly successful ...'

55 Actually, I would go somewhat stronger than that. We should try and remember the pig's ear that existed before the existence of the MSG. I worked in Supplementary Benefit during those times and for the Public Assistance Authority before that and I saw the issues where people could not pay for their secondary medical care and avoided, in some cases, going down that route. Let us not forget the value of what we have got in front of us, because we have become somewhat dismissive of its existence. We almost take it for granted. We *do* take it for granted. That is the more accurate statement.

60 Part V also says:

'HSSD and SSD consider that the community is generally satisfied with the quality of the secondary healthcare services.'

'Generally satisfied'! Well, the expertise of the MSG gave my mother an extra ten years of quality life, when her GP had written her health off; whilst the expertise at the MSG, of an MSG surgeon, saved my son's life. So yes, thinking about it, I have good reason to be 'generally satisfied'.

65 Part V also says:

'... HSSD and SSD consider that the proposed redesigned contract with the MSG will offer good value.'

Well, that is brilliant news, as far as I am concerned. Quality, affordable services, delivered by somebody you may need to get to know and who in turn will get to know you and your family. That personal level of medical care is massively important for assurance and comfort, both to the patient and the family.

70 It goes on to say that there is no 'significant difference' between States' employed specialists and the cost of the current scheme and that because of:

'... the potential upheaval to the current service at a time when there is general reorganisation within HSSD ... [this has] led both HSSD and SSD to conclude that at this time the redesigned contract represents less risk.'

Well, isn't that fantastic news? We can say, 'We can stay with the MSG at no extra cost and no added risk and at the same time maintain all these good things I have just mentioned.' This summary just keeps getting better and better.

75 Finally, it says:

'The proposed redesigned contract will, if agreed, offer a significantly different and much improved structure to those arrangements currently in place.'

The same paragraph goes on to say even better and more glorious things about the improved service and then ends up with what I consider to be the cream on the cake by saying:

'At the same time the proposal retains the highly regarded services of the current MSG consultants.'

This is just incredible! What brilliant news! What a brilliant summary! Because I said, 'finally', well it is not quite finally, because there is a little bit of sabre-rattling also in paragraph 130 which
80 actually says that, if the contract cannot be delivered by 30th June 2016 ... Now I know that is a soft target, but it is a target date. It has become a soft target date and now it is a soft target date that extends right up to December 2016. So you would question the need for the amendment, because that mentions the end of 2016, but I am beginning to question just what is a soft target date?

85 So what will happen to the highly successful insurance scheme? Will we get the same level of service provided through an in-house medical system that we get through the MSG? What will happen to the significant changes to the contract that will offer good value? Presumably these will all be wrapped up in the as yet undesignated, in-house medical provision. What will happen to the cost-neutral services that represent less risk? And, most importantly, what will happen to the
90 highly regarded services provided by the current MSG consultants? The words of HSSD, not my words.

Can we take any sort of guarantee that the services we currently receive, through the MSG, will be replicated in an in-house, PEH-based service, or wherever it is? It is difficult in my mind, if not impossible, to reconcile the glowing references and predictions contained in the conclusions and
95 summary with the soft target date of 30th June.

Now, I would say a soft target date was some time in the third quarter or possibly in the second half of the year or maybe even towards the end of the year, but not 30th June 2016. There is nothing soft about that. It is specific. It could not have been more specific unless it had said 10.32 a.m. on 30th June 2016. So, is 'soft' the middle of July or the end of August or maybe even
100 September or would it extend even as far as into October? We have now heard that it could go up to December. What is soft? When will the States know that soft time has run out and that the MSG is RIP?

Throughout the policy letter references are made to the general likelihood that the contract negotiations will be successful and we heard for ourselves yesterday from the Minister of HSSD,
105 'Every expectation is that the contract will be signed'. So, why am I not convinced that these assurances do not amount to little more than Deputy Fallaize's hill of beans? I will give you a number of clear reasons why this Assembly should exercise extreme caution about the soft target date. Firstly, the policy letter is peppered with references to the type of contract changes and enhancement that are going to be required. Some of these changes, enhancements, economies,
110 etc. will be quite minor, but not all could be or, indeed, will be. We heard very forcibly from Deputy Bebb and others that the existing contract is not fit for purpose. So we can expect that some issues will be major items of negotiation. Some will go smoothly, others less so, whilst still

others will be potential stumbling blocks or game changers. This is going to take time and lots of it and we know negotiations have not even started yet. The States has a very poor record of delivering on time, even when the soft target is softer than soft. In short, a completion date is far too short, even allowing for a flexible target date.

Secondly, between now and February we have not only the disruptive Christmas celebrations with consequent time away on holiday, etc., we have a shedload of States' business which is going to eat into Members' time. Furthermore, I suspect the partners at the MSG might also claim that they are going to be fairly busy during the colder months of this year and early next year, so arranging suitable face-to-face, meaningful negotiations in a spirit of mutual cooperation could come under strain.

Thirdly, there is the minor inconvenience of an election and, subsequent to this joyous affair, the delightful process of electing the teams that will conduct the business of the States. We cannot predict who will enjoy a successful election and who will not. Neither do we know who will achieve HSSD status in the next Assembly. So we can conclude that within just a few months of being elected, possibly as few as two or maybe as many as six or seven – as we have heard this morning, unless that of course is too soft – a committee that could have 60% new membership is going to have to decide whether it switches off a successful MSG, with its highly regarded Consultants who provide a service to the public that is acclaimed as being of general satisfaction. And we expect this from a new committee when *this* States of some three years standing had to select a special committee to deal with a pedestrian crossing and a States that promised milk and honey to the disabled and two years later delivered the best part of zilch per cent of zero. **(Two Members: Yes.)**

Finally, there will be the new States' Membership itself. Is one of the first actions of the new States going to be to switch off what *many* Islanders see as a primary quality service, delivered by quality players in a friendly and relatively efficient manner and especially so when they have not been directly involved in the lead-up to the final event? Remember, it is not going to be the present Minister of HSSD who delivers the *coup de gras*. And I would say to the Members of HSSD, 'Get real! This is not going to happen.' It is fraught with far too many difficulties, unless of course your soft target date is not a soft target date at all, but is in fact a deadline that is firmly drawn in the sand: a target that cannot be achieved, because the aim is not to achieve it in the first place.

Now, as conspiratorial as that sounds, it crossed my mind yesterday that this indeed could be the case when I heard the Minister of HSSD use the quite extraordinary reason why the target date could not be put back to December – that is a rock solid, firm concrete target date. He said that, 'To go for December, the policy letter reporting that matters had failed would have to be ready for August and therefore we would be no better off' or some such poppycock. Since when has this Assembly become so slavishly embroiled in process, that we would allow a Billet publication date to dictate the future of a major socio-economic policy **(A Member: Hear, hear.)** that impacts every member of this community from the as yet unborn child to the those who are about to depart this life? The mere suggestion that this could be the case is preposterous and in any event I do not think that the August date is valid. The new arrangements for the new States will change the way policy letters and the timing of policy letters are delivered. So that argument is completely and utterly spurious.

We all know that the contract could be extended. We have lost two years of negotiation and to put that right the contract would be simply extended by six months to a year or 18 months, if necessary, to give us the time to get this right; to remove the pressure and to ensure that this community retains the quality of medical care it has grown used to. Of course, we do not even have to do that at this stage. There are no signs that this is required. All we need to do is extend the soft target date and convert it into a slightly more robust date towards the end of 2016. No risk and no undue pressure on an embryonic board.

Please vote for the amendment.

165 **The Bailiff:** Deputy Kuttelwascher. Oh, sorry! I said I called Deputy Hadley, next –

Deputy Kuttelwascher: Oh, sure.

The Bailiff: – if he still wishes to speak. Do you?

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Deputy Hadley: There is no need for me to speak, Mr Bailiff, because Deputy Le Lièvre has said everything I would have said only so much better.

The Bailiff: Thank you. Deputy Kuttelwascher, then.

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Deputy Kuttelwascher: Thank you, sir.

Sir, I will support the amendment. One technical thing though: I think there are two Propositions in this amendment. I would like to see them taken separately. And I would have no objection, would be rather happy, if the first Proposition was now removed, because I think we are, most of us and the people who laid it, happy with the amended Proposition 1 which we now have.

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I would just like to comment on something Deputy Bebb said yesterday about 'We have to trust the five Members of HSSD to deliver on this'. Well, I would say that is only half the story. I would like to remind Members we are on our third HSSD Board this term, so our trust in HSSD political boards has been somewhat temporary, (*Laughter*) if we go by recent history. And that is a fact of life, whatever the reason. But I do not think it is the HSSD political Board that we have to be actually considering. It is the poor staff who have to deliver on what is being suggested. I have to say, at the present time, I am not sure they have the capacity to do that. That does not mean to say they are incapable, but they are so overloaded with work, especially in relation to the BDO Report about trying to deliver certain efficiencies. As for the capability, again, I have no idea if there is sufficient capability at the moment within the Department to actually produce an in-house framework for delivering these services, because not only have we had three HSSD Boards, we have also had quite a large turnover in senior staff. To me, I actually do not know whether they can deliver because, to me, they are still on watch, because we have yet to see delivery of some of these, shall we say, promised efficiencies and improvements. That has not actually happened. I know people are working on it.

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I think the real problem, for me, I have, at this present time, no idea what the cost of an in-house system or framework would be; what it would be. There is no detail on that and to present it as a potential opportunity at such short notice, I think is just not acceptable. So, I will wholeheartedly support the second Proposition and I urge Members to do that as well.

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Thank you, sir.

The Bailiff: Deputy Gollop.

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Deputy Gollop: Sir, if I say anything that gets any details wrong, I am sure Members will correct me if I unintentionally mislead people, as it is an extremely complicated situation we are in and we have already heard some rather robust speeches this morning.

When you look at the two parts of this amendment, the first we have to some extent covered and I did support that and I will explain the reasons why. It is not just because we need to conserve the integrity of the Medical Specialist Group as a viable provider of services, but there is another reason. I have sat on Social Security for the last three and a half years and indeed, at one point, before the current HSSD Board took office, there was a general understanding – I will put it no more than that – that a five-year rolling programme was the right way to go.

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I want to slightly correct something Deputy Kuttelwascher said. He implied that this Assembly did not want to continue the services of the two previous Boards. It was not as simple as that. They both voluntarily resigned for very different reasons and indeed in at least two cases, previous

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members of the Board are currently on Deputy Luxon's Board and it happened to coincide with changes in the persona of the Chief Officer, but that was entirely unrelated. So, if there had been nuances of differences, there is a broader picture here.

220 I think my problem more is: in Proposition 1 we have this new deadline of 1st January 2018, but in Proposition 2, we have effectively a deletion of Proposition 3 and the ending of the possibility of the new health committee introducing, with a certain amount of speed, in-house provision of surgical consultancy services. Now, one has to look at the bigger picture here and the picture here is, as Deputy Luxon said, willingness to go into – which has not begun yet –
225 negotiations with a very successful, very professional enterprise that we all respect: the expertise, the diligence, the capability of the surgeons are second to none and we are very lucky, as a community, to have that. But at the same time, at a time of financial restraint, we cannot have an open chequebook and we need to pay a fair amount for a fair provision of services. What worries me about this amendment and one or two of its predecessors is it potentially weakens the States' negotiating position in terms of enabling us to meet the ideal mutually satisfactory arrangement.
230 Surely it is common-sense that if the States fails to have a tender provision of anyone, whether it be the provision of sea services, bus services, whatever, running it in-house for a Government of this size is always a possible option. It is not necessarily the most desirable option. It is not necessarily the most efficient option, but it has to be a consideration, at least in the short to
235 medium-term. And we need to empower Health and Social Services Department and their successors with that option if there is a significant difference. Because sometimes the Medical Specialist group put across a very charming and public face – we all know their commitments, not just to excellent health, but to charities – but sometimes it is fair to say they do have a tough negotiating style and I think we need to ensure that our side has the same.

240 I am not speaking on behalf of HSSD – of which I have never been a Member – or SSD. I am just saying we need to be balanced in this and keep all options open, which is why I prefer the Propositions in the main policy letter.

The Bailiff: Does anyone else wish to speak? No.

245 Deputy Langlois.

Deputy Langlois: Thank you, sir.

Sir, I rise again to add some support from SSD on this. Whilst, obviously, the debate that has unfolded has not allowed us to meet as a Department, as it happens two Members of my
250 Department are also two Members of HSSD. So, if I really wanted to play the democracy game hardball, then I assume they are supporting what HSSD thinks and I make the third one. Well, in the particular cases we are talking about, I think that is a reasonable assumption. In the third one I make up the third one. That is not to marginalise either of my other two Members because, as you have just heard from Deputy Gollop, there is considerable pragmatic, sensible, straightforward
255 reason to support the Propositions as they stand in the Report and not to mess with them.

Now, before we get carried away with a spirit of emotive negativism and implied conspiracy theory that is being floated, about something going on which actually means that there is no intention to continue with MSG and we are all really planning behind closed doors to go in-house and so on, then can this Assembly today please use some sound, pragmatic common-sense in
260 relation to what we should not be doing in here today and that is compromising the position of the negotiating team who are making progress, who have made progress in early discussions and have gone through a considerable planning process.

In my experience – and I think, particularly on the negotiations side, I can claim some experience in various areas – the Project Board work has exceeded, in Government terms, virtually
265 anything else I have seen in my 16 years of States' involvement. It is working exceedingly well. It has got so many checks and balances in it that you would not believe it, but we have had to make progress very quickly and one of the reason we have had to make progress very quickly is because, when I took office four years ago and then started conversations with HSSD at the time,

with, as it happens, the proposer of this amendment, and then subsequently with another Minister and then subsequently with another Minister, the progress on this – bearing in mind there has also been changes of Chief Officer – has inevitably been slower than it should have. That has led to the situation where we need absolutely the sorts of staging points, the sorts of soft deadlines that have been built into the Report. And these have not been plucked out of the air, these have been arrived at by a serious team, looking at all the aspects and coming to this Assembly with a proper recommendation.

I am challenging the proposers of the amendment to say, are you seriously suggesting that the current HSSD Board and the SSD Board who have been involved in this are not attempting to build on the success of the previous contract, but at the same time to recognise that there must be opportunities for development? It is 15 years since that contract was put together. There have been developments in medicine; there have been developments in States' systems and so on. Now are you seriously suggesting that the two Boards are looking to make service worse as a result of this negotiation? Of course they are not, and therefore I would plead with you, sir, that Members do not ignore the reality of the present situation. We have a contract; we know when it ends – we do not ignore that. We have got a plan in place and we are saying to you let's proceed with that plan, but let's not ignore the reality that there has to be another option on the table if that plan falters.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, this amendment just adds more work. It was quite funny listening to Deputy Le Lièvre earlier talking about how a new Board coming in would have to make a decision very early, but we have said that decision is about where the negotiations are in June. That is one thing, but then he is actually saying, 'Well, that's not good enough. We actually want the new Board to go through the whole work that the previous Board has gone through, do exactly what they have done before, and they have got to come up to speed soon after an election as well.' So I think it does not make any sense what Deputy Le Lièvre's argument was on why we should have that particular amendment.

We have done an options' appraisal, as I have said before. It is not just, 'Oh, well, let's think about it. What do we do? What is the second thing we should do? Oh, I know: let's take it in house.' We have done masses of amounts of work, going through all the risks associated with that, all the impact that that could have and the mitigating circumstances around having the in-house option.

As I said before, we are committed to entering into a new contract with the MSG. We will know by June whether those negotiations are going to work. That should be where it is. Bringing in this extra work ... And where is the money going to come from? It does not say here about anything to do with funding. Perhaps it breaks Rule 15.2. I do not know, but I just do know that all it will do is create more work, repeating work that has already been done.

The Bailiff: Deputy Adam will reply to the debate on the amendment.

Deputy Adam: Thank you, sir.

I would like to start with the excellent speech by Deputy Le Lièvre. He encompassed his personal experience of the MSG and what it meant to him. He also stated redesigned contract, because this is less risk. It retains the services of the MSG consultants.

He also mentioned there is a bit of sabre-rattling: soft target date, 30th June. Deputy Soulsby has just said they have done all the work concerning the options, risk taking, taking the services in-house – they have investigated how easy that would be, or what the risks were of taking the services in-house. It also states quite clearly that it will be known by June if negotiations will be going satisfactorily with the consultations with the MSG. This is rather different from what the

320 Minister was saying: that June is a soft target and it can be extended. We are left with not being sure, with the Deputy Minister saying one thing and the Minister saying it is a soft target.

I think Deputy Le Lièvre's point –

325 **Deputy Soulsby:** Point of correction, sir. I think the Deputy Minister and the Minister were saying absolutely the same thing: the negotiations have not progressed sufficiently; we might be considering going in-house. We are saying if negotiations look like we are going to get there, we will continue. We are saying absolutely the same thing.

330 **Deputy Adam:** Thank you for that interruption, sir. *(Laughter)* As I clearly said, 'known by June if negotiations will be going satisfactorily' ... is what I said.

Also people have been saying 'every expectation the contract will be signed'. I hope it will be signed as well. If not signed, negotiations will continue to ensure that the teething problems are sorted out.

335 Deputy Le Lièvre also stated we have lost two years. We have lost two years on negotiation. Deputy Langlois stated that there are so many changes of Ministers it is not surprising that things have had to be moved along so quickly now. Could we extend the contract for an extra year or an extra two years, so that these two years lost could be regained? So I think Deputy Le Lièvre did bring up the major points concerning this and the general concerns.

340 Deputy Kuttelwascher dealt very succinctly with the issues of trust in HSSD Boards because, as he quite rightly said, I resigned and Deputy Dorey took over; he resigned and Deputy Luxon took over. Therefore, obviously, the latter two Boards did not have the support of this Assembly and they decided to resign. So is it not reasonable that we do have what has been called a protective measure, a safeguard, as described by Deputy Lowe – a safeguard on a major contract – and extend it to the year?

345 Yesterday, Deputy Fallaize spoke, and again he mentioned quite clearly the timeline. This target date is not just mentioned once in this policy letter; it is actually mentioned four times throughout it. Also, a lot of people have said 'Is it realistic to have a timeline of 30th June, after which consideration for Option 4 would proceed?' If we look at actually what is said in the Report, on page 2950, it states in the paragraph there:

'If negotiations are at an advanced stage, and the parties are confident that an agreement can be reached within an acceptable period, but not yet fully finalised, then it is intended to continue with those negotiations for agreement to be reached.'

350 That is what it states quite clearly. The trouble is it does not say what an acceptable period is. What Proposition 3 in this amendment states is ... It gives an idea of what it should be. It should be the end of the year, not halfway through the year, at the earliest, and one would hope they would continue on to that time. Deputy Fallaize has dealt with that measure. He mentioned Disability Strategy, he mentioned the ambulance service, indicating that it does take a
355 considerable time for negotiations to occur. We have lost two years. We require that time now to make sure the negotiations are progressed in a satisfactory, ordinary manner.

The other thing Deputy Kuttelwascher stated was ... He said it is not just a case of the political Board; it is a case of the staff situation. The staff have to deliver. They are much more involved in the work. He questioned whether there was capacity within the staff, because there has been such
360 a change in staff in that Department. They are going to be so overworked – I mentioned that in my own speech. Is it reasonable to expect them to achieve all BDO consultations suggested in relation to savings and transformation of HSSD services? Are we putting too much pressure on? If we then go on and say, if negotiations are not proving satisfactory, they will decide to go and produce it in-house.

365 And Deputy Gollop said, 'If this amendment is brought forward it weakens the position.' No, it does not; it gives HSDD better opportunities, more time to progress things and negotiate what is a sensible contract for the future.

Deputy Langlois ... Well, Deputy Langlois, I am slightly disappointed in your opinion of me. You suggest I do not recognise development in medicine. I think I do know something about medicine.

Deputy Langlois: Point of correction, sir.

The Bailiff: Deputy Langlois.

Deputy Langlois: At no time did I suggest that Deputy Adam did not recognise changes in medicine. I think that is easy to check from my speech.

Deputy Adam: Deputy Langlois said, 'The proposer and the seconder of the amendment may not recognise developing medicine.' It is what you said. You did not use my name, sir, but you said 'proposer' – I think my name is on the Proposition.

I do understand the problems in relation to this. I know how medicine has changed. I know this contract has to change; I know it has to be more flexible. I know we must be more ... think wider, don't be blinkered; think how we can provide services in a more cost-effective manner and value for money. I fully accept that. It is essential to ensure we contain overall costs of medical care in Guernsey *as much as possible*.

Sir, I therefore feel that, as I stated earlier on, the first Proposition in this amendment has been replaced. I supported it because I think it is quite sensible. It is a rolling five-year contract, basically with a clause at the beginning of that five-year period, and five years would be the length of time for the termination of the contract. So it gives stability and a sensible approach.

I ask you to support Proposition 3 to direct the Health Service. It is not because I do not trust the Health Service, but my fear that negotiations for a redesigned contract ... I hope they will not fail. I think it would be a sad day for the services provided to this community.

Deputy Luxon expressed positive intentions. To decide to continue with secondary healthcare provisions with MSG may be sincere but I fear that, as it stands, the outcome of the policy letter will be that SSD will precede direct internal provision of secondary healthcare. I also fear that option will be more difficult and more costly than the Report suggests and that such a service will struggle to offer the quality of medical service that the people of Guernsey have enjoyed over the last 20 years. At the very least, under my amendment HSSD would have to come back to this Assembly to explain why negotiations with –

I give way.

Deputy Fallaize: I am grateful to Deputy Adam for giving way, and I thought he was going to refer to this when he spoke about the timeline with regard to HSSD's Propositions. But does he not agree that, although we are talking about 30th June 2016, the key issue is the dates by which notice effectively has to be given, which is one year from now, more or less, and the date when the contract expires, which is two years from now?

Under HSSD's proposal, we are led to believe that there is time to open negotiations, negotiate, conclude that a deal cannot be reached with MSG, and then set up everything that is necessary to nationalise secondary healthcare. Does he not agree with me that it is not necessarily the 30th June date, but it is that complication in timeline that means that what HSSD is proposing is not credible and that, although his Proposition 3 is imperfect, it does at least allow the States to take a view in a year's time, if necessary, of what needs to be done in the event that negotiations do not lead to an acceptable outcome?

The Bailiff: Deputy Adam.

Deputy Adam: Can I thank Deputy Fallaize, through you, sir, for his comments. He is certainly correct in all that he has said and expresses it much better than I do and, as you say, the end of

420 the year, December, is when one would have to make a final decision concerning it. Whether that should be made by the HSSD Board or whether it should come back to the States ... I feel it should come back to the States and it should come back with other suggestions – either the option we have in this Report or the possibility of referring back to the Chief Executive of Estates, who has dealt with this issue to decide the options etc. There may be other possibilities. But this gives a safety valve, as Deputy Lowe has said, a protective measure. It does not, I believe, hinder your negotiations or tie your hands in any way.

Thus, sir, I would like to ask Members to support Proposition 3 and take that as a separate vote, as I believe the Assembly –

430 **The Bailiff:** No. The amendment can only be voted on as a whole. Is the Procureur going to ...? That would be the normal procedure.

The Procureur: It is not for me to challenge your ruling, but other Members ... at least one other Member has indicated a wish to take these separately, and the way that it is set out, there are two really quite separate amendments which have been dealt with at (1).

435 If Deputy Adam had come to me in the first place and said, 'These are actually quite separate – I'd like to put them on two pieces of paper,' I would have put them on two pieces of paper. They are really two amendments on one piece of paper, and if it is the wish of the Assembly to favour one rather than the other, I would suggest that consideration be given to obliging that wish.

440 **The Bailiff:** Right.
Deputy Fallaize.

Deputy Fallaize: May I ask what the difference is materially between Proposition 1 as it stands now and Deputy Adam's new Proposition 1? Could the Minister just explain what the difference is, please?

The Bailiff: The Minister has ... If that is going to help Members ... The Minister has already spoken. Deputy Adam is still on his feet. Perhaps he could explain what he sees as the difference.

450 **Deputy Adam:** I will give way to you.

The Bailiff: Oh, he is giving way to the Minister! *(Laughter)*

455 **Deputy Luxon:** Which also allows me to make a point of correct, sir, thank you.

The difference is that the amended Proposition has been approved. It gives a rolling contract with a five-year notice period. Deputy Adam's amendment simply talks about a rolling contract with no definition. I made the point 'a rolling contract' can mean many things.

460 My point of correction, sir, while I am here: halfway through Deputy Adam's speech he said, 'And of course we can always negotiate an extension of the contract.' Well, sir, I spoke to the Chairman of the MSG this morning to remind myself that that which they told us throughout the discussion period ... and the MSG absolutely would not want to see an extension to the current contract. For them, their business model and models are already shaky, and any extension is not something they would find attractive. So it may be an option, but it is not an option that either the Joint Boards or the MSG would welcome.

465 **The Bailiff:** So you would like –

Deputy Adam: Sir –

470

The Bailiff: Sorry, have you finished your speech, Deputy Adam? Is there any more you wish to say following that giving way?

475 **Deputy Adam:** Yes, sir. I would just like to add that, obviously, when I put forward this Proposition I did not know at that time, concerning Deputy Luxon's Proposition on the rolling contract, and that is why to me it would be reasonable for that one to be considered separately to the other one, which is in contention with what HSSD wishes.

480 He mentioned he has spoken to the MSG concerning extension of the contract. That is fair enough. I have not spoken to the MSG. But he also mentioned the fact that the business case for the MSG ... and we can also remember that if we do not have that rolling five-year contract then you have the risk factor of employing new consultants.

Sir, I ask for the Assembly's support for Proposition 3 of the amendment.

485 **The Bailiff:** If it is the wish of the Assembly to take the amendment as two amendments, then in the light of the advice from HM Procureur I am minded to say that that is permissible.

Can I just say that when Members are drafting amendments in the future, could they please give some thought to whether they are moving it as a single amendment or as a series of amendments that can be voted on separately.

490 So we vote, first of all, on the first part of the amendment, numbered – Sorry, Deputy Lowe.

Deputy Lowe: Sir, I was going to ask if I could have a recorded vote on number 3.

495 **The Bailiff:** A recorded vote on both parts? On both amendments?

Deputy Lowe: No, just on 3, please. Well, 2 and 3. You need 2 to delete the 3.

The Bailiff: The amendment is in two parts. The first part substitutes –

500 **Deputy Lowe:** It is the second part, sir.

The Bailiff: – a new Proposition 1, and the second part substitutes a new Proposition 3.

505 We vote first on the first part of the amendment, that substitutes a new Proposition 1, and there is no request for a recorded vote. Those in favour; those against.

Members voted Contre.

510 **The Bailiff:** I declare that amendment lost. Then we vote on the second part of the –

Deputy Le Lièvre : Sir, could we have a recorded vote on the second part?

The Bailiff: That has already been requested by Deputy Lowe. *(Laughter and interjections)*

515 We now have a recorded vote on the second part of the amendment, which, for the benefit of anyone listening at home, is to delete Proposition 3 and replace it with the following:

'3. To direct the Health and Social Services Department to report to the States with any recommendations it considers necessary in relation to the future provision of secondary healthcare if by the end of 2016 it appears to the Department that negotiations with the Medical Specialist Group are unlikely to lead to an acceptable five year rolling contract based on the objectives set out in paragraph 15(a) of that Policy Letter.'

Greffier.

There was a recorded vote.

The Bailiff: We will get the formal result of that vote in a moment.

In the meantime, we move on with the next amendment, to be proposed by Deputy St Pier.

Deputy St Pier.

Amendment:

To insert immediately after 'that Policy Letter' in Proposition 1: ', delivering the key benefits of the redesigned contract set out in Part II of that Policy Letter, including a single governance model with an additional independent complaints process beyond the existing internal complaints process, and for the MSG to report on all complaints as part of that single governance model, with the direct and indirect costs of handling and investigating complaints to be borne by the Medical Specialist Group'.

520 **Deputy St Pier:** Thank you, sir.

I do not propose reading the amendment, sir. I will explain it in my brief speech.

Before I begin, I should declare an interest under Rule 12.8. My wife and I do have an extant complaint in respect of MSG services and therefore I speak with experience of the current complaints process and as an interested service user.

525 I would like to thank Deputy Brehaut for seconding this amendment, and I think also my understanding is the Department are supportive of it too, and if that is correct I am grateful to the Department.

530 Sir, this amendment comes in three parts. It has three objectives. Firstly, the current Proposition 1 says that the new contract will be based on 'the seven objectives set out at paragraph 15(a) of the Billet', and these are fairly broad and generic objectives; whilst at part 2 of the policy letter, which is paragraphs 45 to 95 on pages 2959-67, we have far more specific indications of HSSD's intent in relation to this contract.

So, for example, at paragraph 58 we are told:

'The redesigned contract must therefore include KPIs that are linked to measurable outcomes to ensure that MSG delivers improvements in the quality, clinical outcomes for patients and patient experience.

59. The HSSD Board propose to achieve this by embedding a range of measurable KPI and contract objectives into the redesigned contract.'

At paragraph 66:

'MSG will also be required to actively support the increased integration between Health and Social Care services.'

535 At paragraph 74:

'In the redesigned contract, it will be essential to quantify and prioritise new service development based on the health needs of the community...'

At paragraph 84:

'MSG will be required to provide data reporting on service outcomes.'

and so on. So, in short, the policy letter, in essence, promises lots of improvements from the new contract, and this amendment is simply intended to embed the delivery of those benefits in the new contract.

540 Sir, the second objective of this amendment is to ensure that a single governance model is delivered through this contract negotiation process.

At paragraph 61 in the policy letter we are told:

'The new MSG contract and working practices in the hospital will include the transition from a "joint" governance arrangement to a single governance model.'

What I am seeking to do with this amendment is to ensure that there is no ambiguity and that there will be a single governance model following a successful renegotiation of the contract.

545 Thirdly, and finally, sir, this amendment seeks to ensure that there is an independent complaints process with the costs borne by MSG. The current complaints process is not independent and I do believe that the Government does, or can, end up carrying some of the cost burden of complaints being investigated against MSG, which does not feel right.

550 Sir, I hope that this amendment is uncontroversial. I think it will improve and strengthen HSSD's negotiation hand and I ask the Members to support it, sir.

The Bailiff: Deputy Brehaut.

Deputy Brehaut: I rise to formally second, sir.

555

The Bailiff: You formally second.

Amendment by Deputies Adam/Le Lièvre:

Not carried – Pour 21, Contre 24, Ne vote pas 0, Absent 1

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Fallaize	Deputy Duquemin	None	Deputy David Jones
Deputy Laurie Queripel	Deputy Le Tocq		
Deputy Lowe	Deputy James		
Deputy Le Lièvre	Deputy Perrot		
Deputy Spruce	Deputy Brouard		
Deputy Collins	Deputy Wilkie		
Deputy Green	Deputy Burford		
Deputy Dorey	Deputy Inglis		
Deputy Paint	Deputy Soulsby		
Deputy Adam	Deputy Sillars		
Deputy De Lisle	Deputy Luxon		
Deputy Quin	Deputy O'Hara		
Deputy Hadley	Deputy Harwood		
Alderney Rep. Jean	Deputy Brehaut		
Alderney Rep. McKinley	Deputy Domaille		
Deputy Kuttelwascher	Deputy Langlois		
Deputy Robert Jones	Deputy Le Clerc		
Deputy Sherbourne	Deputy Gollop		
Deputy Lester Queripel	Deputy Conder		
Deputy Le Pelley	Deputy Bebb		
Deputy Trott	Deputy St Pier		
	Deputy Stewart		
	Deputy Gillson		
	Deputy Ogier		

560 **The Bailiff:** I can announce the result of the vote on the second part of the amendment proposed by Deputy Adam and Deputy Le Lièvre. There were 21 votes in favour and 24 against. I declare that part of the amendment to be lost.

Deputy Luxon.

Deputy Luxon: Thank you, Mr Bailiff.

565 Very briefly, sir, the Joint Boards of HSSD and SSD, through the Project Board, are supportive of this amendment in that it simply takes the proposals that we make in terms of aspirations within part 2 and puts those into a resolution of the States to direct us to achieve those.

The single governance model is essential to further enhance patient care.

570 Regarding the complaints process, although MSG do have an internal complaints process with the ability to move to an external complaints process, again, refining that through the single

governance process, including the reporting of complaints in terms of full transparency, makes sense.

So we see nothing with this amendment that is of any concern to the Department or the negotiations. I will be supporting it.

Thank you, sir.

The Bailiff: Deputy Hadley.

Deputy Hadley: Mr Bailiff, I think it is worth, at this point, looking at the figure of 92 complaints against the MSG, which is mentioned in the Billet. In fact, the number of complaints made is tiny when set against the 75,000 patient contacts, and is around one in a thousand. But if you look more closely, of the 92 complaints, 8% were regarding off-Island treatment; 3% due to cancelled operations, when HSSD could not provide the beds; 10% were due to charges – and this is often because patients did not realise that, in addition to a fee for private treatment by a consultant, there is usually a very much larger fee made by HSSD for use of the hospital facilities. This leaves some 73 complaints, many of which will be unfounded.

As a member of the Board of HSSD, I have looked at the complaints made against both MSG and the HSSD and, in fact, when you look at the complaints, only a very small percentage of complaints are found to be justified. So the actual number of justifiable complaints is one in several thousand. It is a tiny number, especially when set against the much larger figure of 207 compliments which are mentioned.

It is interesting that Deputy St Pier, who has never been involved in the management or political oversight of HSSD, has come to the conclusion that the present way of dealing with complaints is inadequate. He acknowledges that many of the complaints would be dealt with by the existing governance model, leaving a very small number of unsatisfied complainants, and to deal with this tiny number he suggests the equivalent of a community health council or health ombudsman.

It is not surprising that, having suggested this body, he wants someone other than the States of Guernsey to pay for it, but there are a number of points that need clarifying. He suggests all of the costs of investigating complaints against the MSG should be paid for by the MSG. Now, at the moment, when complaints made against HSSD are investigated, the MSG management consultants and staff often help with the response and have never asked HSSD to pay for any of the costs. So, perhaps, should they now do so? And, again, is he expecting the Medical Specialist Group to pay for the vast majority of complaints which turn out to be unjustified and in many cases are frivolous?

Now, the HSSD themselves employ some excellent doctors, psychiatrists, radiologist, a pathologist. Is he expecting the doctors themselves to pay for the cost of complaints against them? Now, he might say of course that, as HSSD is the employer, you would expect the employer to pick up the cost of those complaints. Well, then, I would like to pose the question about private income, because the radiologist and pathologist undertake a considerable amount of private work, which is to the considerable finance benefit of HSSD. Is HSSD going to cover the costs of complaints against HSSD doctors when they undertake private work? Again, will this independent complaints authority also deal with complaints against primary care?

Finally, I would like to know where this new independent complaints authority would sit. I assume it will deal with all complaints, whether against the MSG, HSSD or primary care, including non-medical staff and also doctors doing private work within HSSD premises. I assume they will have to be found premises away from the institutions that may be the subject of complaints. And again, what qualifications does he expect the secretariat of this new body to have? They presumably will need to be fairly well qualified –

Deputy St Pier: Sir, a point of correction.

The Bailiff: Deputy St Pier.

625 **Deputy St Pier:** That is the second time that Deputy Hadley has referred to a secretariat or some kind of health council or ombudsman. I did not refer to that at all in my speech. He is imagining this entirely.

A Member: Hear, hear.

630

Deputy Hadley: Well, in that case, Mr Bailiff, I think when he sums up Deputy St Pier needs to explain who is going to look at these complaints, because clearly it cannot be the people who are being complained against.

635 The amendment, to my mind, is therefore ill-thought-out and likely to be costly, because it would seem unreasonable to charge doctors for handling complaints which are unjustified and in these cases the charge would seem to fall on the authority and ultimately the States of Guernsey. The number of serious complaints is trivial and to introduce this amendment, to set up another tier of bureaucracy, seems to me to be heavy-handed. To claim, therefore, that it is no financial cost shows a naivety which I would not have expected from the Treasury Minister.

640 So, I urge Members to vote against this amendment.

The Bailiff: Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

645 Sir, I am going to support this amendment. I think what it is putting forward and proposing is necessary, sir, not only to deliver or help to ensure the delivery of the anticipated key benefits, but because I think an independent, robust complaints process is absolutely vital when a business providing a service has a captive or cornered market in a small community.

650 Sir, normally at least one of the ideas of outsourcing a service and one of the intentions is to share the risk, to share the responsibility. Now, under this present contract – and I think it has been acknowledged by all parties involved – the MSG have got off quite lightly in regard to sharing risk and responsibility and being accountable and having to adhere to aims and objectives. I think I am right in saying – and a Member might correct me if I am wrong, sir, but – the only objective they have to adhere to at the moment is in regard to waiting times. The Report
655 mentions all these issues. There is not a single joined-up governance model, which at times has meant that the right hand, being the HSSD, has not known what the left hand, the MSG, is doing, resulting in problems and an inefficient use of resources and facilities and *some* less than satisfactory outcomes for patients. I think the Report refers to that, sir, if you look at page 2955, paragraph 28. I will not read it all, but from the fourth line down, about half way through, it says:

‘... HSSD’s objective to build better healthcare, including a requirement to improve service quality, safety, clinical effectiveness and patient experience.’

660 It must be the case, then, sir, that the healthcare at the moment and the service is not as good as it could be.

Now, on page 2965, sir, in paragraph 82, it says this:

‘The specification of the treatment of medical conditions for Guernsey patients are not identical to those in the NHS and have evolved over time as services have developed. This sequencing of treatment from the start until the end of treatment is known as ...’

– and this is the important bit –

‘... the care pathway. Some problems in the management of these pathways have sometimes resulted in waiting lists for patients and also patients being referred for potentially clinically inappropriate treatments.’

So, once again, sir, clearly there is something of a problem there.

665 Now, sir, in particular regard to the need for an independent complaints process – now, I am absolutely sure and I agree with Deputy Hadley in regard to this – the vast majority of people who pass through the hands of the MSG have received excellent service and have achieved satisfactory outcomes. But I have heard from a few people, sir, who have undergone procedures and the outcomes have not been satisfactory and they are now dealing with the consequences of that.
670 And there is a cost to that, sir, and it is a multiple cost. The first one is the quality of their lives: the restrictions that have sometimes been imposed upon them physically because of the outcomes of those procedures and of course the effect on their wellbeing. But there is another cost – and Deputy St Pier alluded to it – that is the cost to the States, sir, and as far as I can work out that costs falls upon HSSD, it falls upon Social Security and it falls upon T&R. Those costs take many
675 forms: benefits for people, sometimes the provision of materials or special equipment, lost revenue to T&R because the people do not return to work as quickly as they might do. Some will not return to work at all. So, in a roundabout way, there is a cost to the States and in a roundabout way the States are accepting liability, picking up the tab.

Now, sir, some of these people, not all of these people, have accessed the existing complaints
680 procedure, but have ended up feeling that they are involved in a war of attrition; that they are not being taken seriously; that the issue is being deflected or evaded and that there is no meaningful way to hold the MSG to account and they have basically given up, sir, and accepted their lot. Now, that cannot be right. So, the effect of this amendment is required, not only to ensure that the key benefits of the new contract are delivered, but to give the few people who need to access the
685 complaints procedure confidence that that procedure is independent, robust and fair.

Thank you, sir.

The Bailiff: Deputy Brehaut and then Deputy Fallaize.

690 **Deputy Brehaut:** Thank you very much, Mr Bailiff.

Can I say, just to echo the sentiments of Deputy Le Lièvre in his last speech, when I was on the HSSD and in discussions around the MSG contract, the phrase was used, numerous occasions, ‘Do you stick with the devil you know?’ And I posed the questions, ‘Well, why are they the devil?’
Because actually the MSG working relationship with HSSD has to be hand in glove; it has to be
695 that close working relationship. But sometimes I felt, unwittingly, the MSG stumble into situations, not perhaps in the clinical area, but outside of the clinical area, because what they do, they do very well. But it is when things do not work and things unravel that you have not got ... You have the exceptional clinical care, but you then do not have the all-inclusive user experience, if I could put it that way, that has the same focussed attention that the individual, that the client, that the
700 patient does on the ward.

Now, I would say to Deputy Hadley that 92 complaints *only* shows that the process itself is failing and it fails because of common knowledge. It fails because of your friend, your family member’s experience: that they know, as illustrated by Deputy Queripel, that first of all you are angry and you are upset because you feel that you perhaps have not been cared for in the way
705 that you anticipated being; then you meet that wall of formality that you cannot get over, because you have to process a complaint. And that is a bold decision to take and of course you are challenging, perhaps, the professional judgment of somebody who has been doing the job for 25 or 35 years and this is your first experience. So, perhaps it was you at fault and perhaps you should not pursue it any further. So whatever we can do to make that easier, is something that we
710 should do.

Now, I think two areas here, actually, overlap. Improvement in governance should ultimately lead to less complaints and we also need to distinguish between complaints and what the Medical Defence Union do, which of course is meet claims against practitioners. It pays significant sums of money in compensation to people for when mistakes have been made. These things do not
715 become complaints because they are dealt with, perhaps, at a higher level.

I swore I would never do this again, but I am going to do it, perhaps, for the last time. (Laughter) 6th August, my son was ill and that was at 3.30 in the afternoon. Nine o'clock the next morning, he was in intensive care in Southampton. He had a lifesaving operation. I have the absolute admiration for the work that everyone does, both at the MSG, States' employed Consultants and everyone. I actually want to help them improve what they give to this community and I think this amendment, if you like, will save them from themselves and produce the outcomes that we all want to see.

So, please support this amendment.

Thank you.

The Bailiff: Deputy Fallaize and then Deputy Green and Deputy Burford.

Deputy Fallaize: Sir, in arguing against the amendment, Deputy Hadley said – and I think I have got this right – 'The people who are being complained against, cannot be the ones who investigate the complaint.' But, is that not the whole point of the amendment, because that is precisely the process which is in place at the present time? It is generally recognised, even by those of us who take a different view from HSSD in the totality of the policy letter, that the present contract is weak in all sorts of areas and oversight is perhaps the area where it is weak most of all and that does extend to the complaints procedure. I know this partly from having sat on cases that have come before administrative decision review boards – where HSSD have found themselves having to be held responsible for weaknesses which have arisen in their third party service provider – and also from parishioners who have reported to me. And I have looked into cases in quite some detail where their complaints have not been dealt with adequately. This needs to change and there is an opportunity for it to change as part of the renegotiated contract. So, this seems to be an ideal opportunity.

I suppose the approach I would take is to provide the service provider with as much security of tenure as possible – which is really why I have taken the position I have up to this point in the debate – but to make as many demands as possible in the renegotiated contract. I do not think we are going to get as much out of them as we could, if we do not provide maximum possible security of tenure.

Now, in terms of – one final point – the direct and indirect costs of handling complaints being borne by the MSG: well that is okay as far as it goes but no doubt, if this now becomes a States' Resolution, the MSG will bear that in mind when they go into contract negotiations and I suspect that they will probably try to ensure that provision is made for that in the value of the contract. So, it may make us feel quite good in the short-term, I am not sure it will achieve much in the long-term. We will probably, one way or the other, or the patient through the Social Insurance Scheme, will end up bearing the costs of the MSG handling and investigating complaints in any event.

But this is the kind of thing which needs to be rolled out across the States. We are in desperate need, I think, of an ombudsman type system to investigate complaints made against States' Departments generally, but that is clearly some years off. But in respect of this very significant contract providing a very important service to the people of Guernsey, an independent complaints process makes perfect sense, (**A Member:** Hear, hear.) so I will support the amendment.

The Bailiff: Deputy Green.

Deputy Green: Sir, yes.

Like Deputy Fallaize, I agree with the need for an independent complaints process for this contract. But what really brought me to my feet was something that Deputy Hadley said. I have a lot of sympathy for this amendment. I think in the ordinary course of things I would almost certainly support it, but there was just one aspect which Deputy Hadley referred to which I have just been brooding on for the last few minutes and it does trouble me. So, I am going to have to ask Deputy St Pier to deal with this when he sums up at the end, which is I think the wording of

this amendment is probably too much of a blunt instrument in terms of the costs. The particular part of the wording and I quote:

‘... with the direct and indirect costs of handling and investigating complaints to be borne by the Medical Specialist Group.’

770 That is very wide and the point that Deputy Hadley made was, ‘Why should the MSG have to bear all of the costs in relation to complaints, including those which have no merit, including those that are unjustified?’ There is something in that that offends natural justice, I think. I think it is too much of a blunt instrument. No doubt that can be dealt with, but in terms of the actual wording of this amendment, I have a slight problem on that basis.

775 Certainly I support, strongly, putting the governance on a more modern basis. It is a substantial public contract. It has to be allied to an independent complaints process. I completely accept the logic of that and would support that very strongly. I would suggest any system would benefit from having a quite a light touch in general in terms of administration, but nonetheless that has to be right. But I am concerned about the point that Deputy Hadley made and I hope that Deputy St Pier can deal with it when he sums up.

780

The Bailiff: I said I call Deputy Burford next.

Deputy Burford: Thank you, sir.

785 I do not have much to say now, actually, because Deputy Laurie Queripel really covered all the points extremely well.

I am not really sure I agree with Deputy Green on this natural justice thing, because I think people generally do not make spurious complaints. People do not tend to waste their time just to get involved –

790 **Deputy Green:** Point of order. I did not say ‘spurious’, I said ‘without merit’ or ‘unjustified’.

Deputy Burford: Alright, meritless or unjustified complaints. *(Laughter and interjections)*

795 I was pleased to hear of Deputy Le Lièvre’s experiences of the MSG, but unfortunately they do not match mine and I personally had the misfortune to find the in-house complaints system to be completely inadequate. So, I strongly welcome this amendment as being absolutely essential.

Thank you.

The Bailiff: Deputy Stewart and then Deputy Bebb.

800 **Deputy Stewart:** Sir, fellow States’ Members.

I will be supporting this amendment wholeheartedly, I think for the very reason that Deputy Brehaut raised, which this actually protects MSG from themselves. It helps them, because it is just poor governance for them to be investigating complaints against themselves. I think there are two

805 hugely important things in our lives: our financial wellbeing and our general wellbeing. This Assembly took the very good decision to put in place a Financial Ombudsman, so that those that have complaints against financial institutions who they feel have not handled their finances well, they now have someone to go to that is independent. It is that buffer between going all the way to a legal remedy, to having a fairly simple process to deal with perhaps what is a minor or a

810 medium complaint.

So, I think this is good governance. I think it is in-line with previous States’ decisions and I think it will also be of benefit to MSG.

And I think, to pick up on Deputy Green’s point, the industry is paying for the Financial Ombudsman. It is normally in these cases: industry to pay. So I do think it is also fair that MSG

815 should pick up the bill as well, sir.

The Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, Monsieur Le Bailiff.

820 I will only talk in relation to the financial aspect that Members have actually raised. I think it fair
to say that, when a complaint is levied against an MSG Consultant, that the costs pertaining to
that investigation is borne by MSG but equally, when a complaint is made against HSSD, let us not
825 imagine that this does not take up some of MSG's time as well. I would not be surprised that in
equal terms it would be expected that HSSD bares the full cost of those complaints. But I would
not say that that concern should be any reason not to support this amendment, because it will
come out in the wash, in the negotiations, but it makes clear, the complaints against MSC, the full
cost, should be borne by that. I think that that is perfectly acceptable and, equally, when
complaints are made against HSSD, where some investigations are required by MSG, HSSD will
830 need to contribute somewhat in order to actually deal with that contribution. It is fair, it is
equitable. Admittedly the amendment only deals with one side of it, but of course the contract is
the only one side of it. Therefore, I think there is no merit of concern in relation to the cost aspect
of this amendment.

Thank you.

835 **The Bailiff:** Deputy Langlois and then Deputy Inglis and Deputy Wilkie.

Deputy Langlois: Thank you, sir.

Briefly, I will be supporting the amendment.

I think there has been some exaggeration in the emotive side of how the problems, the current
840 issues with complaints, have been expressed, but there are issues with the extent to which people
feel a freedom to complain. They are well known and I have dealt with a number of them, certainly
from people who have approached me and then said, 'Well, the main reason I am telling you
about this and I would really like you to do something about, but do not mention me, because it
is a problem.' And that is quite an unusual position to be put in.

845 There is a general perception – and I am afraid people in the profession have to acknowledge
this ... There is fear about complaining, because of the possible effect on future service. And this is
people who, whether they have been cured or not; whether they feel that they have completed
their treatment, are fully aware that they could have cause to have other contact with the
organisation and so on.

850 Sir, this is not unique to the medical profession. Any of us who have worked in a service area
have experienced this. If you take the example of education, I dealt for many years with students
who ... Inevitably a lecturer or a teacher and a student do not always get on together. There are
always situations where people do not see eye to eye. Then, in many cases, students find it very
difficult to make a complaint, because ultimately the assessment process means that they are
855 complaining about the person who is doing the marking (**A Member:** My son!) and that is a much
more direct link and so on. So, there are issues in that sort of area.

I generally stand up here and object to any disproportionate move in relation to a small place
like Guernsey and setting up new structures and it was mentioned by Deputy Hadley, sir, and I do
understand the point that he has made there. Therefore, the one thing I would put in a plea for:
860 that in this case I think what is being proposed is justified, but can we please make sure that there
is a practical and proportionate design to what is going to be put in place.

The Bailiff: Deputy Inglis.

865 **Deputy Inglis:** Thank you, sir.

I am sure all Members have observed the glossy brochure that has been sent round and it
does, as Deputy Hadley said, record the fact that there were '92 written formal complaints'. It says
that it is '56% up on 2013'. What I find rather strange is that they have now started assembling

870 data which they have not been recording in previous years. Deputy Hadley talks about various areas and the analysis of complaints, but clearly he forgot to mention that 63% of them were clinical, which would probably be covered by what Deputy Brehaut was talking about.

875 Sir, I am supportive of this amendment. I think that it is important that an unbiased ability to go and talk to somebody about a complaint is very important. It takes a very strong person to face up to the hierarchy of the medical profession who, let's face it, a lot of people seem to feel that they walk this earth in a god-like appearance that one does not want to question. (*Interjection and laughter*).

880 One thing I would like to investigate, as well, which I am sure will come out, is they talk about 53,000 patients that they have seen. To only have 92 complaints I find is quite alarming and they clearly do not indicate the uniqueness of those patients. It could be the same patient coming half a dozen times and complaining and not getting anywhere.

Sir, I feel this is the right way to go. It will give comfort to people who have sat back in previous situations and I am sure a lot of Members will have been approached. I have certainly been approached and have advised people the best way to deal with it.

885 So, please Members, support this amendment.

The Bailiff: Deputy Wilkie.

Deputy Wilkie: Thank you, sir.

890 I will be supporting this amendment. As Disability Champion, I probably deal with the MSG complaints process more than most. The system is a tortuous, over-complex system and I have cases that have been going on for years and years. One of the things that honestly surprised me is some of the people coming for help from me are very smart, very intelligent people who actually have a background in social care. Now what is worrying is, if those people cannot find a way through the system, then what chance has anyone else got?

895 I absolutely support this amendment. I think it needs looking at. I think the point by Deputy Green: if you have a private business and there is a complaint against you, you bear the cost of that. You have to investigate whether it is a valid complaint or not, so I cannot see why that should be any different to the MSG.

900 **A Member:** It certainly is.

Deputy Wilkie: So, I would ask everyone else to please support this amendment.

The Bailiff: Next, Deputy Lowe, then Deputies Adam and Robert Jones.

905 **Deputy Lowe:** Thank you, sir.

910 I think everybody will support an independent process, because that is right and proper, but it does raise some questions for me, because what power will this independent body have? Who will select this independent body? If the MSG are paying for it, I guess they are going to want to be the ones that will appoint them and yet we would not have any say in it, I guess. That is a question that I would like answered. Also, the outcomes so that, if a complaint has gone to them, what clout or power does this investigative, independent body have against the MSG when it comes back? What ramifications would that have on the contract? Would it have any ramifications on the contract, which is the contract of the States, not this independent body?

915 So, I do think it raises some questions for me, because if you do have a complaint – and again it talks about all complaints, when I know that many complaints that you receive are because you have to wait too long or it is out of contract time or they have not been able to have their operation because of HSSD rather than the MSG, because there is not enough beds and all the other issues that have gone on in the past. But it says here that they will look at all complaints, so
920 would you actually ask that independent body to look at that, when actually it is the States that

have caused that problem? Would that be right and proper: that the MSG has to pick up that bill for somebody who is complaining about having to wait too long, through no fault of the MSG?

925 So there are issues like that but equally, if it is on the clinical side, well of course you already have the General Medical Council, which is the body that you can complain to already and anybody can complain to that and they do. So why would we want another body again – and they are independent – to be looking at a complaint that you have got a route you can go to?

So, I am not really sure to be honest. Again, if it is a complaints body, will it be through legislation here? Will it be a new quango that we are going to formulate on behalf of the MSG? There are lots of question for me on this one.

930 Yes, definitely it is good to have an independent complaints procedure, which is nice and easy if it is the States, but this is a third body. This is somebody we are contracting to, so it is going to have to fit very tightly into the contract and that in itself, just even some of these questions, let alone people that are working on it ... Allow a bit more time for this contract to be agreed between both bodies because, if you are throwing something like this in and you are already
935 against the clock, you are going to have an awful lot longer even again, I would suggest.

The Bailiff: Deputy Adam, if you still wish to speak.

Deputy Adam: Thank you, sir.

940 Yes, my main comment is, firstly, Deputy Stewart was saying that private business should cover the cost of the thing, but why should MSG pay for complaints that are caused by HSSD (**A Member:** Same.) because it seems to cover everything?

The other thing he also said, 'It is poor governance to investigate the complaint yourself.' I assume that will apply to HSSD as well. So, you will have to set up a separate body so they can
945 investigate independently either of HSSD or MSG, because HSSD has had many, if not more complaints. Sir, without being unkind, there are more areas they can complain about with HSSD compared with MSG.

Deputy Brehaut mentioned the potential litigation aspects and some people start making complaints which in actual fact may in future be involved in litigation. So I would ask who is going
950 to assess these, because doctors cannot reply to things that are potential litigious issues, and people have to accept that. Likewise, law officers will not reply to things if there is a potential case concerning a situation of someone who has phoned up and said, 'Look, I'm complaining about some aspect of Children's Services.' Law officers cannot take it any further.

So, the first thing: what are you envisioning being set up? What type of committee, board or
955 structure? Are you saying that MSG pays for the whole lot, or that MSG just pays for the complaints that are investigated, directed to them? What happens with complaints is they are sent to HSSD – there was a lovely lady who looked after the complaints area; she knew all the favourite people who complained routinely – they are looked at and it is then decided are there aspects of MSG or are there aspects of HSSD, and each Department has to be looked at by the individual
960 things. MSG, likewise, would look at something and say, 'Well, there is a lack of beds.' That is not their fault, so they will say to the person that that is not their fault: 'Sorry it's a situation, there's been a flu epidemic and the beds are filled with medical patients.'

Therefore, in some ways this is very simple and attractive, but in other ways I think you have to define much better what you are expecting. Are you expecting an independent ombudsman-type
965 situation, or what? Because the only people who can investigate what happened are the people who have access to patients' case notes, and that is the consultants - no one else, independent, unless they have got the permission of the person who has sent in the complaint. And that is why, Deputy Wilkie, you get this is rather tortuous, because if I ask about a patient or a parishioner who has complained about something, I have to have a letter from them to me, saying I have got
970 permission to make that enquiry. It is called data protection and it causes many more problems –

Deputy Wilkie: Point of correction, sir.

The Bailiff: Deputy Wilkie.

975 **Deputy Wilkie:** I was not talking about data protection, or anything about that. I was talking about those people having a tortuous time going through the process and spending years in the process before I even got involved.

980 **Deputy Adam:** Sorry, sir, through you – I think, Deputy Wilkie, that why one is a tortuous process concerning Deputies trying to get information is because of data protection, not the individual. The individual should be able to have access to the case notes etc.

So, unless Deputy St Pier can explain what he is actually meaning by this amendment, I find it difficult to support it, because, as Deputy Hadley suggested, you may have to have a whole system.

985 Deputy Langlois said things have to be proportionate, but he did not go on to say what his proportionate system would be.

Also, Deputy St Pier mentioned two other things. I just wonder if he could expand on them. He mentioned aspects of ... Yes, paragraph 58, KPIs. I do not know why he bothered mentioning it, because I am sure he realises how extremely difficult it is to work out KPIs:

‘improvements in the quality, clinical outcomes for patients and patient experience.’

990 Could you expand on that and let me know exactly what you mean, or just accept you are reading something from a text. And increased integration of Health and Social Services ... The problem with a lot of these things is it is very difficult to analyse them and, as has been indicated, the length of time to get clarity on exactly what is meant and to work out KPIs is very difficult on these things, and that is why expecting to have a contract signed, sealed and delivered by June, 995 the soft target, is impossible.

Thank you, sir.

The Bailiff: Deputy Robert Jones, do you still wish to speak?

1000 **Deputy Robert Jones:** Thank you, sir.

Tomorrow, the Scrutiny Committee will be publishing the Marshall report into the review of the Children’s Law. One of the aspects that Kathleen Marshall touched upon was the complaints procedure, and whilst that complaints procedure was primarily in relation to certain services that are conducted under the Children’s Law, she has stated that it is relevant across the States of 1005 Guernsey in terms of how complaints are dealt with on the whole.

Her findings do support some of the issues that have just been raised here, where she states that, in her experience, service users have a perception of the power of professionals and they may hesitate to make complaints for fear of a comeback. What she basically has said is that, in her experience, service users often want to give careful consideration to the consequences of making 1010 formal complaints before, in fact, doing so. She has suggested that there are advantages in having an independent person or body who can advise a client or service user on what happens if they make a complaint, and also help them through other alternatives that may not necessarily lead to a formal complaint actually being made.

I think we will see from the Report that a lot of service users have often said that complaints 1015 they have made in the past are simply passed back to the same people who have made the original decisions, and it is unsurprising that they uphold their own decisions. So I think it is an important issue that needs to be tackled, not only in the context of the MSG and the services that they provide, but I think we have to look at this for Guernsey as a whole, and particularly where we have got other complaints procedures, not only in HSSD but in other Departments across the 1020 board.

The Bailiff: Deputy Sherbourne.

Deputy Luxon: Sir, Deputy Rob Jones did not declare a conflict of interest there for that very wise speech. It is his 45th birthday today, sir. I would just like ... *[Inaudible]* *(Laughter)*

The Bailiff: I am sure we all wish him a very happy birthday.

Deputy Robert Jones: Can I amend it to 46?

The Bailiff: Deputy Sherbourne.

Deputy Sherbourne: Thank you, sir.

I am, of course, very supportive of any mechanisms that we can establish that provide the community with opportunity to receive reparation, if necessary, for anything that goes wrong as a result of services offered by the States of Guernsey. So I do support the concept of an independent arbitrator ombudsman.

Deputy Stewart mentioned the establishment of the Financial Ombudsman, and I am not really sure about the actual charges there. Do I assume that the finance industry pays for that service?

(A Member: Yes.) They actually pay? Thank you for that. Everyone is nodding, so I assume that that is correct. The Police Complaints Commission: is that taxpayers' money that actually pays for those complaints? *(Interjection)* It is.

It is consistency that I am actually looking for, because the contract that we arrange with the MSG actually results in them acting as an arm of Government, in a way – service offered by Government. So although I do totally agree with the concept of an independent body, I am not so sure that I believe that the full costs should be borne by the MSG. Yes, if they are found to be wanting in some way, then they must pay reparation for that. But in terms of setting up mechanisms that support people's complaints, I think we have a responsibility to bear some of those costs.

There was a call earlier that maybe we need – and in fact echoed by Deputy Jones just now with regard to ... perhaps the Government is falling a little bit short with regard to the mechanisms that we provide for general complaints to be made.

I think it needs to be looked at very carefully. I think the anomalies that were expressed by Deputy Hadley should be noted – that when you have a contract which actually works alongside Government provision, as it does with the operation of the hospital, then it becomes complicated, and if private work by doctors ... consultants utilise our facilities, then it is intertwined and I think that that really does need to be specified. I think there needs to be some specification as to where that level of cost should lie. I do not think it is as straightforward as this amendment suggests. So I would ask the Treasury Minister if he would be kind enough to perhaps clarify that for me.

I shall be supporting it, but I have got these concerns. Thank you.

The Bailiff: Deputy James, then Deputy Gollop.

Deputy James: Thank you, sir.

I really had no intentions of speaking to this amendment – I know many people stand up and say that – because I found this amendment straightforward, simple and was quite taken aback that anybody would be, in essence, objecting to it.

I am reading it: it says quite clearly 'including a single governance model'. Can I just remind the Assembly that one of the biggest criticisms that the Nursing and Midwifery Council levelled at HSSD was our very, very poor and questionable governance structure. We were heavily criticised, and that, over the last year, has been well and truly strengthened. I cannot see how anybody would object to a single governance model.

The reason why it is so terribly important is, often complaints that come into a healthcare service are not necessarily always directed to one particular professional individual. If there are

1075 complaints it can be a number of people involved, so it makes sense to have a single governance model.

I think the two people, Deputy Hunter Adam and Deputy Hadley, both with healthcare backgrounds, are the ones who have raised the strongest objection to this amendment, and I find it somewhat disconcerting that they do not see the value in supporting this amendment.

I ask you *all* to support this amendment. Thank you.

1080 **The Bailiff:** Deputy Gollop.

1085 **Deputy Gollop:** In earlier debates, and mainly in the general debate to come, no doubt some Members take the view that politicians are as keen as mustard to take services in-house. Nothing could be further from the truth and there is every intent, I think, to work with the MSG.

But I think it has been generally acknowledged by people on all sides that the contract is more of a 1990s contract than a 21st-century contract and needs to be fit for purpose for the governance challenges that Deputy Jones has outlined.

1090 The redesigned contract, a single governance model, requires a robust and independent complaints process that is open, accessible and affordable to service users. I sit on two Boards, Social Security and Environment – both of which are a bit controversial at times, to say the least – and we have an official complaints procedure that is reported to us monthly, or quarterly. I am stunned at the very, very low level of complaints: sometimes it is zero, or one or two that are dealt with. With the Deputies' Code of Conduct, there are some that are perhaps considered false or
1095 spurious that are passed over; others that do get listened to. It is penny numbers again, despite what you hear in the pubs, or whatever.

But 92 complaints is not an insignificant number, and if you look more detailed in the Report, as colleagues have, you will see maybe there are five or six hundred undisclosed incidents. We do not know what those incidents are – I could not speculate – but that is two a day, maybe three a
1100 working day. We clearly need a situation where everybody is happy with what is happening; everybody feels relied upon.

I think we are here, most of the time, not to represent particular contracts or interest groups or ideal scenarios; we are here to represent the relatively powerless, the people who need support, the people who need a helping hand maybe to face challenges and to raise their heads above the
1105 parapet.

Therefore, I do support this amendment. Yes, I share Deputy Sherbourne's reservations about the entire cost being borne by the organisation, and that could be looked at so that in certain situations, where clearly the MSG are not at fault but maybe HSSD are, that could be modified, but I think the principle of this amendment we should endorse today to strengthen the next stage
1110 of the contractual process that we all support.

The Bailiff: I see no one else rising. Deputy St Pier will reply to the debate.

1115 **Deputy St Pier:** Thank you very much, sir, and thank you to those who have contributed to the debate.

I think there clearly appears to be strong support for this amendment, for which I am grateful and therefore I am going to be brief.

I think it is a little unfortunate that the debate has majored on the matter of complaints, because, as I said in my opening speech, the question of an independent complaints process was merely one of three objectives in this amendment, and it was the third in my presentation, in my
1120 opening speech, because I probably regarded it in that order. In that, actually the delivery of the key benefits set out in the policy letter through the contract and the delivery of a single governance model, to me, felt to be the more significant parts of the amendment and the independent complaints process was very much an adjunct to the delivery of those other two.

1125 Sir, I think Deputy Hadley – and I am sure this is unintentional, but – at times he does just appear to be, in this place, the mouthpiece of the MSG, and I think that is unfortunate. He said that there are a small number of complaints. Well, that can be argued the other way, of course: well, if there is a small number, it really should not be a problem then, should it? But it is also possible – and I know that Deputy Hadley would not concede this – that the complaints process is so wholly inadequate and lacking in independence that actually patients feel unable, or even fearful of complaining, and I think that was in essence the point that Deputy Langlois was making.

1130 There was mention made by Deputy Langlois, and indeed Deputy Lowe, about new structures and independent bodies. That is not mentioned in this amendment. I do not envisage that, necessarily. That is a matter for HSSD and MSG in the negotiations, to design a system that is, as Deputy Langlois says, practical and proportionate for our size and is appropriate in the context of a single governance model. It is not for me to design the process or the body. I am not seeking to do that. So many of the questions which Deputy Lowe had, I am not in a position to answer. I see, though, that emerging through the negotiation over the next few months. And, of course, we do already have the independent responsible officer, who may well play a part in whatever is and emerges as being appropriate.

1140 In relation to costs – Deputy Sherbourne’s point – again, sir, I see that as being part of the negotiation, and I want to send HSSD into the room with the strongest possible negotiating hand with this amendment: that the expectation is that MSG should be covering the costs of complaints made against them.

1145 The question that Deputy Green raised about whether there were meritless and unjustified complaints and who should bear those costs: well, why necessarily should Government bear those costs? This is, as somebody else said, a cost of doing business, and Deputy Green’s point, I think, was, ‘Yes, but there is a difference between the cost of doing business and complaints made against you which you investigate.’ But if, sir, Deputy Green receives, or his professional body receives a complaint that is made against him, then of course the costs of dealing with that will be a cost of doing business and I see this as being certainly no different whatsoever.

1150 In relation to Deputy Adam’s point about the KPIs, he queried whether I was reading from the policy letter: I can confirm I was reading from the policy letter. In terms of what those KPIs are, no, I have got absolutely no idea what those KPIs are or should be and I would not pretend to try and set those out through this amendment or standing here today. That would be wholly inappropriate. But again, that is a matter for HSSD to be negotiating with MSG in the contract. All I am saying through this amendment –

I will give way, sir.

1160 **The Bailiff:** Deputy Hadley.

Deputy Hadley: I think it is relevant at this point to ask who pays for the complaints to the Bar if an advocate ... Yes, you can complain to an advocate, and they have to bear the cost of the complaint if they investigate it in-house, but if the complaint is made to the Bar about the performance of an advocate, is that again charged to the advocate firm against which the complaint is made?

1165 Also, I did ask the Deputy a number of questions. Yes, all right, I am flag-waving for the MSG, but it is still relevant to ask whether the points I am making are relevant. If you are saying that the organisation has to bear the cost of all of the complaints, frivolous or not, and complaints made against other bodies, which I think is also there, one has to ask, if they are not ... I ask the question: who is bearing the complaints against HSSD doctors, the cost of those, and against HSSD doctors who are acting in a private capacity?

1175 **The Procureur:** I might as well prove that I am still awake! (*Laughter*) Without flag-waving for anybody, the factual position about complaints about members of the Bar is that they are first referred to the internal firm, or, in the case of my organisation, the Law Officers, and of course we

bear the individual costs of that, and if the customer or client does not get satisfaction and makes a complaint to the Chambre de Discipline of the Bar Council, then there is a procedure which is followed, and that procedure is financed by the levy that is imposed on all practising members of the Bar.

The Bailiff: And the Chambre ... If I can add to that, the Chambre does have the power to order that the costs may be borne by the advocate concerned, I believe.

Deputy St Pier: Thank you, sir – an interesting distraction. *(Laughter)*
Returning to KPIs, I think that is entirely a matter for HSSD to negotiate with MSG. The point in the amendment is simply that I would expect, as a result of this new contract, that there will be more KPIs in the contract than the single measurement we have at the moment, which is the eight-week waiting time. The MSG themselves have conceded that. This should not be a controversial point.

In relation to Deputy Hadley's intervention, sir, the final point in relation to the costs of investigating complaints against HSSD, that has got nothing whatsoever to do with this amendment. This is simply in relation to the renegotiation of the MSG contract.

I am grateful to those who do support the amendment.

The Bailiff: We vote, then, on the amendment proposed by Deputy St Pier and seconded by Deputy Brehaut. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

Amendment:

To add a further proposition, Proposition 4 as follows:

'4. To direct the Health and Social Services Department to investigate the creation of a company for the provision of services at the Princess Elizabeth Hospital; such a company will be a professionally managed, single organization responsible and accountable for the administration, clinical, and financial management of all hospital services; which either employs or contracts all staff including consultants, clinical, technical and management; and has a robust system for reporting on governance including clinical governance and complaints.'

The Bailiff: Next, we move on to an amendment to be moved by Deputy Bebb.

Deputy Bebb: Thank you, Monsieur le Bailli.

Members, the amendment before you ... I think that it is important to note that the very first part of it says:

'To direct the Health and Social Services Department to investigate the creation of a company for the provision of services at the Princess Elizabeth Hospital;'

Whilst I am only asking for an investigation of the matter, it is fair to say, why do I believe that this is actually the right solution in relation to the Health Services.

The BDO Report, which was tied in with this review, came to very similar findings to a previous report that was done by Roger England. However, the wording in the Roger England Report is a little more blunt, and therefore, if Members would bear with me, I would like to actually quote from that Report:

'The main structural flaws include the following:

1. The consultants are not part of the PEH organisation and do not have the same interests and incentives as PEH. As a result, the services of consultants contracted from MSG are costing millions of pounds more than they should every

year. Services for which the States (through SSD) pays £15.0m per annum could be produced for much less. At the same time, the divergent interests and separation of responsibilities are causing additional costs and inefficiencies within PEH. Admissions and other hospital workload for PEH are generated by MSG consultants without joint responsibilities for strategic and operational planning and management, and under no cost containment pressures. This results in severe problems for PEH staff. Theatre planning, for example, is reduced sometimes to last minute reactions from PEH staff as they have little control over what work is scheduled and the resource demands this scheduling makes. Decisions made by MSG consultants have more cost implications for PEH than for MSG – for example, a consultant can decide to introduce new or different surgical or medical procedures that cost PEH more to provide and supply ...'

1210 That simple sentence explains quite clearly why there needs to be a conjoining of the interests of
whatever the secondary healthcare providers are with those staff within the PEH. There needs to
be a joint single governance model. At the moment, as we had in the previous debate, there is a
set of complaints procedures in order to go through MSG and a completely separate complaints
1215 procedure to go through HSSD. I do not believe that it is plausible that we have this stale one. As
a result of the previous amendment, we now will have one.

But governance should go further than simply complaints. We should look at the questions of
what is conducted within the hospital. We should have control over it. We should indeed have a
single service provider that has the responsibility.

It is also fair to say that there are a number of requests for expertise in relation to the hospital,
1220 where we frequently have to call in people from the UK. The expertise in running hospitals
requires specific types of skills. I believe that by having the model of a hospital within one
company allows us to actually bring in that expertise far more reasonably and into a proper
management model that would be of great benefit to the Island.

The other question is quite simply in relation to the alternative option for HSSD: should it
1225 move to States-employed consultants? I firmly believe that this would be better delivered within a
separate, slightly arm's-length company. I strongly believe that HSSD should remain as one
Department with full oversight over the PEH. However, the idea that you run every single part of
HSSD's mandate in exactly the same manner is false. It is, I believe, essential that we now move
into a position where we have one company that deals with all the provisions of healthcare within
1230 that hospital and that it is dealt with as such.

Just in relation to the financial aspects and the timing, I personally believe that this model
would have been preferable as part of this renegotiation. However, I am fully aware that the time
constraints available to HSSD for renegotiating the MSG contract simply do not allow for this to
happen now. But if we are to have a truly flexible option, where alternatives can meaningfully be
1235 dealt with for the provision of secondary healthcare, a company will assist in future States having
the ability to have that flexibility. That is not afforded under the current model, and therefore I
believe that, for the benefit of future decisions, future contract renegotiations, future points where
we need to revalue the model, a company really does make sense and it does allow for a greater
degree of flexibility.

1240 Having spoken to the States' Treasurer in relation to this matter, I am advised that the process,
in accounting terms, would be minimal for the transfer into a single company. The difficulties
would be more along the lines of deciding which bits of the hospital services are counted as being
inside the PEH and which are not, which obviously would be a political decision for the Board to
make. But the actual process of transferring the lines over and creating a new company would be
1245 minimal effort. Therefore, I believe that this, whilst not addressing the issues now, will address a
number of the concerns that happen now, but it will have to be for a future date.

I would hope that Members would support the amendment.

The Bailiff: Deputy Dorey, do you formally second the amendment?

1250

Deputy Dorey: Yes, sir, and I reserve my right to speak.

The Bailiff: Thank you. Deputy Luxon.

Deputy Luxon: Thank you, Mr Bailiff.

1255 Sir, I was not in Jersey when Deputy Bebb rang me to discuss the amendment, but I was on my mobile and it cost me 86p! *(Laughter)* I am going to inform Members of all the costs I am personally picking up to discuss amendments with HSSD going forward.

1260 Sir, the Joint Boards and the Project Board oppose this amendment. We do recognise what Deputies Bebb and Dorey are trying to do, but I think actually Deputy Bebb gave it away in his speech: that boat sailed some time ago. This is a massive piece of work, a massive concept, and it should have been on the option appraisals that we were looking at in 2012 or 2013, and we would have then been able to determine whether it had any merit or not.

1265 The other point is this debate largely has talked about us needing to not use the big heavy-handed States' stick of negotiation, and yet here we are putting an amendment forward that pretty much says, 'Whatever the decision is over the next six or seven months, we are going to set up a hospital ready to be able to bring the service in-house.' I know that is not explicitly what it is saying, but it is saying that.

1270 So, sir, some of the specific reasons why we would oppose it and ask Members to reject it, but it certainly does go way beyond the Propositions within the policy letter. It is not directly linked to the policy letter proposals and, as I say, although benign in direction and timeframe the Proposition is a significant piece of work. I totally accept Deputy Bebb's reporting back his conversation with States' Treasurer but I have a feeling that there was a translator needed. The States' Treasurer indicated that it was a relatively straightforward seamless process in terms of being able to set up the financial reporting. I am staggered, but she was absolutely right when she confirmed to him the problem would be for HSSD to be able to consider and analyse how to segregate the PEH and its activities out of the HSSD mandate sufficiently to be able to transition across. It would be a *massive* piece of work, I just think to underestimate it would be madness.

1275 Sir, the complexity of analysing a company status as described is significant, as I have said. The skill set and competencies required to undertake this sort of process certainly do not exist in HSSD and I do not believe they exist in the States of Guernsey.

1280 We believe that there would also need to be a sizeable project of people to be able to undertake this analysis work, let alone the implementation of it and the proposals of it and that would actually incur, I would suggest significant funding. I cannot contradict Deputy Bebb when he says that he believes it would not incur much cost, but certainly the discussions we had, we felt that it would be sizeable funding.

1285 The Budget Board did look at some soft testing for interest in the UK with trusts and others who might have been interested either in delivering secondary health care or indeed perhaps the model as he described, but we did not see any real appetite at the moment. The UK NHS and other providers are massively under strain themselves at the moment. And just one example, again – this example slightly goes beyond the principle of the amendment which is simply to put the PEH into a company status. It is the hospital in, I think it was Hinchbrook, Cambridgeshire, back in 2011 where Circle, the external provider, went in to offer to run that. Well I think it was only 18 months ago that they withdrew from that contract having incurred significant financial losses over and above the £5 million a year over-budget costs that they were prepared to accept.

1290 So the concept of an outside body running an acute hospital in a small area of England has proved very difficult and I think has disappointed many in the NHS who thought that model would be a good way to move forward. So I am not sure how it would work for Guernsey with all of our Guernsey parochial outlook and needs.

1295 So, sir, I do understand this amendment and, if we were stood in 2013 with the timeline ahead of us, then perhaps it would have more merit but here at the end of 2015, sir, I just do not believe it is tenable to ask HSSD to put this workstream onto the top of their already mouth-watering workstreams that are urgent and running so I would urge Members to reject this amendment.

The Bailiff: Deputy Fallaize.

1305

Deputy Fallaize: Thank you, sir.

There is the issue of timing, yes, and the successors to HSSD, if they want to look at this sort of thing of course can without a States' Resolution directing them.

1310 But Deputy Luxon has been quite kind about the amendment and I am not kind about it because I do not regard it as 'benign', I regard it as certainly ideological and quite dangerous. I think Deputy Bebb has been watching too many Republican presidential candidate debates because this is the sort of thing which goes down well with that crew. *(Laughter)*

1315 This potentially works in very large jurisdictions, where government wishes to remain very much at arms' length from the provision of services, and the thinking behind it is that government is then not directly responsible for those services. So the Secretary of State for Health can go into, let's say, I do not really know, Leicestershire NHS Trust and start making demands of the provision of services without the responsibility falling directly onto the Secretary of State. So you can have a crisis in an NHS Trust somewhere and it does not mean the Secretary of State for Health has to take responsibility and resign, so government can operate as a sort of quasi-regulator and hold to
1320 account third-party service providers. I do not think it does work particularly well in the UK, but it potentially, theoretically, could work in a large jurisdiction. I just think Guernsey is too small for that. I do not think that we can sensibly have a distinction between Government, Government responsibility and the provision of services.

1325 I know that Deputy Bebb is ideologically attracted to this sort of distinction between government and the provision of services, but this is a community of 60,000 people and when things go wrong at the PEH, the people held responsible will be the members of HSSD, irrespective of whether they say, 'Well, actually, we have contracted out the running of the hospital to Guernsey Hospital Services Ltd or Norwich Union' or whoever it would be that would do this. That will not wash, because we are so small that the public will continue to hold the
1330 members of HSSD and their successors to account for what happens in respect of our health services.

I can sort of understand the theory but I believe – Deputy Bebb will no doubt deny this when he sums up – that this amendment has an ideological basis I think is wrong. And, to add that, to the problem of timing, as Deputy Luxon says, his successors will have an enormous workload. I
1335 think that, if this amendment is successful, they can more or less tear up any of their other intentions for the next four years, because this would consume an enormous quantity of work and take a great deal of time.

For both of those reasons, sir, I really think the amendment is hopeless.

1340 **The Bailiff:** Deputy Dorey.

Deputy Dorey: Thank you, Mr Bailiff.

Deputy Luxon has said about the time period, but there is no time period on this. So he said it is not about putting on the top of pile, it does not put it on the top of the pile. It is a piece of work
1345 to do. I fully comprehend that their focus has got to be on the immediate priorities, which obviously is to do with the secondary health contract. So this is not putting it on top of the pile, this is to say it is a project which needs to be done and investigated. Surely that is our duty, to not just look at the short-term, to look at the long-term and what is the best model for the long-term.

1350 I think this is a model that is worth investigating. Deputy Bebb referred to the Roger England Health Systems Review which was published in April 2013 and he concluded that it is one of the options that should be looked at. He said the PEH is an independent contractor. So I think to say not to do it, because it is too big or it is at the top of the pile is wrong.

He says it is a 'massive piece of work'. He said at another point it is a 'significant piece of work'. I think a significant piece of work is a better description of it than a 'massive'. I am not trying to
1355 understate it, but I think some of the language was overstating the size of the task.

Deputy Fallaize mentioned about government at arm's length. We do accept that government should not be so involved in operational matters. There are a number of matters: we had the

report about Education, looking at the local management of schools and the operational management of areas is better done by the people who have the professional skills in that area and take it out of the political system.

We are separating out setting up the States' Supervisory Board which is going to, even as a shareholder, following on from what T&R have done, instead of a sub-committee ... We initially set up these businesses as taking them outside the political arena with their own boards. We have now even said the shareholder role is something that politicians have difficulty with. T&R set up a sub-committee which is basically by majority of non-political members to take on that shareholder role. We have also got the States' Supervisory Board which again will have a majority of non-politicians.

We have a business which is States' Works, which the vast majority of the work is done for existing States' Departments so they do not need to be as commercial as perhaps Guernsey Electricity or Guernsey Post is to be separated out. The model of having the best team to lead an operational business, I think, is something worth investigating.

Early on, when I was HSSD Minister, I went to the Nuffield Conference. It is a very important conference which is annually held, with all the very top people, politicians. Both the Health Minister and the opposition Minister speak at it. It has got all the top people from the NHS speaking at it. I was really impressed by one of the debates which was led by a person who is responsible for 16 hospitals in New York. He said that, after much experience, he had set up a model which was that each hospital had a Head of Administration, a Head of Medicine and a Head of Nursing and, jointly as a team of three, they professionally managed the hospital as a balanced team. He said that this had proved successful and he had vast experience of doing that across 16 hospitals in New York.

So what I think this amendment is trying to achieve is, what is the best operational management for our hospital? We have had a Report which has looked at it and said that having it independent and professionally managed, independent from political sets and professionally managed is something that should be investigated. So this is building on that recommendation.

We know from various reports – and the BDO is the latest one – which has shown that there are inefficiencies in our hospital and I think we should be focussed on trying to make our hospital as efficient as possible, while delivering this vital public service, which we all depend on. We have over 800 employees at the PEH site. It is a massive operational, complex business. I think we should try and look for the best model of governance for that organisation and I believe that is a professionally managed team with a knowledgeable board sitting above that.

My conclusion, and others have concluded, that that is a very good system and some have concluded the best system for running a hospital. I think that we deserve to at least investigate that. This does not put this as the highest priority, but it is something we should look at, because we should strive to deliver the best for our population.

Thank you.

The Bailiff: Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

I would ask all Members to vote *against* this Proposition. It is going to be a distraction to the Department at a time when we have got a huge amount of work ahead of us. We have got a Transformation Programme; this Assembly has committed money to the Department to make transformation, that in itself is going to be three or four years' work. We do not need to be investigating, however long it might take.

I think, as my Minister has said, the costs are going to be significant. If we look at our Proposition, just for the costs of investigating and doing the work with the MSG, we can see £174,000 this year, £335,000 next year. This is far more significant work than the work that they will probably need to do with the MSG.

1410 I also think, Deputy Dorey has said we have got 800 staff. I cannot see the 800 staff wanting to be transferred to a private company. We have already seen, previously, the investigation of the privatisation of Culture & Leisure of Beau Séjour –

Deputy Bebb: Point of correction.

1415 **The Bailiff:** Deputy Bebb.

Deputy Bebb: At no point does the amendment say that it would be privatised. Thank you.

1420 **Deputy Le Clerc:** Okay.

Well we had a look at a different model of delivery of Beau Séjour and Footes Lane. I would compare this to that and it has proved that it is not just workable.

1425 I think it would be a complete waste of time, when actually we have got so much more important things that we need to do and really transform our services. Deputy Dorey talked about inefficiencies and that is what we will be doing through that Transformation Programme over the next four years.

Please vote against this, we do not need this as a distraction.

1430 **The Bailiff:** Deputy Gollop.

Deputy Gollop: I usually agree with my colleague on health matters, but I am minded to support this, with a reservation. And the reservation is that I think that this project actually is an interesting direction of travel. I would disagree with Deputy Fallaize that it is entirely ideologically motivated.

1435 We know Deputy Bebb is one of the most out of the box and radical in the way- (*Interjections*) inspirational thinkers and of course this is seconded by perhaps the more conservative Deputy Dorey, who has had two bouts at senior ministerial roles. (*Laughter and Interjections*) And they have all served a long time on Health & Social Services.

1440 I do know too, I suspect that our colleague and much respected friend, Deputy Dave Jones, would be interested in this amendment as well, because I agree with Deputy Le Clerc that it cannot be done quickly and cheaply. It is not something that the last 6 months of the HSSD can sensibly look at, but I think down the line for the next Assembly, for the new Health Committee, for the Policy & Resources Committee, this is the kind of thing that may be part of the 10-year vision that we have heard about.

1445 You can read this amendment in a variety of different ways. I thought that maybe they were talking about outsourcing, but you could read it as going back to the days when there was a suggestion – Deputy Perrot will remember – for, I believe, a well-known insurance company based in Norfolk that might have run the health services. Then, of course, you could see it as a trust. We could look at it as a trust model for Guernsey, which would not be profit-making and certainly
1450 would avoid some of the issues Deputy Luxon has wisely reminded us that have happened in Cambridge.

I do not think this is very specific but it is intriguing. It says it:

‘... either employs or contracts all staff ...’

1455 Not both, not necessarily either. It separates what I would say management of the hospital and acute services from the overall framework of health policy, which of course includes children’s services, preventative health, health policy.

We are unusual in Guernsey – as we are in Education – in having an Authority that regulates itself, that cannot only construct global policy for a nation, but moreover runs the very premises in Alderney and Guernsey that it does Whitehall style policy for. So we do have, intrinsically, because

of our scale, not necessarily a conflict of interest, but differences of approach within the same framework. One day I think we will have to be clearer as to whether politicians are policymakers, ombudsmen or operators. At the moment we cannot give justice to that workstream, but I think if we approved it knowing that it could not possibly be done before the new contract is ready to go, but it might be there for seven years' time. If you do not start a workstream now, as we have seen with the Disability and Inclusion Strategy, and CEDAW and many other things, you will never get there.

I think there is mileage to look at this as policy for the next Assembly to investigate, not to adopt, but to actually look at sensibly with an open mind.

So, on that basis I am prepared to support the amendment.

The Bailiff: Deputy Hadley.

Deputy Hadley: Mr Bailiff, there may be merits in looking at this Proposition in years to come, but it is certainly not something I think there is the appetite for carrying out at the moment. If this Resolution is passed, it is going to be another of the Resolutions of the Assembly that will sit on the desk for an indeterminate length of time.

I was interested in the comment that Deputy Le Clerc made, because she said that one of the objections to this company was that 800 staff would have to be transferred into this new privatised company. Yet, in fact, in the policy letter, which has got her name to it, it talks about transferring 90 staff and the Medical Specialist Group to work for HSSD. And the original policy said this would be done and this has been changed in the amended version of the policy letter to say this is something that should be discussed. So, it is interesting that on the one hand she is quite happy to transfer 90 staff, without consulting them, working for HSSD, but puts that as a reason for voting against this Proposition.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, although what Deputy Bebb proposes is not mentioned in the policy letter, something similar was considered at an early stage and rejected before it even got to the final appraisal of eight options, and for very good reasons. It was realised that it would bring a huge element of risk. On the surface it may seem attractive, but finding an organisation willing to manage it, for a start, would present immediate difficulties. Another major downside would be the need to separate the healthcare element from community care at a time when we are looking to strengthen integration and to improve patient experiences, such as with reablement, to reduce delayed transfers of care.

And Deputy Le Clerc is right in terms of the review of Beau Séjour. It is irrelevant whether it will be privatised or not. The fact is that we still do not have TUPE 11:50:31 here and, for such a major task with various people in different roles, with different employee organisations represented, and with no precedent to work from, it is difficult to understate the shear complexity of work that would be required.

As the Minister stated, recent events with the operators of Hinchingsbrooke Hospital giving notice that it wanted to end its contract due to financial and political risks, demonstrated the problems. It is not going to be any easier here and that is why it did not make it to the final eight options. It is not needed for a single governance model. It is wrong to say costs of such an investigation would be minimal and it is wrong to say that this is something that be completed completely separately from the secondary healthcare negotiations.

That is why I would ask Members not to force the Department to do work that will add no value.

A Member: Hear, hear.

The Bailiff: Deputy Bebb will reply to the debate.

Deputy Bebb: It is strange that yesterday, when I was approached by one Deputy I was told that actually the dangerous thing about this amendment is that it was leading towards a privatisation of healthcare (**A Member:** Hear, hear.) and then the first thing that the Minister of the Department says, 'that the dangerous thing about this amendment is that it leads to simply those doctors being employed by the State,' Well, it cannot be both, so I have to question, are we actually looking for any excuse possible to reject something, that we are just a bit too scared?

The whole question in relation to timelines and its place in a priority: now Deputy Luxon and Deputy Soulsby and Deputy Le Clerc know full well that there is no timescales placed on this amendment for the very simple reason that it is recognised that the Department will have other priorities for the next year to two years. The whole question in relation to this amendment is, are we or are we not going to deal with the fundamental issue of what Deputy Le Clerc described as trying to reform the services; those services which are currently provided, that it is recognised cost in the region of £6 million additional expenditure to the States every year, because the interests of the secondary care professionals in MSG are different to the interests of the PEH? Do we think at any point in the future that we might want to look at closing that £6 million per annum gap? Never mind the difference in actual quality, the difference in governance, the difference in a whole measure of other respects that exist between two separate organisations working under the same roof.

All I am hearing from those three members of HSD is that 'no, they never want to look at closing that gap', which I find shocking, given that they are also saying that they want to try and find £7 million of saving and yet the earliest indication we have is that by closing this gap, bringing it into one company, would close the costs of £6 million that is being identified as simply existing because of a difference of interest between the MSG and the PEH.

I stated clearly in my opening speech that this was not something that I thought HSSD could deal with immediately, but it is something that will have to be dealt with at some point if we realistically want to look at having efficient, well, fit for purpose healthcare on this Island.

Deputy Fallaize likes to actually go on and question the whole ideological basis of it, but let's not imagine that Guernsey has the ability to be somehow living in a bubble, that other healthcare models are not exactly what we look at. The BDO Report itself bases itself and benchmarks itself against *other* systems. We do not exist in a bubble; we have to look at other models of delivery that exist around the world. And if we are talking ideological reasons of having a private hospital, I do not understand how the right-wing state of Sweden, where every single hospital is private, suddenly fits in with the ideology of what he was actually talking of.

Guernsey is small. Let us not imagine that, by having the hospital run as an arm's length company, it suddenly removes political responsibility. I hear plenty of political responsibility being poured on the members of T&R in relation to Aurigny, and that is an arm's length company. Do not imagine that by having an arm's length company, you suddenly absolve yourself of the political responsibilities. You do not, and yet that was the simple argument trying to be put forward.

Members, realistically, this ideology – as Deputy Fallaize liked to call it – is born of the experience of having to sit around the table and look at the way that, for instance, we deal with the MSG contract. It is to look at the fact that theatre lists frequently get changed with scamp regard to the cost to HSSD. If we find no means of tying our consultants in to the actual running of a hospital, they will forever run according to their own interests and will never have the interests of the PEH at heart.

The simple question I state is that we have run out of time for this particular renegotiation contract in order to decide whether or not we want to actually tackle it this time around. That boat has sailed. But let's not imagine that we should never bother. What I am stating, clearly, is that in advance of the next renegotiation, this really has to be something we need to deal with because

otherwise we will forever have a set of consultants who simply do not align themselves in any way with that which we provide and that is the PEH.

For me, I believe that it is essential for us to look at this matter and, if it does come to the point where we have to employ our own consultants, I honestly ask you, the record of HSSD in being an employer of consultants is far from good. Therefore, I think it is only right that we do look, if that second option has to come into place, then realistically this is the only meaningful, reasonable way of having our consultants employed appropriately. I would not hope that such an effort would have to be undertaken with such short notice, but I think it would be folly for us to think of doing it in any other manner.

That is why I would ask you to please support the amendment.

The Bailiff: So, Members, we vote on the amendment –

Deputy Fallaize: Can we have a recorded vote, please, sir.

The Bailiff: – proposed by Deputy Bebb, seconded by Deputy Dorey and there will be a recorded vote.

There was a recorded vote.

The Bailiff: We will get the result of that in a moment, the formal result. In the meantime we may proceed with general debate.

Does anybody wish to speak in general debate? Deputy De Lisle.

Deputy De Lisle: Sir, having gone through the amendments, it would be nice to concentrate again on the fundamentals that we are discussing here and that is the recommendation from the Boards of both HSSD and SSD, that the States should enter into revised contractual arrangements with MSG.

One of the objectives of the MSG new services is to provide improved value for money through cost efficiencies and cost reductions. Yet the cost of the contract is to jump from £17.4 million to £21.4 million – up £4 million, up 20% plus, per year! So I would like to ask the Minister if he could give some indication as to the changes that are to be brought in with respect to the new contract. It is not overly-clear when you read the policy letter where these changes are to be made. I know that there are some references in paragraphs 68 to 74 in section II, and there is also some indication in paragraph 114 with respect to talks about seeking the introduction of improvements – but it is only about *seeking* the introduction of improvements – for value for money.

I would like the Minister to indicate exactly what we *are* going to get in terms of value for money with the new contract and what efficiencies are going to be derived from the new contract?

Thank you, sir.

Amendment by Deputies Bebb/Dorey:

Not carried – Pour 4, Contre 40, Ne vote pas 1, Absent 1

POUR

Deputy Dorey
Deputy Gollop
Deputy Bebb
Deputy Lester Queripel

CONTRE

Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Spruce
Deputy Collins
Deputy Duquemin
Deputy Green

NE VOTE PAS

Deputy Hadley

ABSENT

Deputy David Jones

Deputy Paint
Deputy Le Tocq
Deputy James
Deputy Adam
Deputy Perrot
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Harwood
Deputy Kuttelwascher
Deputy Brehaut
Deputy Domaille
Deputy Langlois
Deputy Robert Jones
Deputy Le Clerc
Deputy Sherbourne
Deputy Conder
Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Le Pelley
Deputy Ogier
Deputy Trott

1600 **The Bailiff:** I can formally announce the result of the Deputy Bebb/Deputy Dorey amendment. There were 4 votes in favour, with 40 against, and 1 abstention. I declare the amendment lost.
Does anyone else wish to speak in general debate?
Yes, Deputy Dorey.

1605 **Deputy Dorey:** Thank you, Mr Bailiff.
I will be voting against Proposition 3, which obviously I referred to in the amendment. I would just like to explain why I have arrived at that decision and give a bit of a history of what happened in 2013 and the first three-quarters of 2014.

1610 Early in 2013, as Deputy Bebb and I referred to in the previous debate on the amendment, a healthcare review was carried out. It was not that expensive and it produced indications that there could be savings from different models, and it indicated there were inefficiencies in our hospital. It was quite heavily criticised by some of the medical profession at that time.

1615 We then decided to look at doing a far greater in-depth healthcare review and we set up meetings with a number of companies who could do that review, representing doctors and representing primary and secondary care as part of that panel, to listen to their ideas on how they could do a review, and what it would produce for Guernsey. That was done in the middle of 2013 and then, as you all know, the Chief Officer of HSSD left and the financial pressures on HSSD were mounting.

1620 As a result of the Chief Officer leaving, a consultant was brought in – a financial consultant who has extensive health experience – and one of the things which he looked at was the contract with MSG. He very quickly identified the value of MSG and the need for a five-year term, which has been referred to a number of times during the last two days, to give them the certainty to be able to recruit people and knowing that people were willing to move to Guernsey and have a job for at least five years.

1625 He thought that was so important, that the best way forward was to extend the existing contract, but aiming to make improvements to the contract and set it up with a five-year term, and every year increasing that by adding a year to it, but also getting improvements in the contract. We identified the key improvements that we needed to make, but we also identified that, as has been said, in the long-term the contract was not fit for purpose and we needed a radical change in terms of the contract. But in order to achieve that it was considered that we needed to do a considerable amount of work, in a considerable amount of time, to be in a position to be able to negotiate a new contract. And again this was done with SSD and we agreed to go down that road.

1630 That person was only here for a temporary period and, under contract, another manager was recruited who *again* had very extensive experience of management in the NHS; and one of his key tasks was to negotiate that contract extension with the MSG. That led to a Project Board being set up which had joint members from SSD and HSSD. Progress was not great but it *was* progressing. Then there were significant changes within the posts of the civil service and it was felt that a more fundamental review was needed and a new Project Board was set up – and basically we have arrived at where we are today.

1640 We talked in the last amendment about... the words we used were, it is a very significant massive project. I think it is a massive project to renegotiate a contract which we need with MSG. I think the timeframe is extremely optimistic and my concern is that the longer we leave it the shorter the term of contract we have with MSG is, and the greater likelihood that is going to effect the services we have. So I think the best other option is to extend the existing contract.

1645 I know that Deputy Luxon said that MSG does not want that, but that was certainly not the position in 2013 when I know this financial consultant spoke with MSG, and we started negotiating along those lines with MSG. I think the consistency of having at least a five-year term would be of far greater benefit to them, knowing a short-term measure to make improvements to the existing contract – but it would give us time to negotiate the new contract.

1650 I think that is the best outcome and therefore I cannot support bringing the consultants in-house at this point in time. So I will be voting against Proposition 3.

Thank you.

1655 **The Bailiff:** Is there any further general debate?
Deputy Trott.

Deputy Trott: Yes, sir, very briefly.

1660 For some time I have wondered if it would be possible for us to get greater visibility on medical inflation and I wonder if either or both of the Ministers could tell me whether it is primarily prescription costs that are rising rampantly ahead of normal inflation, or whether it is across the board – featuring issues such as medical care and medical infrastructure?

It would be of value to me and I would imagine others in the Assembly, if that information was available.

1665 Thank you, sir.

The Bailiff: Deputy Harwood.

Deputy Harwood: Thank you, sir.

1670 I speak in my capacity as Vice-Chair of the Public Accounts Committee.

The Committee has a number of comments which I have been asked to put forward. But I would say that colleagues should be aware that the Chair of the Public Accounts Committee, Deputy Soulsby, is clearly conflicted on this matter and I must stress for the record that she has not been involved with the Committee's deliberations on this matter, nor the drafting of our comments.

1675

Sir, in 2010 the Public Accounts Committee then reviewed the contract for secondary healthcare in Guernsey, principally the contract with the Medical Specialist Group, to determine whether value for money was being obtained. The final report which was released into the public domain on 6th June 2011, concluded – and I quote:

‘There are now significant doubts that the [two] contracts provide optimal value for money. There are also indications that alternative models may be more cost effective.’

1680 Sir, that report produced 26 recommendations, all of which still remain valid. Perhaps, unfortunately, many of the issues highlighted by the current Report have not been effectively addressed in the intervening four years. However, for balance, the present Board have in the time available, in the view of the Public Accounts Committee, made progress in moving the issue forward.

1685 Sir, the current Report before this Assembly from HSSD talks about Arrangements for Secondary Healthcare from 1st January 2018, and produced certain key recommendations – and I quote from page 2950:

‘Following a rigorous examination of multiple contractual options, consultation and an extensive consideration of the contract terms including price, performance and quality assurances, the Departments have concluded that a redesigned contract with those significant changes will best address current concerns and provide the best option.’

1690 However, sir, in the Report there is no substantive information detailing what are the ‘significant changes’ that are to be followed or the ‘significantly different and much improved structure’ or, indeed, ‘the real improvements for many service areas’ that have or will take place. In addition, sir, in the Report there is no clear explanation to support the preferred choice of MSG as the service provider for the new era of secondary healthcare.

1695 In short, sir, it is difficult to see how the next contract would be anything but significantly more expensive than the existing contract, given the stated needs to put in place new governance structures and ensure safe levels of staffing. From the information provided, it is not possible to question the safety preferences for retaining the existing service provider. However, the Public Accounts Committee is still concerned that we have no clear statement outlining the actual service that HSSD is attempting to procure.

1700 We are informed in the Report that the cost of the new contract with the MSG would be more expensive than offering the same service in-house. However, we are informed that it is the intention of HSSD to negotiate a contract price for the MSG’s clinical provision, following service reviews of each specialist service area.

1705 Now, sir, whilst it may be the case that the MSG is the most suitable option, where in the Report is the estimated cost for the redesign of the much improved contract derived from, if a review of such specialist areas has not yet been undertaken? Surely, based on the experience of the Maternity Services Review this will lead to significantly more expensive services.

1710 And so, whilst the Public Accounts Committee welcomes the extensive costing exercises that have been undertaken by BDO, the Committee is still unclear if the actual requirements of the new contract have been clearly identified. Without this specification there is a real danger that any replacement service on this vital part of the public service will not meet the needs of the Island moving forward.

1715 Well, sir, in conclusion, the Committee would therefore recommend that this contract – probably the most expensive that will be signed by this Government – is supported by a team of resources with significant commercial acumen and the appropriate experience in negotiating complex high value contracts. The Committee would also state, in the strongest terms, that it is essential, given the importance of this contract and its financial value, that sufficient resources are made available to HSSD to secure the best possible deal.

1720 In this regard, sir, we would suggest that the figures quoted on page 2971 of the Report actually, probably did not provide sufficient resource to HSSD in the negotiation of this very complex contract. References made during various stages of the early amendments to the fact

that the original contract was very much skewed in favour of the MSG, and at that time they did take independent legal advice – very expensive legal advice which I think was incurred by MSG at the time.

At that time, sir, it has to be said that I think HSSD, or its predecessor committees were not blessed with the most efficient or commercial of contract-negotiating skills. And in this context, sir, it is vitally important on this occasion that HSSD must get this right and they must therefore – and we should not deny them – the resource that they will need in order to negotiate a contract of this complexity.

Sir, in conclusion, the Committee accepts that in the time available, and considering the risks involved in a major change of provision of healthcare for the Island, the recommendations from the Department ultimately are, in a pragmatic sense, sensible. However, if the various HSSD Boards from 2011 onwards had heeded the recommendations of the Public Accounts Committee Review in 2011, they would have been in a much stronger position to negotiate successfully. *(Interjections)* Perhaps this is a lesson that should be noted by other departments. *(Interjections)*

The Bailiff: Deputy Bebb.

Deputy Bebb: Thank you, Monsieur le Bailli.

It is all too easy to say that something needs to be heeded, without actually having the context of everything else that has happened since then.

I would like to first of all address the question raised by Deputy Trott in relation to health inflation. Health inflation generally is understood to run at about 5% higher than inflation and it is not merely dealing with drugs. One of the biggest issues with health inflation, for instance, is that it is recognised that health, along with weaponry, are the two areas that will always go up in cost, because, once a new system, a new computer or a new gadget is created, it is not long before the Royal Colleges demand that the professionals use that in order to diagnose or to treat, or whatever it is and therefore it no longer becomes an *option*, it becomes essential for the Department to have the latest technology. And of course with a number of issues at HSSD, I recognise that. For instance, in my time there was some imaging equipment which had reached the end of its life. So, once it is replaced it cannot be replaced like-for-like. It must be replaced with something which is far more expensive.

The question in relation to drugs and the costs that happen there, is simply that the cost of investment in new drugs is very, very expensive; and that is now, because of UK policy, likely to increase substantially, because there is a recognition that antibiotics are now reaching the end of their lives. There is a need for a new generation of antibiotics. That will have substantial costs, but unless that comes into play, theatre and surgery will simply have to stop because within the expected timescale of the next 15 years, the existing groups of antibiotics will not deal with the number of infections and therefore cutting some someone open is simply far more dangerous than not.

So the costs in that respect will increase dramatically, but at the same time we have to remember that drugs will come out of patent and that is when they become very, very cheap.

Moving on to the question in relation to the policy letter before us: I believe that it has – I will give way to Deputy Trott.

Deputy Trott: I wonder, sir, if Deputy Bebb, with his experience of membership of the HSSD Board, could speculate as to whether he would consider, having given me that answer, whether an MSG contract rising at a rate of 5% compound would be reasonable or whether that would be excessive? Just to give Members an idea as to what they can realistically expect from a contract of this magnitude.

Deputy Bebb: I thank Deputy Trott for that intervention.

The question as to increasing compound according to health inflation on the MSG contract as *currently* constructed would not be the expectation, for the simple reason that the healthcare inflation is realistically attributed towards drugs and equipment which is supplied by HSSD.

1775 MSG is primarily the cost of the consultant and my expectation of the cost increases should be according to RPIX or RPI. However, I think it is only realistic for us to have a contract that does tie into either RPIX or RPI. I believe that States' policy is now RPIX and therefore that would be the preferred option.

1780 In relation to another question... and this is where I think the States need to start preparing themselves and the community for a very fundamental change. Given the health inflation question I just answered, we know that cost will be carried by HSSD. That is a significant increase which is expected to be paid annually by HSSD on equipment and drugs.

1785 There are two concerns that are raised from this. First of all, we have another drugs' budget which is at Social Security, which does *not* face the same cost pressures and, just as we were touching about single governance, there will need to be some coordination between the two Departments to ensure that the same governance structure is facilitated for *all* drugs. We cannot have the bizarre relationship of one drugs' budget being different.

1790 But specifically, the other concern I have is that HSSD is funded uniquely in the three different ways that there are of funding – and the three different ways are through Social Security payments; – the most obvious example of countries that do this is France and many of the continental countries – National Health – of which the most obvious example is the UK – and the third means of funding is private. People usually think of America and it is always convenient to go to the one that does not work very well, but it is better to think of Switzerland which is privately-funded and does work very well.

1795 HSSD is uniquely funded by all three. There is a substantial contribution done through taxation; there is a substantial contribution done through Social Security, but we should not dismiss the rate of contribution that is made through private work. This is a substantial amount of money that HSSD receives every year. It is only reasonable in a community such as ours, which has a relatively large uptake of private insurance, for us to try and encourage people to utilise that private insurance in order to facilitate a greater degree of money coming into the coffers of HSSD. For that to happen there needs to be a change in the way the contract with MSG works at the moment. There is little advantage given to those people with private health insurance over opting for the current States' contract.

1805 On many occasions, there is little difference in the timescales for receiving an operation or treatment. The costs are not something that *they* need to care about as individuals. However, if there is no timescale advantage, there is no reason for people to use their private insurance as opposed to using the States' insurance.

1810 Now, Deputy Lowe, on frequent occasions, has pointed out that the States are probably the largest provider of insurance, and I agree with that point, but for us to ensure a sustainable, manageable system, we have to try and increase the amount of private income we receive. I, therefore, believe that any future contract must make provision for private treatment to jump the queue. It is not popular – I can see many people shaking their heads – but the truth is that unless we increase the amount of money that comes into HSSD through private means, then I cannot imagine how else we will see the increased funding happening in HSSD that will be essential over the next coming years. That requires a change to the MSG contract in some respects.

1820 And let us not imagine that increasing the timescales is wholly inappropriate. It is understood that the prioritisation... And the lists for theatres currently bear no resemblance to what is efficient and what is best clinically, because of the eight-week timescale. If it was increased to 12 weeks it is considered that theatre lists could be operated at a far more efficient basis than currently happens. That would result in a timescale that is still far and away better than our neighbouring island of Jersey and the UK. It would still provide something which is tangibly far better in terms of timescale than anywhere else. But I think that it also provides the incentive for the substantial

number of members of the population that have private healthcare to use the private healthcare that they have.

1825 Apart from that, and all I can say on top of that is that I do wish the HSSD Department fair weather in trying to actually get this done within the timescales that they have mentioned.

The Bailiff: Deputy Brouard.

1830 **Deputy Brouard:** Thank you, sir.

I was not going to speak at all on this, but Deputy Bebb has forced me to my feet. The idea of private work at the hospital somehow being more important than the contract... It just hurts for me, sir.

1835 The idea of contracting with the MSG is that we are their biggest contract – £17 million-plus – and our Islanders come first. And the idea that they will do some extra work and squeeze someone else in privately against the £17 million contract, to me just grates. And I do understand that I may be suffering some work at the hospital from the point of view of the use of Victoria Wing, etc. but I think the main focus for MSG – if they are the ones that we end up contracting with on this, which obviously it is sort of a marriage we are halfway through – is that they need to respect the fact that the vast majority of their income is coming from this contract.

1840 This is the major contract and if they have smaller private contracts with individuals, that should rank second place. The idea of local people being put down the list because of private work coming in front – (*Interjection*)

1845 **Deputy Bebb:** Point of correction.

The Bailiff: Deputy Bebb.

1850 **Deputy Bebb:** Deputy Brouard is referring to 'our Islanders' as if those with private insurance are not our Islanders. Could he please refer to all of them as Islanders, and can he specify what he means by 'our Islanders'?

The Bailiff: Deputy Brouard.

1855 **Deputy Brouard:** Thank you, sir.

The point I am making is that, as Islanders, we all contribute through the social security scheme. Our funds go into that and we have contracted with the MSG to provide a service for Islanders and I want that service to be the best service it can be. I do appreciate that the MSG will need at times to do private work, but the idea that that private work somehow comes in front of the bigger £17 million contract grates with me.

1860 So I would just try and get that balance, against what Deputy Bebb was saying, that we should be opting for more and more private work for MSG. I am trying to give the other side of the coin, that I would wish to see Islanders, who are paying the Social Security contributions, that *their* considerations come very much higher up the tree. And especially when the MSG has been out of contract, if there are any times when that happens, it is absolutely essential that their main contract obligations – the £17 million contract – comes first in their mind, and not the extras.

Thank you, sir.

1870 **The Bailiff:** Deputy Kuttelwascher.

Deputy Kuttelwascher: Yes, I only rise because of some of the comments made by Deputy Bebb. (*Interjection*) No, it is nothing negative, it is relating to private health insurance.

1875 He was assuming that there was no real advantage in accessing one's private health policy in Guernsey because it does not give you any advantage. But you have got to remember that – I suppose it depends on what private health insurance you have – you have the option of having

treatment outside the Island, in particular in England now. If one had to wait three months for the same operation here, one would have the option of maybe having it done in a couple of days elsewhere – and that is what happens.

1880 That in a sense, as it were, justifies what he is saying. If you want to attract these people here then you have to provide a quicker service. If you do not, they will go somewhere else and HSSD just will not get the income. And that is how life is.

Although my experience is that, as regards appointments with consultants in the MSG, if you have private health cover it is amazing how quickly you can get one! (**A Member:** Hear, hear.)

1885 So there is an advantage as regards solely having appointments with consultants – so that is just another point.

Thank you, sir.

The Bailiff: Deputy Brehaut.

1890 **Deputy Brehaut:** Yes, just very briefly, just to reflect on the debate we have had around the contract.

What intrigues me is the relationship we have with the MSG, and at the moment we feel like – as you would, because we have the purse strings – that we have the upper hand, if I can put it that way.

1895 What we have to realise is that being the Island we are, sooner or later, going to struggle to find people who do the work that the MSG does. And I would refer specifically to Roger Allsopp who was a generalist surgeon. You do not find these people any more. You find knee specialists and you find people with specialisms. And along with the majority of nursing posts, that will be the biggest obstacle that HSSD are going to face, even if or when this contract is signed.

1900 I remember being on the Public Sector Remuneration Committee with Deputy Jonathan Le Tocq and Deputy Brouard and others, and it was mentioned constantly in those discussions – even with States' employed consultants – people put emphasis specifically on the private work that the MSG does that can actually draw them here, because they may not come here if they cannot do that.

1905 So we are not spoiled for choice and we must remember that we are a very small community – 63,000-odd people. We feel like today we may have the upper hand, but there are elements that are out of our control and sometimes we would be at the whim of places outside of here, and we would be in serious competition with other small communities seeking to acquire the skills of those people that are not in abundance at the moment.

1910 Thank you.

The Bailiff: Members, we will rise now and resume at 2.30 p.m.

*The Assembly adjourned at 12.30 p.m.
and resumed its sitting at 2.30 p.m.*

HEALTH & SOCIAL SERVICES DEPARTMENT

**X. Arrangements for Secondary Healthcare from 1st January 2018 –
Debate continued –
Propositions approved**

The Bailiff: Well, Members, we continue with general debate on the Health & Social Services Department's policy letter on the Arrangements for Secondary Healthcare from 1st January 2018. Who else wishes to speak in general debate? No-one! Oh Deputy Lowe. *(Laughter)*

Deputy Luxon: Sorry, did you say sum up? Sorry, sir.

The Bailiff: I was just about to. Deputy Lowe.

Deputy Lowe: I beat Deputy Langlois to it!

Just a very quick comment, which I wanted to add following some of the speeches just before lunchtime.

It was being mooted – because it has been mooted before, certainly in the last five or six years – where there was a wish to see the eight weeks extended to 12 weeks, and that was coming from not only MSG but also staff at some period of time as well. It was sent back very clearly saying the contract was for eight weeks and we would wish to keep with eight weeks, and I would hope and urge that as part of the negotiations with the MSG that we stick to eight weeks.

In fact, the first contract, if I remember rightly – and I stand to be corrected, but I know I was involved at the time – was that if there were problems with the MSG not being able to stick to the eight weeks it was for them that had to pay for a locum to come so they could actually comply with the eight weeks. The onus was on them for their costs to actually bring somebody in to make sure they stuck to the contract.

However, if there was a problem with shortage of beds, or something, and they could not keep to eight weeks because of problems at HSSD, that was a different matter, they were let off the hook. I would like that strengthened, as it used to be that it is eight weeks as people have paid in all good faith for eight weeks, and that remains, and we do not extend it to 12 weeks.

I would like an assurance from the Minister of HSSD that they will do their utmost to continue down that line.

The Bailiff: Deputy Langlois.

Deputy Langlois: Yes, thank you, sir.

As we are hopefully near the end of this debate, I think it has been interesting in the fact that a number of people have begun to tread towards areas that should be sorted out in the negotiation, and there is always danger in that because there are commercial considerations here on both sides of that negotiation.

Picking up on a couple of points that have already been made, the relationship with the insurance companies, which were highlighted in a particular way by Deputy Bebb, we have already in SSD flagged up as a work stream. That needs to be taken up by the new department – an overall look at the relationship between medical insurance companies and the States and the Fund and so on. It is an exceedingly complex one.

I am not subscribing to Deputy Bebb's conclusion to that one, relating to the prioritisation of medical work, but what I am saying is I think in the medium term the Islands could be very vulnerable to a form of exploitation by the insurance companies if we are not careful, because of the system we operate, and I think that has got to be really closely looked at.

Deputy Harwood – can we be absolutely clear that the most important sentence that Deputy Harwood uttered during his speech was the PAC sees these recommendations as sensible, and I

1960 would like to thank him for that, sir, and take that as the main point that he has made. A lot of the reservations that he went into are facts which we are faced with because of the circumstances that have unwound.

I would point Members to the aims of the negotiation which are set out very, very clearly, in my view, in paragraph 15, and that is the level of detail at which we are seeking approval today.
1965 So any comments that have been made about, 'Why do we not know how this is going to work and why do we not know how this is going to work,' – well, we do not know because that has not been negotiated yet. But in paragraph 15 it is there in front of us.

Then in addition to that, sir, Deputy Trott asked questions about medical inflation. I am not going to stick my neck out with actual figures here, but I am very aware of some of the facts which
1970 cover the ground that he wanted to. If you are looking for prescription or drug costs set against every other cost, there is no doubt at all the one thing I can assure you of is that the prescription costs have actually performed incredibly well over the last few years. There is a fascinating statistic, which I cannot quote chapter and verse but which is real, and that the real cost per unit of our prescriptions has actually fallen over the last five years. So there are real savings there that
1975 are being made.

Now, that then interacts with what Deputy Bebb was saying – Deputy Dr Bebb possibly, was saying – that he was basically asserting that there could be considerable differences between HSSD and SSD, and the costs relating to the HSSD service and, through MSG, need to be included in the negotiation – and that is fair enough.

I have always found this peculiar term of medical inflation a very, very difficult one to deal with, because whilst it is used as if it were a standard measure – in other words, oh, there is RPI and there is RPIX and there is medical inflation... no, medical inflation is a jolly useful campaigning term for the medical profession, and for others interested in that service, to put the frighteners on to get more money – there is, to my knowledge, no single way of calculating that. Therefore, we
1980 have got to be very careful about clear acceptance that it is going to happen anyway, and predicting the way in which it will happen and the size of it.

The real medical inflation that we are talking about or seeing, the way the phrase is used, comes from two things: one is the rising expectations of new methods and the rising expectations of people in general, that there will always be a treatment, and there will always be something
1990 that can be done at whatever cost, and the other is the emphasis that will come on greater costs because of the demographics, and the simple reality that old people require more medical care than younger people. So the two together then combine together to cover this sort of term, medical inflation, and it is not one which we can attach a figure to.

But overall, sir, we should, I think, now accept the work that has been done by the Project
1995 Board and simply accept all of these Propositions.

One final point: Deputy Dorey outlined absolutely precisely – and I think our memories align; obviously his will be more detailed than mine, because it always is, but our memories align totally – the facts up to 2013. The simple fact is that for a variety of reasons he has not been involved in the details since 2013, and I am asking people to take it on trust from somebody who has, that
2000 there is so much water passed under the bridge in those two years that we are looking at a very different situation.

That is why I would advise Members to accept all three Propositions.
Thank you, sir.

2005 **Deputy Dorey:** Just a point of correction, sir.
The Bailiff: Deputy Dorey.

Deputy Dorey: I was the HSSD Minister to October 2014. *(Interjection)*

2010 **The Bailiff:** Deputy Gollop.

Deputy Gollop: I just want to get philosophical for a minute (*Interjections*) and comment on something Deputy Trott observed, which is something of course he identified when he was initially Treasury & Resources Minister, which was the escalating costs of healthcare in its broadest sense.

Of course, Deputy Bebb was offering some perspectives today about Switzerland, and he made me worry because I popped over to Switzerland on a train trip in August, and if I had known that I might have been saddled with huge costs, I would have been more careful. But the point I am making is I have actually researched, a little bit, the Swiss healthcare system and it is interesting because it uses 12% to 13% of GDP, compared to 17% in America and every patient, every permanent resident, is entitled to have private medical insurance mandatory, but the insurance companies are obliged to insure people even if they are poor risks. It is a model that appears to work for them, although admittedly they are a particularly successful financial nation.

But just a point I would like to make here is that we do not try to regulate demand for hairdressers, for restaurants, for legal services, apart from legal aid, and many other good and useful businesses in Guernsey.

In a way, we should not try to restrict demand and over regulate medical specialist services. The reason we are doing that is the model that we have, whereby any increase in provision – whether technological or social – is a kind of payment, either via taxation or via the social security model; which then means a compulsory payment by individuals and businesses.

I think we have got to think outside the box somehow of ensuring that we continue to have a robust commercial medical service and take advantage of all the improvements in lifestyle and technology and treatment available; not restrict demand and not restrict the availability of these services, but do so in a manner that is affordable to both the consumer and the State.

If it requires, as Deputy Bebb implied, some new model whereby people who have, or are able to get, private insurance or others are able to reduce the cost to the State for a contract, then we really do have to look at it, because what we want is optimum medical care and social care for everybody, not a deliberate attempt to restrict demand because of our inability as a Government to afford it.

I do support the Propositions before us, but I suspect they are only the start of a longer journey, looking for greater flexibility of models, and maybe this will be the last time we will have a conventional contract with just one provider.

The Bailiff: Deputy Hadley.

Deputy Hadley: [*Inaudible*]... I did some calculations and I think I have given the Assembly before but for the sake of clarification 2010 HSSD spent about £107 –

The Bailiff: Your microphone please, Deputy Hadley.

Deputy Hadley: Sorry, sir.

On the question of inflation, in 2010 HSSD spent £107 million. Now, if you use the inflation figures in our Book of Statistics published by the States, that today would have inflated to... so that next year we would be setting a budget for £128 million rather than the budget that we have actually set.

Now, I have searched the internet to see how much medical inflation there is, and the lowest figure I can find is 2%, not the 5% that Deputy Bebb referred to; but I found a figure of 2% for recent years and if you inflate £107 million from 2010, adding 2% to our figures, our local figures, you would come up setting a budget next year for £138 million. If, indeed, you took Deputy Bebb's figure of medical inflation being 5% above RPI, next year we would be setting a budget for £160 million. That is not a fictional sum; that is medical inflation.

Dealing with the points that Deputy Langlois has made – Oh first of all, before I forget, I would say that we have done a stunningly good job on restraining our budget for drugs, and that is

because we employ a pharmacist at the Department of Social Security to monitor that and make sure that doctors do generic prescribing and that the use of expensive drugs is restricted.

Anyway, the actual services that we have are kept low because – Oh and sorry, first of all, I should mention that Deputy Bebb mentioned the cost of new equipment being much more expensive than the equipment that we are replacing because it is more sophisticated; and in the same way that we all day, today, use computers instead of typewriters, exactly the same thing has happened within the Princess Elizabeth, and the new equipment is heavily computerised and we are going to get a very large bill for the replacement of some of this very sophisticated equipment.

But Deputy Langlois, again, referred to the fact that one of the drivers for medical information, apart from equipment, is the increased workload, and I did refer – I was criticised for doing it, but I will do it again anyway – to the fact that in the UK they know that the volume of work in hospitals, going through their hospitals, is between 4% and 5% a year growth rate over the last six years. There is no reason to suppose that our growth rate will be any less and indeed you might say, because life expectancy here is a lot longer or somewhat longer than the UK, then our growth figure in the demand for services will be greater than that experienced in the UK.

One of the ways that we have managed to deliver services at the figure that we have is by not increasing the number of doctors in the Hospital, in line with the increases that have been seen in the UK. I am not referring just to MSG doctors, because one of the first issues that I brought to the new board when I was appointed a year ago was that we needed urgently another radiologist and another pathologist, and those appointments have not been made. These HSSD doctors are seriously overworked because of the increase in demand.

This is very much the same sort of issue that Deputy Queripel mentioned yesterday in his speech: we all think that the nurses and the doctors and the staff are doing a wonderful job, but we will not provide adequate money.

One of my colleagues yesterday said that I am not liked because I say services are not safe, and I would like to talk for a minute about what we mean by 'safe services' in a hospital. There is no such thing as absolute safety, but what it does mean is that we make every effort to ensure that services are as safe as reasonably possible.

In the intensive care unit in our Hospital there is one nurse for every patient. Clearly, you cannot staff the whole Hospital like that, so we follow UK guidelines to ensure staffing levels are safe, as determined by the UK, because they have done the work. To ensure good governance in the radiology department, good governance requires that 20% of the images are seen by a second radiologist to ensure consistency of results and accuracy in the department. Now, this is not being done in our department of radiology because of pressure of work, so it is fair to say that services are less safe than they should be. I am not saying that the radiologists are incompetent or that there are a whole host of things going wrong in the department, but if good governance says that 20% of images should have a second look and we are not doing it then clearly something is wrong.

Again, the European working time directive lays down the maximum number of hours that doctors can safely work – which we are exceeding – and the Royal College of Physicians says that no contract for a doctor should be written which has more than 10 programmed activities. For the benefit of the uninitiated, a programmed activity is four hours in the daytime or three hours outside normal working hours.

But they also say that one full day of a consultant's contract should be devoted to governance and CPD, and we keep hearing, again, governance all the time. It is quite right. But good governance and safety come at a price. If you do not follow the guidelines you compromise that safety. The worry that I have is that if you are going to negotiate a new contract with the Medical Specialist Group – and it does not matter if they do not get the contract, you have still got to employ those doctors – so whichever way you do it, to tell us that you have an expectation of a lower price tag, which the report does in several places, is just not being realistic. Because, given

2115 the number of hours that doctors are working now, we know they are working hours that would not be approved by the Royal College, which are not being approved by the Royal College.

A job description was rejected within the last fortnight, so you have to, I think, be honest with this Assembly and say that however good a deal we get, the bill is going to rise. Even if we do not renew the contract and we employ the doctors, the bill is going to rise.

2120 I do find it extraordinary that closing 10 beds in the Hospital to ensure that staffing levels for nurses are safe is how we have saved staffing levels today – not by increasing the number of nurses, because I think we have got the same or fewer than we had a year ago. We have made sure that staffing levels are safe by reducing the number of beds we have got, by reducing the services that we offer.

2125 It is worth saying – and you will not like it, but – my first referral to the code of conduct panel was because I raised the issue of governance in the maternity department, and that is the issue that the Nursing and Midwifery Council have dealt with, and that is the issue: putting that right, that has caused us to spend £4 million a year. I think, personally, there has been an over-reaction to a situation in the department.

2130 Again, I come back to the fact that I think we are going into negotiations for a contract with unrealistic expectations for the people of Guernsey and I think the next Assembly will have to deal with the underfunding of the Hospital wherever you look.

Thank you.

2135 **The Bailiff:** No-one else wishes to speak so the Minister, Deputy Luxon, will reply to the debate.

Deputy Luxon: Thank you, Mr Bailiff.

2140 Thanks to all Members for their contributions during the amendment debates and the general debate now, and for approving the two amendments and rejecting the three we asked you not to.

Sir, I do feel slightly like 'Billy No Mates'. Deputy Harwood mentioned that Deputy Soulsby is conflicted because of her PAC role, Deputy Hadley has reminded us of how conflicted he is. Mr Alsop is conflicted because he used to be a consultant, Deputy Le Clerc is conflicted because she is on the SSD board and Deputy James is conflicted because she is an ex-nurse, Mr Christou is a doctor so he is conflicted. So I guess we have got to ministerial Government – I am on my own! (Laughter) I thank my board members for that!

2145 Sir, Deputy De Lisle raised a specific point in paragraph 12. He referred to £17 million and £21 million. Through you, sir, to Deputy De Lisle, that is not the cost that will increase, of this new contract; that simply was saying that the estimated cost of today's contract was £17 million – just over – with the 10 posts that we may have to appoint following the Royal College of Obstetricians and Gynaecologists' review around the incident that Deputy Hadley referred to, that amounts to £4 million for those 10. So if we were not able to find a solution that means we do not have to appoint all of those 10 consultants, then it would rise to £21 million.

2150 We are silent about what option 3 would be, because that is the complex commercial negotiation that needs to take place once the complex service model review negotiations and discussions with the MSG and with HSSD clinicians happen. What I would say is in 15(a) in paragraph 80, paragraph 105, paragraph 115 and paragraph 118, it all talks about how we must try to find cost efficiencies.

2155 Moving back to Deputy Hadley's point, we are not clear how much the new contract will be. That will be clear once we get to the end of the negotiations. If we have to appoint those 10 consultants... we have already appointed three obstetricians. We were obliged to do that to make maternity services safe, but we are trying to work with MSG and looking to Scotland's rural and remote locations to see if we can come up with a proposed model that deals with the issues that were raised without having to make those other seven posts.

2165 There are some service reviews outstanding, in terms of consultant posts, that the MSG believe we need to make, if we carry on doing all of those things the costs would go up. But the whole

point of this big review is that we fundamentally change what we are doing, and if we change what we are doing, then the costs may well come down.

2170 Deputy Hadley several times referred to: we are being 'not realistic', or however he describes it, in terms of alluding to the fact that we are going to be looking for cost efficiencies. Well, in the negotiations on behalf of the States of Guernsey and the people of Guernsey, we will be looking for cost efficiencies; and the MSG understand that, but I cannot give anymore examples than that.

2175 If Members remind themselves of the BDO report, what that said was that if we combine HSSD and SSD's annual budget spend of about £139 million, that we have an expensive service of approximately £24 million compared to their benchmarks, and not all of that £24 million related to secondary healthcare, because about £8 million was from general HSSD costs.

2180 These are lots of numbers kicking around and when Deputy Harwood mentioned about what sort of work is behind the costings and the options appraisal, I can assure you that that is simply two meetings' worth. There is an incredible amount of detail that the Project Board has gone into, and I can assure Members that we have literally turned every stone and will continue to do that.

2185 What I say to Deputy Dorey in response to his comments is both myself and the board recognise previous Ministers Dorey, Adam and their boards, and we now well know after a year the challenges and responsibilities that HSSD Board members will have now and going forward, but we do not think it should be called a poisoned chalice, and we do not think it should be called mission impossible, we would like to think that perhaps we are moving to a phase where it could be mission possible. The five- to 10-year journey of transformation is what HSSD needs to do to deliver safe health and social care going forward.

2190 Deputy Langlois dealt with Deputy Trott's question. I think the only other point I would make is Deputy Trott was very successful in his attendance at Select Committee in Westminster once and I would certainly be happy to send him to have a pharmaceutical industry sector review, because it is fair to say some of the prices they charge could be said to be exploitative and perhaps that sector needs to be challenged.

2195 Deputy Harwood raised some very relevant issues on behalf of PAC in terms of: is there sufficient detail – detail about the contract expense? My file at home is about 10 times the pack in front of you and all I can say is that we put a governance model in place through you, sir, to Deputy Harwood, in terms of our own internal governance; but we have brought external expertise in as well and the validation about the option appraisal three and four, and indeed the costings that we have done... I can assure him that there has been an awful lot of detail spent on that and I am confident that we are describing to Members accurately in the policy letter what we are intending.

2200 Sir, Deputy Bebb, I think, dealt with the inflation questions and what I would say is: in the same way that the States of Guernsey departments have had to deal with FTP challenges and will need to deal with continuous pressures on cost efficiencies, so in the contract should MSG have those challenges as well.

2205 Deputy Brouard's points about the private and contract conflict – yes, I agree with that. There is an irony that the contract is £17 million and of course, in terms of income from private practice, that HSSD receives about £6 million. So there is balance between not encouraging private practice, but also the private income issue. So there is a conundrum there.

2210 Sir, other Members made some valid points but what I would say is I appreciate the comments made. It has been a good debate.

I would ask Members to support the four Propositions.

Thank you.

2215 **The Bailiff:** Members, there are three Propositions in their original form. They are to be found on page 2986 of the Billet. Proposition 1 has been amended twice: first by the insertion of words as a result of the successful Deputy St Pier/Brehaut amendment, and then by the deletion of other words and the replacement with substitute wording as a result of the successful Deputy Luxon/Langlois amendment. So Proposition 1 has been amended twice.

2220 Because I know some Members want to vote separately on Proposition 3, I was going to put the three Propositions to you separately.

Deputy Soulsby: Yes, could we have a recorded vote for all the Propositions, please, sir?

2225 **The Bailiff:** In that case, it is going to be a recorded vote. Is there any objection to taking 1 and 2 together? I have not heard anybody say that they will vote for 1 and not for 2. Can we take 1 and 2 together? Yes. In that case, we will have a recorded vote on Proposition 1 as amended, and Proposition 2.

2230 **Deputy Hadley:** Would it be possible for the amended Proposition to be read out, sir?

The Bailiff: In its amended form? Do you have it, Greffier? I can tell you what the amendment... Do you want it read or do you want me to just explain what the amendment is? Procureur.

The Senior Deputy Greffier started to read the amendment.

2235 **The Bailiff:** No, before you get to that we have got to insert the wording for the Deputy St Pier amendment. After policy letter you insert Deputy St Pier amendment.

The Senior Deputy Greffier read the amendment.

The Bailiff: And then you go to the other amendment

The Senior Deputy Greffier: In paragraph –

2240 **The Bailiff:** And subject to the – (**A Member:** Flexibility.) yes.

The Senior Deputy Greffier read the amendment.

The Bailiff: That is it, so I hope that is now clear. So that is the first Proposition as amended.

Deputy Dorey: Sir.

2245 **The Bailiff:** Deputy Dorey.

Deputy Dorey: Sir, should we not just amend the Social Services Department to Social Security Department on the second line?

2250 **The Bailiff:** It is Social Services Department in the Billet; it should be Social Security Department. (*Interjections and laughter*) So now we will have a recorded vote on Proposition 1 as amended, and Proposition 2. Those two Propositions taken together.

There was a recorded vote

2255 **The Bailiff:** Well, that has clearly been carried. I do not think we need to wait for the formal announcements of the result. I think we can go straight on with the vote on Proposition 3. Again, a recorded vote on Proposition 3.

There was a recorded vote.

The Bailiff: Again, unless anyone wishes to wait for those results to be formally announced, I suggest we move on with the next policy letter, which is to be that of the Treasury & Resources Department. If you could formally announce it please, Greffier.

TREASURY & RESOURCES DEPARTMENT

XII. Cabernet Limited – Recapitalisation – Debate commenced

Article XII.

The States are asked to decide:

Whether, after consideration of the Policy Letter dated 9th September, 2015, of the Treasury and Resources Department, they are of the opinion:-

- 1. To approve the establishment of a capital vote charged to the Capital Reserve to fund:
 - a) the recapitalisation of Cabernet Ltd in respect of cumulative losses of £19.9m up to 31st December, 2014;*
 - b) the recapitalisation of Cabernet Ltd in respect of its forecast losses of £5.3m for the years 2015 to 2017;*
 - c) the cost of the independent review undertaken by BDO set out in section 6.2 of that Policy Letter in the sum of £27,500.**
- 2. To authorise the Treasury and Resources Department to provide short-term borrowing facilities to the Aurigny Group.*
- 3. To direct the Treasury and Resources Department to report to the States of Deliberation with details of any short-term borrowing facilities provided to the Aurigny Group within six months of their provision, explaining the need for the facility.*

2260 **The Senior Deputy Greffier:** Article XII, Treasury & Resources Department – Cabernet Limited – Recapitalisation.

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, in presenting these proposals today, I do so with mixed feelings.

2265 I start by saying that I share the sense of concern that I suspect many of us will have about the size of the financial commitment that is required for the recapitalisation of the Aurigny Group. Given the dynamic nature of the airline industry, there are of course a multitude of different regulatory, environmental, commercial and economic issues that have impacted Aurigny over the years, since its acquisition by the States. That leave us in the position that we find ourselves today.

2270 I am not going to rehearse all of these now, because they have of course been well reported in the past, but one reason which I think is worthy of mention at this stage is the States' own decision to defer previous proposals for recapitalising the airline in 2009 until this current capital round. I take no view on the merits of that decision, other than perhaps to highlight the point which I think was made at the time, that it would result in the need to increase the size of the loan facilities available to the airline.

2275 Whilst there may be a temptation to defer the recapitalisation again – and I will consider the potential consequences of this in a moment – deferring the decision will only mean putting off the day when we do have to confront, one way or another, the insolvent position of the airline, and honour the guarantees we have provided for the airline in respect of its commercial loans.

2280 I am confident that the States' decision to take ownership of Aurigny in 2003 was the right one at the time, and that remains even more so, I suggest, today. Not only has it given us security and

control over the much prized slots at Gatwick, but it provides us with a tool with which we can safeguard existing links and of course, if appropriate, develop new ones in the wider strategic interests of the Island.

2285 Of course, the extent to which we wish to do so depends entirely on the balance to be struck between the competing commercial, financial, social and economic considerations in setting objectives for Aurigny. Just look at the challenges that face the Isle of Man, for example, in maintaining adequate sustainable and secure air links into London to see just how fortunate we are.

2290 I know that the debate today, and some of the amendments that have been tabled to the department's proposals, will provide an opportunity for the Assembly to explore what the *raison d'être* for Aurigny should be in the future. I welcome the opportunity that this will provide to establish some clarity around how we go about balancing those differing and competing considerations that impact on the way the airline should operate.

2295 I have certainty, borne out of experience, that unfortunately we do have to expect the unexpected when it comes to our airline. Events beyond our control will, and can, conspire against any airline. I am sure we all understand that the airline industry is a very volatile one and it is highly susceptible to changes in economic conditions. Aurigny's financial forecasts make assumptions about passenger volumes, fuel prices, landing fees, exchange rates and maintenance costs. We have to acknowledge that even relatively small movements in these areas can have significant repercussions for the company's financial results; as, of course, the sensitivity analysis included within the Billet seeks to demonstrate.

2300 However, when an airline operates on a relatively small scale like Aurigny, with a high fixed cost base and competing social and commercial considerations, the impact can be disproportionately high and difficult to absorb. So, by way of example, I mentioned this year's well publicised lightning and bird strikes which between them will result in around half a million pounds of unexpected expenditure in 2015.

2305 At this point it is perhaps opportune for me to highlight that this policy letter seeks to accommodate the possibility of Aurigny's financial performance being blown off course by unforeseen circumstances. The policy letter asks the States to provide the department with authority to extend additional short-term borrowing facilities to the airline, in the event that its losses extend beyond those for which provision is being made or sought as part of the recapitalisation proposals. Now, these would be short-term facilities, and by that what I mean is that the department would really be required to report back to the States within six months of their having been provided, so that the Assembly does have the opportunity to further consider the matter and decide on an appropriate course of action.

2315 I think it is fair to say that the current Treasury & Resources Department has been very much on a journey with Aurigny. In common with our approach to the other States' trading companies, we have made a conscious decision to take on a more proactive approach as shareholder. Of course, let's be clear about one thing, this does not mean interfering in the day-to-day management of the airline and its operation. That is, of course, the responsibility of the board of directors of the operating companies and it would be entirely inappropriate for the States to do so.

2320 My board recognised at an early stage that Aurigny had been operating in something of a policy vacuum and, with one exception, with very little clear guidance in terms of its objectives. There is absolutely no doubt that the States objective in agreeing to purchase Aurigny in 2003 was to safeguard the Island's links with Gatwick. However, the 2003 States' Resolution was silent on any other objectives, other than a fleeting reference to Aurigny and I quote:

'...having a long history of serving the Bailiwick on the essential inter Island routes which also need to be safeguarded...'

2325 So, in taking a more active or more pro-active stance as shareholder, my board has sought to fill the void by establishing clear high level objectives for the airline, together with a suite of key

performance indicators, against which we can judge its performance. These, of course, are set out in the report before you today, and are reflected in the updated Memorandum of Understanding on page 3095 of the Billet, that of course my board established through its supervisory sub-committee with Aurigny. This clearly defines the working relationship between us.

2335 However, I should stress that this is very much an evolving process. We will need to take into account in the short term the separate MoU we are developing for air services to Alderney and, in the longer term, the move towards a PSO-style system for those links. It will also be influenced by ongoing review of the working capital that the department is currently undertaking for all the States' trading entities.

2340 So the journey is not yet complete and is one that I am confident the new States' Trading Supervisory Board will be well placed to continue, taking its policy guidance from the States' principal committees, including of course the new Policy & Resources Committee. So, in the absence of any previous specific policy guidance from the States, the shareholder objectives that we have set for Aurigny seek to strike what we feel is the most appropriate balance between the
2345 different competing pressures on the airline. Inevitably, the objective that attracts perhaps the most interest is around breaking even.

My department has faced criticism from both ends of the spectrum. Some argue that on the one hand it has been too focussed on the bottom line, without giving due consideration to the wider community and economic enabling roles that Aurigny has; as well as, of course, the direct
2350 contribution that it does make for ETI payments, social security contributions and local airport charges, which together amounted to just under £7 million in 2014.

On the other hand, some argue that we have not pushed a break-even position with the airline hard enough and, of course, the report summarises the main reasons why earlier projections at Aurigny would reach a break-even in 2015 or 2016 have not yet been realised.

2355 Whilst the reasons are varied, an important factor was the strategic decision to invest in the development of the London City route to support the local business community, to improve the Island's connectivity and to reduce our high degree of dependency on the Gatwick services. In essence, a decision was taken to balance the speed with which we move to a break-even position with the wider strategic interests of the community.

2360 So, again, I welcome today's debate which will, I think, provide and explore where and how we think that balance should be set in the future. In short, the debate is whether the airline should be a purely commercial airline or whether it should be, as we have sought to guide, a community airline.

2365 Sir, I would like to turn now to a point I flagged earlier about the temptation that there may be to delay or even reject recapitalisation of the Aurigny Group. My department's firm view is that there is only so long that we can continue to defer addressing this matter.

The Group is insolvent and only continues to trade by virtue of the guarantees it has in place for its commercial borrowings and its letters of support provided by the States of Guernsey. I hope it is safe to assume that the States will not reject outright the plans to recapitalise the Group, which would then leave us with the airline facing liquidation and the States responsible for
2370 repayment of the guaranteed overdraft facilities and the aircraft loans.

Deferring the recapitalisation would not be without consequences as well. The Group's finance facilities with RBSI fall due for repayment at the end of this year. So a deferral would require the agreement of renewed facilities with RBSI within the next month. In the event that this was not
2375 possible, these facilities would need to be repaid and refinanced using either alternative commercial facilities guaranteed by the States or loans from the States of Guernsey's Treasury reserves.

The existing overdraft facilities with the States would also need to remain in place with no prospect of being able to repay the principal facilities Aurigny would continue to accumulate and
2380 bear a growing interest burden on these debts, currently around half a million pounds a year, and the prospect of a break-even position would be an even greater challenge.

Sir, the department cannot in any circumstances recommend that the airline's existing facilities are refinanced with the proceeds of the States of Guernsey bond. Whilst this would provide access to lower interest rates, it could require a fundamental change in the rules agreed for the application of the bond's proceeds, which is that they must not be used for lending unless there is a secure income stream, which is capable of repaying and servicing the debt.

Of course that does apply in respect of the aircraft loans, which have been refinanced using the States of Guernsey Bond. So without a seismic change in the airline's financial performance or a substantial increase in fares, there is little prospect of the airline being able to do so.

The States also should not underestimate the challenge of holding management to account when, as has been the case since the airline was bought, it has perhaps been seen that it does not really matter whether the losses added to the corporate overdraft are a little bigger or smaller than forecast or when, as is the case, the directors are able to rely entirely on the cast iron States of Guernsey guarantee which is required by the bank to allow the company to continue trading. This is a very unusual and uncomfortable place for any board of directors to be.

Sir, the time is now right to recapitalise Aurigny; it is the responsible thing to do. The airline is on a path, albeit a fragile one, towards breaking even. Recapitalisation will provide a firmer foundation for this journey; it will bring much greater clarity and transparency to the Group's finances, which will be essential in helping the States, as shareholder, to ensure its board of directors and management can be held to account in achieving the objectives that we set for it in the future.

Thank you, sir.

Article XX, Propositions 1 and 2:

Carried – Pour 44, Contre 1, Ne vote pas 0, Absent 1

POUR

Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Spruce
Deputy Collins
Deputy Duquemin
Deputy Green
Deputy Dorey
Deputy Paint
Deputy Le Tocq
Deputy James
Deputy Adam
Deputy Perrot
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Harwood
Deputy Kuttelwascher
Deputy Brehaut
Deputy Domaille
Deputy Langlois
Deputy Robert Jones
Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Bebb
Deputy Lester Queripel
Deputy St Pier

CONTRE

Deputy Hadley

NE VOTE PAS

None

ABSENT

Deputy David Jones

Deputy Stewart
Deputy Gillson
Deputy Le Pelley
Deputy Ogier
Deputy Trott

2405 **The Bailiff:** Before we move to the amendments, I can formally announce the results of the vote on the Propositions on the Health & Social Services Department policy letter on the arrangements for Secondary Healthcare – the amended Proposition 1 and 2. There were 44 in favour and 1 against. I declare those carried.

Article XX, Proposition 3:

Carried – Pour 33, Contre 12, Ne vote pas 0, Absent 1

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Laurie Queripel	Deputy Fallaize	None	Deputy David Jones
Deputy Duquemin	Deputy Lowe		
Deputy Le Tocq	Deputy Le Lièvre		
Deputy James	Deputy Spruce		
Deputy Perrot	Deputy Collins		
Deputy Brouard	Deputy Green		
Deputy Wilkie	Deputy Dorey		
Deputy De Lisle	Deputy Paint		
Deputy Burford	Deputy Adam		
Deputy Inglis	Deputy Hadley		
Deputy Soulsby	Deputy Robert Jones		
Deputy Sillars	Deputy Sherbourne		
Deputy Luxon			
Deputy O'Hara			
Deputy Quin			
Alderney Rep. Jean			
Alderney Rep. McKinley			
Deputy Harwood			
Deputy Kuttelwascher			
Deputy Brehaut			
Deputy Domaille			
Deputy Langlois			
Deputy Le Clerc			
Deputy Gollop			
Deputy Conder			
Deputy Bebb			
Deputy Lester Queripel			
Deputy St Pier			
Deputy Stewart			
Deputy Gillson			
Deputy Le Pelley			
Deputy Ogier			
Deputy Trott			

The Bailiff: On Proposition 3, 33 in favour, and 12 against. I declare Proposition 3 also carried. Now, coming back to the present policy letter, we have three amendments that have been circulated and we will take first the one proposed by Deputy Dorey.

2410

Deputy Dorey: Thank you Mr Bailiff, and please can the Deputy Greffier read out the amendment.

The Senior Deputy Greffier read the amendment.

The Bailiff: Deputy Dorey.

Amendment:

1. In proposition 1b), to delete '£5.3m' and substitute '£2.3m' and to delete 'years 2015 to 2017' and substitute 'year 2015'.
2. To re-number proposition 1c) as 1d).
3. To insert a new proposition after proposition 1b) as follows:

*'c) the recapitalisation of Cabernet Ltd in respect of its forecast losses of up to £1.m in year 2016 and £1.3m in 2017 on the Alderney Services;'.
4. To insert a new proposition 4 as follows:
'4. To direct that the shareholder guidance to the Treasury and Resources Department in respect of the Aurigny Group is that from the financial year starting 1 January 2016 onwards the Aurigny Group should achieve a breakeven position or profit on a full profit and loss basis, excluding losses incurred in operating lifeline services to and from Alderney and agreed exceptional one-off costs.'*

2415 **Deputy Dorey:** Thank you.

Firstly, I would like to thank Deputy Domaille for seconding the amendment.

2420 Before going into detail on the amendment, I would just like to make it clear that this amendment has no effect on the injection of £19.9 million to recapitalise the company in respect of the cumulative losses to the end of 2014. It also has no effect on the £2.3 million that is needed to cover the predicted loss for 2015, which includes the loss on the Alderney routes for this year.

2425 The amendment also has no effect on the recapitalisation in respect of the predictive losses on the Alderney route for 2016 and 2017, which total £2.3 million. This amendment also fully supports T&R's 2015 shareholder objective, which can be found on page 3079, that is that the Aurigny Group should break even, excluding exceptional one-off costs agreed between T&R and Aurigny and the Alderney Lifeline Services.

2430 This amendment, for clarity, just adds a starting date of 1st January 2016 and onwards to the objective printed in the Billet. It just makes clear when it starts, although it is titled as a 2015 objective in the Billet. It also means that the States can, by supporting this amendment, agree with this objective and send a clear message to Aurigny that they cannot continue to make losses except in respect of the Alderney services.

2435 The result of the recapitalisation is that as well as making the company solvent, as States supported, there will be a reduction of approximately half a million pounds on their low interest bill for next year. Even with this reduction in interest, Aurigny are predicting a loss, excluding Alderney, of £500,000 in 2016 and £200,000 in 2017. Making a total of £700,000 for those two years. This amendment reduces by £700,000 the amount of money we transfer now to cover these forecast losses. We should not be covering these losses before they occur. We should be saying to Aurigny that they should take action.

2440 Obviously, the ideal situation is that Aurigny reduces its costs in order to break even. But if that is not possible, then if the worst case scenario is that it has to increase fares, the amount by which fares will need to increase is about £1.20 per journey for 2016, reducing to 40p for 2017. To be absolutely clear, that would be an extra £2.40 on a return trip to Gatwick from next year, reducing to 80p for 2017.

2445 I have calculated this by using information on passenger numbers supplied by Aurigny. It does not include passenger journeys on the Alderney, Jersey, Dinard and Grenoble services, nor to 2016 sales already made, or the 2016 agreed fares for two operators. So Members can see this has been carefully calculated.

2450 Such increases, if required, will not, I believe, have any impact on people's decisions to fly. Recent research has shown that Guernsey airfares are relatively inelastic. I think that small increases such as this will come under the category, as possibly said in the previous Assembly, lost in the roundings. *(Laughter)*

It has been said that any such increase will affect decisions business or leisure passengers make when deciding whether or not to fly to Guernsey instead of Jersey, and to make Guernsey uncompetitive.

2455 At the weekend I looked at flight costs on two days chosen at random. I chose Wednesday 2nd December: a crossing in the middle of the week for a day return going to Gatwick on the first flight and coming back on the last flight; British Airways from Jersey was £120 cheaper than

Aurigny and EasyJet £177 cheaper. Both these comparisons are with hold baggage. Though the flight times with EasyJet do give you a shorter day away.

2460 I also looked at somebody coming from Gatwick on the first flight on Saturday 23rd January returning on the last flight on Sunday evening 24th January i.e. staying for the weekend, again travelling with hold baggage; British Airways is £51 cheaper and EasyJet £84 cheaper.

This illustrates that Guernsey is already more expensive. It does not compete on price with Jersey, so a small fare increase is not going to affect the decision whether to fly with Aurigny to Guernsey.

2465 We know from research that 42% of air passengers are local people travelling for leisure, and just under a quarter are business travellers. I cannot see any justifiable reason to use taxpayers' money to subsidise these travellers. We do not subsidise travellers using the other airlines, or travelling by sea.

2470 With extreme pressure on the Capital Reserve and on General Revenue, I am sure that Members can think of better uses for this money, and we will be debating some of them during this session. Aurigny has made repeated predictions that it will break even or make a profit, and these have failed to materialise over and over again.

2475 One example is mentioned in paragraph 5.6 on page 3085, but I will use the actual quote from the 2013 Billet, when we debated securing the strategic air link to Gatwick. The report stated that: 'Aurigny would break even in 2015, and make a modest profit of £200,000 in 2016, and £400,000 in 2017.' And it stressed in bold:

'Importantly, these projections do not assume any significant change in fare levels on the route.'

We know that those have been very wrong in terms of what has happened and what is now predicted. I also quote from the 2015 Budget Report, which was debated just over a year ago:

'T&R has set the Aurigny Group an objective of reaching a break-even position. Whilst the Department has not set a [strict] timetable for achievement of this objective, the Aurigny Group is continuing to predict it will do so in 2015/2016.'

2480 So it said they were going to break even either this year or next year. Again, that was just a year ago. Let me give one more example in the 2013 Budget Report, T&R predicted a loss for the Group of £1.36 million, the loss was actually just over £3 million.

The point I am making is that their predictions seem to be repeatedly, unacceptably optimistic. The States must give a strong message that the airline must break even on all services but for Alderney. It is interesting to note that in 2006 and in 2007 it did actually make a profit.

2485 It is reported in the Billet that after review by BDO of Aurigny's forecasts. T&R concluded that forecasts were reasonable, albeit they were at the optimistic end of the spectrum which, based on their track record, does not inspire any confidence. When the forecasts were prepared – which must have been a few months ago, given the Billet deadlines and the review of the forecasts by BDO – that was the time T&R should have been saying to Aurigny that they must take action so that they break even in 2016 and 2017, and not accepting the predicted losses.

2490 Deputy St Pier referred to the London City route in his opening speech; he said it was in the wider interests of the community. Well, it was known, I believe, at that time there was a private airline which was interested in running that route, but Aurigny jumped in and took it.

2495 But, to me, it is unacceptable if they could not cover the costs of setting up that route, or if T&R should have covered it from their own budget. To me, it seems to be pushing a coach and horses through the budgetary procedures if T&R can approve an airline setting up a route, making a loss and then coming to the States at a later date and asking them to cover those losses. That would not be accepted by any other department – to start a new service and then ask the States to finance it at a later date, but that is effectively what has happened with London City. We just do not carry on with that type of financial management.

2500 Mr Bailiff, I ask Members to support this amendment so that the States can resolve that Aurigny should break even, and to reduce by £700,000 the amount of money that T&R propose

that we transfer to cover the forecast losses, as they should not be planning to make those losses and should be taking action.

2505 Thank you.

The Bailiff: Deputy Domaille, do you formally second the amendment?

2510 **Deputy Domaille:** I do, sir, and I reserve my right to speak.

The Bailiff: Minister, do you or your representative wish to speak at this point.

Deputy St Pier: No, I will speak at the end.

2515 **The Bailiff:** Right. Deputy Trott.

Deputy Trott: Sir, this is a very dangerous amendment indeed. Towards the end of Deputy Dorey's Proposition speech he referred to London city, and can I ask Members to turn to page 3080, and in particular paragraph 4.7. That paragraph reads:

'Aurigny's budgets for 2015 demonstrate that the London City service will incur substantial losses, albeit it is anticipated the route's financial performance will improve as it becomes more established. The introduction of this service was a direct response to requests from the local business community. It reflects the importance of financial and business services to the Island's economy and the importance of easy access to and from the City of London upon which these services rely for their long-term success.'

2520 Now, it goes on to talk about diversification, sir – the importance of not being solely reliant upon Gatwick – and it makes the point a little later on in 4.9 that this is developing slowly but is an important part of our strategic risk assessment.

2525 As I understand it, Deputy Dorey's amendment would result in the immediate closure of that developing link. Utter madness, sir. (**A Member:** Hear, hear.) Utter madness! It is exactly that sort of initiative that sends a big signal that we are closed for business, at a time when we are anything but, sir. Right now we are as hungry and as eager for new business as we have ever been, and that is the strategic message that we should be sending out, not one that has a blinkered, narrow-minded and somewhat yesteryear attraction.

2530 So I do hope Members will reject this amendment, sir, in the wholehearted way in which I have, to send a message to this community and further afield that we are open for business, and that is a strategic policy that we intend to maintain and develop.

Thank you, sir.

2535 **The Bailiff:** Deputy Luxon.

Deputy Luxon: Sir, in a month's time it will be Christmas Day and we will all feel rather full having eaten our Christmas lunch and this amendment, sir, reminded me of the sort of present I would like to give myself in the morning, and be excited and happy but then realise in the afternoon I do not like it after all and I want to take it back.

2540 Sir, it is completely and utterly laudable that Deputy Dorey wants to reduce a loss that Aurigny will incur and therefore a dependency on the States of Guernsey's Treasury. But I echo Deputy Trott – the money is spent and it is a sunk cost. This is now a long-term shareholder investment and one day we may well get it back. We may get this value back if Aurigny start delivering surpluses over the next 5, 10, 15 years, but it is a sunk cost; the money has gone and all this is doing is regularising the situation.

2545 My concern with the amendment is that we would be asking the Aurigny board and management team to dysfunctionally apply short-term trading policies that could have massive unintended consequences that would simply exacerbate the degree of current loss that we are hoping Aurigny's promise to move towards a break even in 2017, or thereabout, intends to do.

2550 So I totally understand the purpose but this is a barking amendment, sir. I would suggest that we do not open it on Christmas morning for ourselves.
Thank you.

The Bailiff: Deputy Stewart.

2555

Deputy Stewart: Mr Bailiff, I cannot agree more than with Deputy Trott and Deputy Luxon. Deputy Dorey takes a very, very simplistic view of the business dynamics and the economics.

I mean we charge an extra £1.20 on airfare and it all seems to work out. Well, maybe if we charged an extra 10p on a packet of Maltesers they sell, we could do it a different way. It does not work like that.

2560 Now, we at Commerce & Employment have been working with other departments and we are now at Stage 3 of our Strategic Air Route Review. So not only is this amendment wrong, it is also ill-timed. What we have to look at... and we own our own airline and it is very credible that we do. It may be painful at times but we are an Island – we are 63,000 people, we are not much bigger than a small English market town – but with this connectivity, which is vital – *vital* – to our economic survival.

Without being flexible in some way and using Aurigny – albeit without that overarching policy at the moment, as an economic enabler... to look at developing new routes, particularly when you look around and we talk about subsidies. We subsidise our bus passengers more than we subsidise the airline, and the airline clearly must be used as an economic enabler.

2570 This is not just the view of my board, but it is the view of, I know, the Isle of Man and of Jersey, who we are in discussions with, looking at how we can develop routes; because all of us are facing the same problem. Even Jersey, with 100,000 population, is facing difficulty in maintaining those air links. We are looking at ways that we can work.

2575 So this is the wrong time and it is the wrong amendment for now, because we are now going into the final part and there is a massive amount of consultation with industry and with tourism around air routes and looking at how we can develop and maintain our existing routes and what the overarching policy should be.

Deputy St Pier was quite right in his opening speech that there was a policy void. They have filled it for now, but I think the larger amount of policy work that we have now undertaken – looking at air fares, routes, pump priming maybe from the Economic Development Fund... I think we need to come back to this Assembly with a serious plan before we start pulling a few levers and say, 'Let's just put £1 on a fare,' or do whatever we do. We must – *must* – recognise the importance of our airline as an economic enabler and the multiplier effect that it has on our economy.

2585 I will be voting against this amendment and I recommend other Members to do the same.

The Bailiff: Deputy Gollop and then Deputy Soulsby.

2590 **Deputy Gollop:** I agree with previous speakers generally about the role of the airline as an economic enabler.

I think we are perhaps being a bit harsh on Deputy Dorey. We all know that he has put forward a considered case and he is a very charitable individual. The point that he is making – (*Laughter*) Well, the point that he is making is there is a perception amongst some people, including some columnists at the *Guernsey Press*, that we should not subsidise air fares from the relatively less well off.

2595 Now, I happen to believe that the airline forms an important part of our economy and society, but nevertheless he has put forward some arguments to make us think. I sit on a couple of boards who regularly receive financial updates and I have been impressed that, generally speaking, they are never more than 1% or 2% out.

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Now here, as Deputy Dorey has rightly observed, the profit and loss estimations for Aurigny have often been significantly at variance, and perhaps that has reflected a lack of information that Treasury & Resources have received and maybe a lack of information we have received, which is a position that looks like it is going better in the last month or two, but there is still a way to go.

Deputy Stewart mentioned the buses and I cannot remember now how he, or indeed Deputy Dorey voted on the proposal to raise bus fares, but it goes without saying that the higher the bus fare, the less use there is likely to be made of it. That principle applies even more so to airlines and has a much greater significant effect on our business connectivity and society.

So I am generally against any crude attempt to put on extra supplements to the airfare. Indeed, it could be argued the Airport itself has been guilty of that over the years and we have reaped a bitter harvest.

Where perhaps Deputy Dorey's amendment has been misunderstood in one area, is in Alderney because it was extremely amongst the rank and file in Alderney, because Alderney people genuinely cannot take any more increase in the fares there. The economy is already struggling and the perception that this amendment could lead to further fare rises would be most unfortunate. I am sure it will be emphasised later in the debate, but Aurigny effectively runs at least two lifeline routes, because we are not just talking here of the Guernsey-Gatwick, but we are talking of the Alderney routes to Southampton and Guernsey; and arguably the inter-isle route to and from Jersey is important.

I have ideas for other air routes but now is not the time to raise them. I say: despite the good intentions of this amendment, we need to throw it out at this stage because we have got to consider both the wider economic issues of Guernsey finance but also the Alderney dimension.

I know Deputy Domaille is seconding this amendment and we may hear from him later, but one point I do agree with Deputy Domaille on is he has said in the past that, generally speaking, transport undertakings rarely make money. I think we have to accept that with Aurigny. We have got a lot of material in this report about other Islands and small communities that own and run transport establishments; and they do sometimes make surpluses, but not at the moment. Therefore, with the best intentions, I think we should move on to the next amendment. *(Laughter)*

The Bailiff: Next, Deputy Soulsby then Deputy Perrot, Deputy Burford.

Deputy Soulsby: Sir, I actually concur with the last comment made by Deputy Gollop there! *(Laughter)* I will be brief.

I just think this is the wrong time for this amendment. The recently released report from the Scrutiny Committee into the Security of Strategic Air Links clearly makes the point that Aurigny is a tool in the box for the States, which could be used more effectively.

In this context, a currently opaque strategic position on Aurigny needs to be clearly articulated. This includes potential strategic subsidy or so-called public service obligation (PSO) for the Alderney route. It would really have made sense for that debate – indeed the whole strategic debate – to have come before this report, let alone this amendment, and it may have resulted in this amendment not even being laid today.

Now, I might have been tempted to support the amendment just because it reduces the amount of money being taken from the Capital Reserve, but I just cannot support it. I cannot support Proposition 4 because we need the issues in the Scrutiny Report to be addressed, and particularly about the development of a clear policy to use Aurigny to support the wider economic and political objectives.

So I cannot support this amendment.

The Bailiff: Deputy Perrot.

Deputy Perrot: You will be aware, sir, that over the last few States' meetings, Deputy Trott has had quite a lot of fun really at my expense *(Laughter)* and I would really like to be able to stand up

and say something rather disobliging about him. I cannot. All I can do at the moment is to say good things about him.

2655 First, I echo all that he said in his contribution a few minutes ago. Second, of course, it happened on his watch that the airline was bought for a comparatively low price. I think he was Treasury Minister at that time, oh head shaking –

Deputy Fallaize: On a point of correction, sir.

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Deputy Perrot: Oh in that case I do have something against him! (*Laughter*) I think he said later on... maybe it was the oil tanker that was the one.

I do remember though when the airline was bought. Everybody knew at that time that it was being bought as a strategic asset for Guernsey. I agreed with Deputy Fallaize. God, I hate that word 'strategic', as in strategic plans and all the rest of it, but this is one of those genuine things where it really was bought because we needed it, almost come hell or high water.

2665 Anybody with an ounce of sense would have known that there was a possibility of losses – and substantial losses. I mean, I think it is a trite saying but I will say it nevertheless, because I cannot think of anything else right at the moment, but one of the airline sayings is that if you want to make a small fortune in the airline business start off with a large one. Thank you. HM Procureur is already there. But he is still awake; that is wonderful! (*Laughter*) It was always on the cards that there would be losses.

2670 Now I agree with the sentiment contained within this amendment that we cannot just say to the board of Aurigny, 'Well, just have a bit of a go chaps, but if you do not make a profit that does not really matter.' Of course it does matter! But what we have done is to try to put that into some sort of sensible commercial context.

What this amendment does is to say, 'Look, in five weeks' time your objective is to make this airline break even, subject to caveats contained within the amendment.' I think that that is completely unreasonable. If I were a director of Aurigny I would say, 'Get knotted!'

2680 There is a difference between having a high level set of shareholder objectives given to an airline and some sort of hands-on control; it is not micromanagement but it is far too excessive a level of control by the States of Guernsey. We are not in the airline business in the States of Guernsey individually. We cannot do that sort of thing. That is why we have people on the board of directors of Aurigny – to do just that.

2685 It is quite wrong to box them into a position where they have got to consider perhaps pulling out of the City route. We have just put, or they have just put, the route in and there is a possibility that they may need to discontinue that route in order to comply with these refined objects. The trouble is, if you are running an airline you just do not know what is going to be around the corner.

2690 As it happens, oil prices have gone down over the last couple of years. They could always go up again. As it happens, I know that Aurigny has had enormous difficulty in dealing with its handlers at Gatwick. When the new contract is negotiated you just do not know what the additional cost is going to be. Of course, one of the real problems about Gatwick, for example – and I know that that is a lifeline route and perhaps I should not spend too long dealing with that – is that Gatwick does not want us to be there. That is why the landing fees and operating fees are so huge. And poor Aurigny has to deal with all of these things and it just does not know what is around the corner; it does not know when it is going to have a jet out of business because of a bird strike.

2695 I do not accept the premise that merely adding £2.40 to a return trip is okay. One of the most frequent complaints I have about Aurigny from constituents is to do with fare prices. People are constantly complaining about the relatively cheap fares from London to elsewhere in the world, yet to get to and from London is so very expensive. I do not think it is a terribly good idea to add to our return fare to London. What is Jersey going to make of all of that? As Deputy Trott said, we want to show that we are open for business (**A Member:** Hear, hear.) If we can, we want to have

2705 reduced airfare, but you can only do that over a time. (*Laughter*) Sorry, I am getting a little bit older; it does take me a little bit longer to think about some of these things. (*Interjection*) Sorry?

All in all, I think that it is far too early for us to be trying to do anything which approaches management in relation to Aurigny. I do accept that we have got to keep our eye on the ball. I think that the Supervisory Committee so far has been keeping its eye on the ball.

2710 There have been some very – I suppose the language of diplomacy would say – frank discussions between the Supervisory Board and the Aurigny board of directors. The board of directors is in no doubt at all which way we wish to see it going. Certainly, so far as the present board at Treasury is concerned, they do not have an open cheque book. They have to report to us all the time.

2715 I think that this amendment is wholly ill-conceived. I strongly suggest that it not be supported.

The Bailiff: Deputy Burford and then Deputy Domaille.

Deputy Burford: Thank you, sir.

2720 I do not think Deputy Dorey is suggesting that the London City route be cut, but I do think the business community are going to have to use it or lose it where the route of London City is concerned. I think if you think back over the last decade or more there have been Zurich, Geneva, Amsterdam, operated generally in 33-seater aircraft and none of those proved viable. So I think there is a reality check that is perhaps needed on that basis.

2725 In fact what Deputy Dorey seems to be suggesting is a marginal increase in fares and it is interesting what Deputy Perrot said about fares – that that is one of the most frequent complaints that he has. I think part of the reason for that could actually lie in this move in recent years that everyone has had to fall in line with, into this low-cost model of pricing, where if you want a ticket within a week of when you travel it is going to cost you an arm and a leg, so maybe that has got something to do with it. I am not suggesting anything can be done about that now.

2730 But, just to finish, I have just got a question which hopefully the Treasury Minister can address when he sums up, and that is... the shareholder objective to Aurigny, which is pretty prescriptive when you compare it with what Deputy Dorey is talking about, to offer 63% of seats at £67.22 or less. My question is to what extent does meeting that objective by the airline... how much does that contribute to the forecast loss?

2735 Thank you.

The Bailiff: Deputy Domaille.

2740 **Deputy Domaille:** Thank you, sir.

Actually, I agree with Deputy Burford's comments about the London City route. It is certainly not in my mind that I am stipulating today that they should drop that route, but I do think it is a use-it-or-lose-it scenario. I know that Aurigny believe the same.

2745 Contrary to some of the comments that have been made, actually, I think this is a very modest amendment. It is actually doing nothing more than requiring Aurigny to comply with the stated objective of breaking even, excluding Alderney services – Alderney services the subsidy remains. That is set out in 3079 in the Billet.

2750 For its part, Aurigny recognises the need to break even and, as such, this amendment is not a hostile amendment. All it is doing is requiring Aurigny to take the actions that it says it intends to take in the next two years now, rather than wait two years; thereby incurring further losses for the taxpayer of £700,000 or thereabouts, because the figures are always wrong, over and above the current losses, which already total £20 million. £20 million!

2755 This amendment is not prescriptive, it is not seeking to micromanage Aurigny's affairs; it is for Aurigny to take the actions it sees fit. In fact, we know from presentations it has made that it has already identified measures it could take. These include a very modest fare rise. The figure that Deputy Dorey has given is if all the increase goes on fares – it does not have to. The introduction

of modest charges for, say, luggage; the reduction in non-profitable flight frequencies on unprofitable routes; or a mixture of these and other measures – these are all measures that Aurigny themselves have identified.

2760 To put this in perspective, as Deputy Dorey has previously said, these are charged out only to fares and would equate to approximately £1.20 per passenger in 2016. Much less than the cost of a cup of coffee. People are saying this is going to stop people flying. I really do not see the logic of that. Some have said Aurigny is a strategic asset and, as such, must be subsidised. Aurigny is most definitely a strategic asset; it is absolutely vital – so is Guernsey Electricity, so is Guernsey
2765 Water, so are the Harbours and the Airport! We do not subsidise electricity, water or port charges so why Aurigny? Why not subsidise broadband services?

Some argue the subsidy encourages business travel. I really cannot believe that this £1.20 or less on the cost of a day's business travel will make the slightest difference to the business traveller. I really do not see it. Actually, the business traveller only accounts for a third of Aurigny's
2770 passengers. Now, people want to subsidise people going on holiday, for Guernsey with their airfares, and that seems to me a waste of taxpayers' money. If you are going to have a subsidy – an air travel subsidy – surely it should be on the landing charges for all airlines, not just one.

Sir, Aurigny has been saying for years it will break even next year or shortly thereafter. Ever since we bought it – and I was involved in buying it, so many years ago – apart from one very brief
2775 period, it never has. The airline remains insolvent; its losses total well over £20 million and continue to mount every year.

This amendment is bringing a degree of order to the relationship between the States and Aurigny. It is doing nothing more than requiring Aurigny to act responsibly in the same way as we expect other States-owned bodies to behave.

2780 Members, please support this amendment.
Thank you.

The Bailiff: Deputy Kuttelwascher, then Deputy Rob Jones.

2785 **Deputy Kuttelwascher:** Thank you, sir.

It never ceases to amaze me how many people in this Assembly know how to run an airline. I am quite serious about that. When you mention all the things that people have said, they do not actually look at the unintended consequences of what may happen if they do what they suggest. Aurigny does not receive any subsidy for the route to Alderney; all it does is it generates a loss, so
2790 although it was said they get a subsidy, they do not.

Sir, starting with the last Proposition, even if these fare increases were introduced it could in no way guarantee, in any way, that Aurigny would break even over the period suggested, because there are so many unknowns out there.

Now, in the last year they had two shocks: one was mentioned – the bird strike that cost half a million, including the chartering of aircraft to replace the jet; Deputy Perrot mentioned the
2795 baggage issue – that is another quarter of a million. So here you are, three quarters of a million of costs just appearing out of nowhere.

Let me tell you something: if during next year, if in October the Aurigny jet had a really serious bird strike, it could actually destroy the engine because they can disintegrate – you are talking
2800 about millions of extra costs because about a third of the cost of an aeroplane is its engines.

That is the problem and it has been mentioned before. There are so many unknowns in the airline business, you can never guarantee with whatever budget or plan you have that you will break even. The same thing happens with own annual budgets. In 2013 we did rather well; we actually did better than expected. In 2014 we went £22 million the wrong way. It is all guess work
2805 based on assumptions.

So I do not think this will actually achieve what it intends to achieve. In fact, you could still make a loss; you might make a profit, you might have made a profit anyhow, even if you had not increased the fares.

2810 As regards a point about inelasticity of air fares that Deputy Dorey made, well, I have got to go back to the York Aviation Report – and I am doing this from memory, it was about six years ago this was published.

2815 They split down the number of travellers you get coming out of Guernsey – that is the Guernsey residents; this is our captive market – and it is about, I think they said, 59% was the captive market and that is why we have an airline, and that is why we actually have a ferry service, because that captive market will be there and they will travel and they will not be so insensitive to the fares, because the only option is not to go anywhere or buy a plane and a boat. 41% related to people coming in from outside, and the figure given at the time was 10% of that was business travellers; that is business travellers from outside the Island coming in, so that left 30%. So one third of our travellers are our visitor economy, or our tourists, and believe me that market is very, very price sensitive. To say that the whole market is inelastic is just not true; about a third of it is very, very sensitive.

2820 Going back really to what Deputy Soulsby touched on regarding the Scrutiny Committee's Report on Strategic Air Links, they came up with 27 recommendations. Now, I know you can ignore them all if you want or you can accept some of them, but if we look at recommendation 3 it said:

'Ownership of Aurigny should provide the Government with an enhanced opportunity for social sustainability...'

– I am not sure what that means –

'...and its objectives should be diversified to serve Islanders' overall requirements.'

Now that, to me, spells subsidies. Nothing else. It also said:

'Aurigny must be given a comprehensive set of objectives with clear performance measures in place under the structure proposed by the States...'

– and –

'Aurigny should be operated to fulfil both community service and commercial objectives in tandem.'

2830 Cannot do that; that is a complete contradiction in terms! You either operate it as a commercial service to make a profit... As soon as you go down the route of a social service you are in the area of the bus service, really, you know it is never really going to be profitable. Again, in another recommendation it says:

'The Government should direct the appropriate committee established by the States Review Committee proposals to examine the opportunities for Aurigny to make greater provision for its social role.'

2835 So it says the same thing twice. This is one of the reasons why you could argue this is really premature. Because if you were to support this amendment you might as well bin the Security Committee's report. Sorry, Security Committee – Scrutiny Committee! Security of Air Links. *(Interjection)* Yes, another two days as well! Oh dear. *(Interjection)* No not quite. To band a figure round of £20 million – dead right, but it has been over a long period of time, hasn't it?

2840 We spend a lot more money on our bus service than we ever have done on the airline, which seems to be all right, but that is a social service. Whether or not we want Aurigny as a social service, I do not know; that is something for this Assembly to decide, but at this present time the last thing we need is for States' Members, as politicians, to start getting involved in micromanaging, if you like, a board of an airline which we put in place. If we do not like what the board is doing, the correct procedure is to remove them, (**A Member:** Hear, hear.) and that will be the question.

2845 So I wholeheartedly, with great passion and belief and feeling, ask Members to reject this amendment.

Thank you, sir.

The Bailiff: Deputy Rob Jones do you still want to speak? Sorry, I thought you were stood earlier as if you were wishing to speak? No. (*Interjection*) Oh sorry, okay.

2850 Deputy Lowe.

Deputy Lowe: Thank you, sir.

I am still listening to this debate, because I cannot make my mind up about this one really, because I mean there is no doubt I have always been of the view that our gateways into this Island should be subsidised. If we really want to get people into this Island, whether it is the Harbours, or whether it is the Airport, we should be subsidising that, getting people here.

2855 I was actually looking at, as well... before I move on to that, I know we all receive, I am sure, complaints about the cost of getting to this Island, and especially with the airlines. The sooner we can actually set the trend and have a flat fare, regardless of when you book, what time you fly, the better; and I think we would do well on that, because the frustration of all these different fares for the same flight is absolutely ridiculous, and as the only airline, I think that is something we should actually tell them, start doing it and have a flat fare right across.

2860 It was sort of said about the business community, and London City is very much for the business community. So I thought if it is the business community for London City I hope then the business community are paying a good fare for that, because on the one hand, if you give a good fare because they can afford it, because it is going to expenses that should be able to help.

2865 So I did a quick search for next Monday. If I wanted to go to London City it would cost me £305 for a day trip, if I went to Gatwick it would cost me £284, and if I went to Stansted it would cost me £184. So, yes, London City is definitely much more expensive than the other airports, but then if we are sort of saying, 'Well hang on a minute because we want the business community to come here, and use it or lose it,' should it be really that much more expensive as we are currently looking at?

2870 Then I just thought, well, actually, if I was a business person and I was looking at the airlines for Guernsey or Jersey, I can do a trip next Monday to Jersey for £89, against £305 if I want to go on Aurigny. That is a huge difference. Even on British Airways, which is inclined to be more expensive, it would be £188 – still a lot cheaper than our own airline, for a day trip.

2875 Again, I can see both merits of this. Yes we should – I have always believed we should – subsidise the gateways to get people in to this Island. And I do not think we have actually got it right; I really do not think we have got it right. How we go forward with this, I do not know. Are we using Aurigny in too many other airports? We should just concentrate one airport, and go to Open Skies? Yes, please, I would welcome that, and always have done. Then we would make sure we have always got Gatwick and hopefully we would have other people flying in from other jurisdictions and indeed other airports.

2880 Because clearly Jersey do not appear to be suffering and they have lots that fly to London Gatwick and to London *per se* daily at a lot cheaper price. I know that families in the summer, because it is so expensive to get here... If you have got a family from four years old – no it is a bit older than that, but – you have got to pay an adult fare. You are talking £1,000 – over £1,000 – for four of you to go to London, before... or often you go on your very cheap flight to somewhere in the sun. It is so expensive and I know that some, in the summer, went via Jersey because they saved £400 or £500 or, in one case, £600 for a family going on holiday, going via Jersey. That is how much they saved, rather than actually go on our airline.

2885 That is not something we should be proud of really, because we should be looking after our community. We are stuck with it at the moment. As I say, I will listen to the rest of this debate, but I really hope we start setting the trend and send out the message that we have one flat fare regardless of the time of the day you go and what time of the year you go too.

2895 Thank you.

The Bailiff: Deputy Conder and then Deputy Green.

2900 **Deputy Conder:** Thank you, sir.

Just three points really. I will oppose this amendment.

As Deputy Kuttelwascher said, few of us, and certainly I, know nothing about running an airline. I do know how to draft profit and loss accounts and balance sheets. The problem with this amendment is it talks about breaking even. No organisation can budget to break even. I think others have said that. What it really says is, if you go down this route, if you demand this

2905 organisation washes its face financially and it has got to make substantial profits on some occasions and create reserves sufficient to cover it when, as Deputy St Pier said, the issues of market and the issues of uncertainty run it into losses. That is what businesses do.

So we fool ourselves if we think any organisation, particularly an airline, can budget and run

2910 itself on a break-even basis. So it is not. I absolutely agree with all of those who have said this is a critical strategic link that we have to sustain and we have to accept that we are going to sustain, and that means subsidy.

That brings me to my second point, which is those who are talking about subsidy had better recognise – and that includes me – that subsidy means that people who do not use the airline are

2915 paying taxes that end up in the Treasury that go to Aurigny; they are paying taxes to subsidise an airline they are not using. I accept that we have to do that, but it comes straight back to what Deputy Fallaize said yesterday: we cannot have 30% tax rates services and pay 20% taxes. These subsidies which we are talking about are coming off services elsewhere, and we have to acknowledge that at some stage.

2920 Thirdly, my last point is those who dream of this States owning our ferries, just think about it and remember you will be having this debate when you own the ferries.

Thank you, sir.

The Bailiff: Deputy Green.

2925 **Deputy Green:** Sir, yes, very briefly.

I, too, cannot support this amendment. I think some of the comments that have been made this afternoon about this amendment have been a little unfair. I think that is fair to say. There is something in what Deputy Dorey is trying to do. There are good intentions here. He argued the

2930 case, may I say, in quite an analytical way, but I think the problems have been well ventilated.

The only point I would make is, I think, for me the focus of this amendment is just simply too narrow at this stage and it is not the right time to be pursuing an approach like this. I do accept that Deputy Dorey is trying to be pro-active and is trying to get towards a more break-even position, in general terms, sooner rather than later; and that is a good objective in and of itself,

2935 but for me it is wholly wrong to support this amendment, because to try to move towards that break-even position at this stage in circumstance when we, as a Government, are not really sure about what the purpose or overarching strategy for Aurigny is, and for a State-owned airline is, that is just the wrong timing. It is the wrong time and the focus of this amendment is too narrow.

So notwithstanding the fact that I think Deputy Dorey makes some fair points and he has

2940 argued his position in quite a logical way, I cannot support this amendment.

The Bailiff: Deputy Harwood.

Deputy Harwood: Thank you, sir.

2945 Like Deputy Green, I admire the sentiment behind Deputy Dorey's amendment, but I certainly cannot support it. I also echo the views of my esteemed colleague and fellow former Chief Minister, Deputy Trott.

Clearly, if this amendment goes through, the board of Aurigny is going to have no alternative. The first thing they will have to do is cut the London City route. There is no question, for the

2950 reason that Deputy Conder has mentioned; in order to break-even you are actually going to have to create a profit in order to provide a contingency against the unforeseen circumstances, that

Deputy St Pier and Deputy Perrot have already identified, that can suddenly come out of the blue and hit you.

2955 If I was the board of Aurigny, if this amendment was to go through, the first thing you would do probably, actually, is say, 'Right, the only route I am going to run is the Gatwick route, because that is probably the only one where they are actually achieving a break-even or more than break-even capacity. So you are going to be bereft of the connectivity that visitors want, business community wants, residents want.

2960 So, for that reason... certainly one reason why I would strongly oppose this amendment is we have to give the information that we are open for business, not just to the business community but also for the visitor economy, which I think perhaps sometimes we are in danger of ignoring.

2965 Sir, Deputy Trott talks about the importance of Aurigny as an economic enabler, clearly we now have the Scrutiny Committee report that identifies also the importance of Aurigny as a social enabler. Now, that is a nice phrase actually. We are already recognising that, because even in this amendment we are recognising that we have to provide a social service to support Alderney.

Now, we accept we are providing a social service to support Alderney, we are also accepting – and Deputy Domaille talks about, 'Oh we must not have any subsidy,' – the inevitability of subsidising the Alderney air links either to Southampton and into Guernsey. So we are already accepting, even if this amendment goes through, that we have to see Aurigny as a social enabler.

2970 Sir, the timing of this amendment is totally wrong. We need to have a full but an informed debate as to precisely what we do want out of Aurigny the airline. But we have to have a full debate; we have to give guidance then to Treasury & Resources as to what is the purpose, what is the objective, what action we want to achieve from the airline. We cannot do that on the hoof, on the back of an amendment today, we need to have that informed debate – or maybe it will be the next Assembly that has to have that informed debate.

2975 So, sir, we have to give that message, we are open for business, not only for the business community, but also for our visitor economy. We have to reject this amendment out of hand, but we do have to have a debate at some stage as to exactly what we want to achieve through the ownership of Aurigny.

2980 Thank you, sir.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

2985 It has been a fascinating day in the States. Earlier the States endorsed the possibility of nationalising secondary healthcare. (*Laughter*) Now we are growing evermore keen on subsidising, through taxpayer funds, a nationalised airline. Rather than the grace at the end of today, I was wondering whether we might sing the Red Flag. (*Laughter and interjections*) Particularly, Deputy Perrot. I sent him one of the forms I brought in today. I have brought in a series of membership forms for the Socialist Workers Party! (*Laughter*) He has one, but I am happy to distribute others.

2990 The real reason I am standing is because there is an amendment, which has not been laid yet but it has been circulated, proposed by Deputy Duquemin and seconded by Deputy Stewart, on this matter; which, if it was approved, would require the Policy & Resources Committee to return to the States with a policy letter by February 2017 setting out recommendations to enable the States to agree long-term strategic objectives for Aurigny, including criteria for maintaining routes and selecting routes, capacity and frequency, etc.

2995 Now, I do think that some of the arguments that Deputy Dorey has put forward are reasonable. I think it is difficult to argue against the notion that taxpayers – and in some cases rather poorly-paid taxpayers – should be required to subsidise the cost of flights of business people coming in and out of London City.

3000 I can understand that argument, but I think it requires further analysis. If this amendment is successful, we do not know what the consequences would be; we are not sure what Aurigny

would do, we are not sure whether they would cut routes, we are not sure whether they would increase fares; we just do not know what they would do.

3005 It might be feasible to revise the shareholder guidance to Aurigny in this way. It might be. How can we possibly know that it would be? We just do not have the necessary information before us today. Therefore, if we are going to entertain the sort of idea put forward in Deputy Dorey's amendment, I think it is going to have to be after the report has been produced, pursuant to Deputy Duquemin's second amendment – if indeed it is proposed.

3010 So I endorse the view that Deputy Dorey has made some good arguments. He has clearly put together a credible analysis, but the timing of this is just not right. Therefore I do not think the States have any choice if they are going to make a responsible decision but to reject the amendment.

3015 **The Bailiff:** Deputy Brouard.

Deputy Brouard: Just to confirm the position of Commerce & Employment, sir, we would definitely wish this amendment to be rejected.

3020 I think Deputy Harwood said it particularly well; I think it was a first-class speech that he made. We need to decide what we want Aurigny to do. It must be awful for the people who are the directors of Aurigny, because we are almost doing their role for them. We are picking up the tab whatever happens. We have not quite decided what we want them to do. They are almost in the shadows, and I think if we are going to make Aurigny work, we need to have clear instructions to that board as to what we want them to do, as to where we want the airline to fly to.

3025 Thank you, sir.

The Bailiff: The Chief Minister, then Deputy Brehaut.

The Chief Minister (Deputy Le Tocq): Sir, I will be as brief as I can.

3030 I was in the Assembly, along with others here, when we made the decision – I think it was 2003 – to purchase Aurigny. I remember at that time, I think, the debate was actually taking place in Beau Séjour, that I argued why on earth would a Government want to own an airline, when other governments clearly have not been any good at running such airlines; but, on balance, given the options that we had before us, I voted in favour of purchasing it, for the reasons that others have alluded to today. Those reasons remain.

3040 As to whether at some point in the future it could be sold, I do not know. I know that when I was on the Treasury with Deputy Trott, when he was Treasury Minister, we investigated that and came to the conclusion, having looked at it and done all the due diligence, that it was not proper, it was too much of a risk to do that at the time. In fact, Deputy Dorey was on the Treasury at the time as well and we went through all of that. I do not think the circumstances that existed in that period, 2004 to 2008, have got better; I think they have got worse and so I think it would be very wrong of us at this juncture to look at anything to tinker around with those sorts of things.

3045 Having said that, sir, I can sympathise with Deputy Dorey and Deputy Domaille in terms of what they want to do, because I can understand why it looks on paper to be a very simple thing and we have somehow helped Aurigny to return to some degree of balance, but at the same time I think it is simplistic and I do think it is very, very dangerous of us, bearing in mind the complexities. Deputy Dorey will remember that – looking at the issues surrounding an airline and making it work in our circumstances here in Guernsey. The complexities are not alleviated by simple resolutions of this sort because there are far more unknowns, as Deputy Kuttelwascher alluded to. We ought not to be playing that sort of game.

3050 It is absolutely right, however, that Treasury & Resources in their role as shareholder do exercise direction to, and hold to account, Aurigny and they look to enable them to come to a place where it is both an economic enabler and it is value for money for everybody here in

Guernsey. But that needs to be seen as a whole and not just in this one aspect that this amendment looks at.

So, sir, I cannot support it, I am afraid, and I encourage other Members to do similarly.

The Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

I think there is confusion over what the Guernsey product is, because people – younger people probably in particular – sat in the UK looking to go on a cheap holiday will punch in a destination and when Tenerife, Ibiza, Spain come up, Guernsey is not there anyway. I do not think we are in that price sensitive area.

Guernsey is a very distinct product. I think it is even far more distinct... it is distinct from Jersey even. If we were to have 737s, if we were to have a longer runway, we might find ourselves in the situation where we would be turning care homes back into hotels. That is what we would be doing. That is what we would be doing because if we did have such a growth in tourism that people anticipate then that would be quite a shock, I think, to the system. But I think we have something unique with Guernsey that we should not undersell, by £1.20 or £1.40 or whatever it is on every flight.

I get concerned in this Assembly that we have such a disregard with funds that are broadly viewed for economic development. Now, I know it is a competitive world out there, Guernsey has got to be seen to punch above its weight, we do not want to lose business to Jersey, we do not want to live in the economic dark ages, but we also have something of a disregard on what we invest in, what I would call, economic jam tomorrow.

In the Budget, was it the Guernsey greenhouse initiative – I cannot remember what it was, but there were several million pounds in the hope that it will employ people. In *The Press* leader recently there was another reference to that, that we spend £3 million, £4 million, £5 million in the hope – in the hope – that in the long term we get something back.

But living in the now, the Guernsey taxpayer is subsidising this airline to a greater expense, I think, than we need to. I have got a horrible sinking feeling that it will not be too long before Aurigny reviews the London City operation that it has recently embarked on.

I will not damn Deputy Dorey with faint praise. I understand Deputy Dorey well. I know what his politics are. I understand Deputy Domaille also very well, and what they are aiming to achieve; and I think their amendment has far more support in the community than it probably may do in this Assembly, because this cannot go on forever. This is costing a great deal of money.

This is an opportunity to modestly correct it in the knowledge that Guernsey is a distinct product, that people come here to visit families and there are thousands of connections between Guernsey families and families in the UK. That is where the majority of journeys will be. Guernsey needs to, in future, I think, build upon the distinction between Jersey and Guernsey to demonstrate that Guernsey is different enough and that difference is worth, in my view, the removal of that £1.20 subsidy.

Thank you.

The Bailiff: No-one else is rising.

Deputy St Pier, do you wish to speak immediately before Deputy Dorey?

Deputy St Pier: Yes, please if I may, sir.

Sir, as I said in my opening speech, I welcome the debate which this amendment has brought, but will not be supporting the amendment.

As I said in my opening speech, in the absence of any prior States' guidance Treasury & Resources have sought to fill the void in providing a balanced series of objectives, and we have indeed been criticised by those, both inside and outside the Assembly, for being overly focussed on financial performance.

I just want to address some of the comments which have been raised in debate. Deputy Burford, quite rightly, provided the challenge of the 63% target on the Gatwick route. That, of course, was introduced to reflect the sole operator status of Aurigny on that route, and to seek to provide some comfort that the airline would not abuse its monopoly status.

3110 Of course, the Gatwick route is a profitable route and if that target were removed, yes, I think it would be much easier for the airline to be more profitable on that route. But, as I say, it was part of our job of seeking to provide a balance. We felt that seeking to hold Aurigny to account, one of the objectives should be that they should be aiming to keep fares down and not use fares as a tool simply as a route to break even, rather than other routes that they could take in relation to

3115 cost control and so on.

Deputy Domaille said that we do not subsidise water, harbours and so on, and I would disagree with that; I think we do. We do not do it obviously but actually in our method of funding those businesses, there is no cost of capital they bear so there is, in a sense, a hidden subsidy there.

3120 Deputy Lowe was, in essence, I think, arguing the case for lower fares. I think there is no prospect whatsoever of lower fares with this amendment and I think Deputy Conder's analysis was absolutely right: it would be necessary to create profits in order to ensure break-even in leaner times or when there was an extraordinary or exceptional event which impacted the business.

3125 I think Deputy Harwood is right really, to be honest: absolutely the only way in which to ensure that we have a break-even or profitable situation is to do what is commercially sensible, which is to run one route from here to Gatwick and forget about everything else. It would be a darn site easier for everybody concerned.

In relation to Deputy Fallaize's comments that this was premature and we do not know what the consequences are, that is absolutely right, but I do want to run through some of the potential consequences. I think he is right: we cannot know with certainty. But, in calling for Aurigny to break even, the amendment will either require substantive changes in the airline service levels – and we have talked about London City and so on, or fares. I think the timeline given does not really take account of the fact that a significant portion of the airline's operations are already fixed, either in terms of their service levels or fares, well into next year.

3135 Sir, for example, seats on all of the existing routes are already for sale on the airline's routes up until October next year, and cancelling services to cut costs at this stage could result, obviously, in negative PR.

Similarly, around 35,000 on the mainland routes have already been sold and around a further 37,000 will be sold at prices that have already been fixed as a result of agreements with tour operators or corporate deals as well as the frequent flyers seats. So we cannot go back to those customers and ask them for more.

3140 So this short-term approach, I think, is ultimately flawed. The key to Aurigny's long-term future is building an airline of sufficient scale, such that the unavoidable overheads that form such a large percentage of their cost base and, perhaps exceptionally for any airline, because it is so subscale, can be spread over a wider passenger or route base.

3145 In 2015 it is expected that there will be around about 600,000 passengers and in 2015 that will produce projected fares of about £42½ million, including APD, and the financial projections set out within the policy letter already do assume fare increases in 2016, which are predicted to be around about an average of £3 per passenger for those 600,000 passengers. So in round figures the projected loss, excluding Alderney, in 2016 is around about half a million on an annualised basis. Then Aurigny estimates that a further 85p per passenger – these are some of the numbers that Deputy Dorey was talking about – would be required. But, if you exclude the passengers who have already booked or fares that have already been fixed, then the available passenger base on which to spread that is obviously commensurately smaller. So fare increases, I think, would fall

3155 disproportionately on the London-based traffic, which is expected to account for around 60% of the total traffic.

So then we turn to look at services. Well, withdrawal of the two daily City services would undoubtedly improve the bottom line by around about £1 million, and this is based on the assumption that passengers simply migrate back to other Aurigny services, of course, principally being Gatwick, and that overall revenues remain unchanged. But, of course, if an alternative carrier were to be licenced on the City route, then that would likely bring with it a loss in terms of those revenues and again downward pressure on the yields on the Gatwick route.

So in this scenario, of course, the withdrawal from Gatwick could actually see a deterioration of the bottom line performance of, it could be, £1 million or £2 million, so it depends entirely on how the market and how competitors respond. The ATR 42 would need to be retained as there is a contractual commitment to hold it for at least the four years. So, then we look at withdrawal of two ATR rotations on the Gatwick route. That would improve the performance by around £1.75 million and the savings would be much higher because of the ability to dispose of one of the larger ATR aircraft, and therefore reduce crew numbers. But that assumes around 30,000 of those passengers would disappear off the Aurigny network for other operators, or not travel at all, but of course it risks the loss of the two slots at Gatwick, which we many never get back. So there is of course lower scope for competitive response because of the sole operator status, but of course not impossible. But there are barriers to entry on the Gatwick route.

Then we look at Manchester. Well, withdrawal of Manchester services would offer similar benefits to Gatwick; in other words, the ability to get rid of an aircraft, but again there is a risk of competitive response on that route.

Charging for baggage, which was one that was mentioned, sounds simple but again if you look at the ATR aircraft, their cabin sizes are not particularly suitable to allow increased hand baggage in size and size of bags, so that would not be at all well received, I would suggest, by the travelling public. But it would raise several hundred thousand, then we could look at drinks and papers. This is getting down to the Maltesers point that Deputy Stewart made – the cost of that round about £150,000 and additional revenue possibly of around another £100,000.

However, I think the current facility is, or could be, one of the notable brand differentiators, and we might need to get on to talk about brand in a subsequent amendment. So, given the difficulty in predicting what the commercial response from other operators would be on the services, the lowest routes option undoubtedly would be simply to increase fares, but of course it should be noted that projections above those assume that such increases do not actually result in any reduction in passenger numbers.

I think – and I think Deputy Kuttelwascher made this point – there are 63,000 people on this Island who feel that they do know how best to run an airline, and 47 of them are in this Assembly. I think the approach taken by the current Treasury & Resources Board has demonstrably been more pro-active than its predecessors, by the creation of the Supervisory Sub Committee. This has led to the detailed MoU and objectives which are set out in Appendix 3.

The States now needs to decide whether this approach is reasonable and balanced, capable of improvement – no doubt capable of iteration, but is it a reasonable and balanced approach, or whether the objectives should be simply more narrowly financially focussed and driven? The decision is obviously for you but T&R, as you will have gathered, will be opposing it and it sounds from the debate as if many others will, for which we are grateful, sir.

The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, sir.

I thank Deputy Domaille for seconding it, and for all the speeches.

Deputy Trott started off mentioning about London City. Deputy Perrot, Deputy Harwood and others all referred to London City. Well, as I said, this amendment is not prescriptive. I mentioned London City in my opening speech because Deputy St Pier referred to it. I mentioned it as a process. The fact that if Aurigny is going to embark on something that is going to make a loss,

and there is no approval process, I think that is unacceptable if we have got financial procedures that does seem to be consistent with them.

3210 There were not that many people who actually attended the presentation, and Deputy Domaille did partially refer to it. I will actually read out the slide which Aurigny used at that presentation. I think they were emailed to everybody. It is titled:

'Why Can't Aurigny Break Even in 2016?'

The next line said:

'... excluding Alderney, it could!'

3215 So it is not my view. It is their view. They could. They said options include – and Deputy St Pier has referred to some of these... The first option is increasing fares above inflation. The second one is cancelling route services or cancelling London City, reducing frequency on London Gatwick, charging for luggage, they say in brackets '(difficult to manage with our fleet)' – as Deputy St Pier has said in relation to the size of aeroplane, but they clearly said it was possible to do that. They said that is what every other airline... and they said, even British Airways have moved to that, and
3220 they said that we could do that. It would be a bit difficult to manage, but we could do it. So it is quite clear that is possible.

Charging for drinks and newspapers – Deputy St Pier has referred to that, and he refers to, 'that is what makes them different from the competition'. But we have moved on, haven't we, because that was when they were in competition with Flybe on Gatwick. They have not got
3225 anyone in competition on their routes, so I do not see why the taxpayer should effectively, if that is what it is, subsidise drinks and newspapers for people travelling. They went on to say PSD could change its airport charging structure and the last one is... etc. So it is perfectly possible for them to break even, and that is their view, if we want them to.

Deputy Luxon talked about massive unintended consequences – I think were the words he used. Well, £1.20 on an airfare, if that amounts to unintended consequences, I really do not think
3230 – and I and Deputy Lowe have shown very clearly, that our airfares are at a different level to the airfares to Jersey, so I do not think – it would make any difference to people's decisions. People are flying because they want to fly.

Somebody referred to the York Report – I think Deputy Kuttelwascher – and about the elasticity of the airfares. Well, I very much doubt if that report... it was interesting that ASM have
3235 just done a report and they basically concluded that they are relatively inelastic, because York were arguing that if you put up fees at the airport by a small amount it would have a massive effect on the number of people who travel, but we are on an Island – people need to travel and they do travel and they pay what they need to.

Deputy Stewart talked about using Aurigny as an economic enabler. Well, if he thinks that them running London City, or any other one, is an economic enabler... We have got an economic Development Fund. Let them make the case to that Fund and use that money for that purpose, if
3240 it really is an economic enabler, but make your financial case, let's not just have a situation where they embark on another route and just expect us to pick up the price at some later date. I think that is totally unacceptable and I cannot believe how T&R accept them doing that. It is only because it comes under their responsibilities. If any other department had something under their responsibility and they just said go ahead and do it, make a loss, and we will come back to the States at a later date. T&R would be so critical of that department, yet they are willing to accept it. They seem to have double standards, in my view.

Deputy Gollop talked about the buses. Well, actually I voted to have bus fares and increase them. You cannot compare bus fares to an airline. As he said, it is a social priority. I do not believe
3250 that people travelling on planes are a social priority. As he said, there is no increase in the Alderney fares proposed by my amendment.

3255 Deputy Soulsby said it is the wrong time and she cannot support Proposition 4, but T&R themselves have specified that there is an objective for the airline. I have just taken the exact words which are on page 3079, which is their objective, they have set for the airline and put it into the amendment. So obviously you do not want them to break even. That is fine.

3260 Deputy Perrot talked about how people complain about the prices of the airline. Well, I think people also complain about the level of taxes that we have to pay, and I cannot see a good use of our taxes is to subsidise people going on holiday, which is effectively what we are doing; 42% of people flying are local leisure travellers. I cannot see one reason why we should be subsidising them and why they should not pay the necessary fare.

3265 As Deputy Domaille said, we do not subsidise electricity or post and they do have to pay for the cost of capital, Deputy St Pier. Water we had put it in capital, but we do not anymore, so they are now paying for it. So I do not see why we should subsidise the air passenger.

3270 Deputy Kuttelwascher said about how to run an airline – ‘so many unknowns’ – but they have said what they need to do to break even and Aurigny said themselves they could break even if they took those actions. It is not me that is trying to run them, that is what they said, that is what they said at that meeting. So I am not trying to micromanage, I am just using the words that they use.

Deputy Kuttelwascher: Sir, can I just make a point of correction?

3275 **The Bailiff:** Deputy Kuttelwascher.

Deputy Kuttelwascher: I did go to the presentation. What they said was this is what would have to be done, but they did not say that is what they wanted to do – which is quite different. Thank you, sir.

3280 **Deputy Dorey:** I am not saying they said they wanted to do it, they just said it could break even, those are the words on the slide, ‘it could break even,’ and they said ‘options include...’

3285 Deputy Conder talked about break-even and profit. Well, I have taken the words that were used by T&R in their shareholder objective. As he said, people who do not fly with Aurigny are paying taxes and are subsidising Aurigny’s passengers. I just do not think that is acceptable. I just cannot believe that this Assembly wants to give a message out that we want to subsidise Aurigny’s passengers but we do not subsidise other airlines passengers or the sea passengers.

3290 It is interesting because people talk about these objectives and we need to discuss them, but when we had the Strategic Links to Gatwick report from T&R most of these objectives were listed in that report, so part of the argument for approving that report was these objectives. So the Assembly has seen them before.

As Deputy Brehaut said, this cannot go on forever. We have to draw a line, we cannot just continually subsidise the passengers.

3295 Deputy St Pier, in his summing up, went into a lot of detail, saying about how you calculate the amount. Well, I asked Aurigny for those figures, they gave me a spread sheet, which clearly showed the number of people who had booked for next year, it showed the number of people that had committed to, effectively, with tour operator deals, with their frequent flyer programme, that they could not alter the fares. So that £1.20 was calculated using their numbers on the number of passengers they expected for next year that there was no commitments on, so I took all that information into consideration and I calculated £1.20. It, in fact, worked out at £1.17 and it was their figures up to Thursday of last week, so I actually increased it a little bit because obviously there would be more people who have booked in the last week. So, as I said in my speech, it was carefully calculated.

3300 I sense from the debate that I am going to lose this and I am disappointed. Sir, I just cannot understand what message this Assembly wants to... It sends out one message about taxes at one

3305 point, it sends one message about financial disciplines of departments and then it votes just to say, 'Look we are quite happy with an airline making losses by subsidising peoples holidays.'

It is all the wrong message and I urge those people who have spoken to reconsider. This is only a very, very modest increase and it sends a clear message that they have got to break even or make a profit. It is what T&R have said themselves to the airline, I have just used their words; 3310 because if you do not vote for it today you are effectively saying to T&R that shareholder objective is wrong, you do not support it, so therefore there are no financial controls on them. I think that is totally the wrong message – that we will just have to pick up their losses for years to come. So I urge everyone to support this amendment.

Thank you.

3315

Deputy Lowe: Can we have a recorded vote please?

The Bailiff: We have a recorded vote then on the amendment proposed by Deputy Dorey, seconded by Deputy Domaille.

There was a recorded vote.

3320 **The Bailiff:** Well, Members, we will have the result of that in a moment. In the meantime, I suggest we move on with the amendment proposed by Deputy Duquemin and seconded by Deputy Luxon.

Deputy Duquemin.

3325 **Deputy Duquemin:** Thank you, Mr Bailiff.

Sir, could I please ask the Deputy Greffier to read out the amendment?

Thank you.

The Senior Deputy Greffier read the amendment.

The Bailiff: Deputy Duquemin.

Amendment:

To add a new proposition 4 as follows:

'4. That in order fully to realise its potential as the Bailiwick of Guernsey's airline and in accordance with two of the aims in the States' Strategic Plan agreed by the States in 2013 – namely "to protect and improve the Island's economic future and the Island's ... unique cultural identity and rich heritage" – serious consideration should be given to rebranding Aurigny Air Services to a name that clearly positions it as a Guernsey airline; and therefore to agree that by no later than February 2017 the States Trading Supervisory Board, after consultation with other relevant States' committees and the airline, shall lay before the States a Policy Letter setting out recommendations on whether or not a rebrand should take place and, if one is recommended, a timetable for its implementation that could coincide with 1 March 2018, which is the airline's 50th anniversary.'

3330 **Deputy Duquemin:** Mr Bailiff, when I was interviewed live on *BBC Radio Guernsey* about this amendment I managed to turn the tables on Jim Cathcart and I asked him a couple of questions. I told him that T&R had included two case studies in the policy letter on two government-owned airlines that both served island communities similar to ours: one on Cayman Airways and one on Atlantic Airways. I asked him which islands they served. He correctly answered that Cayman Airways served the Cayman Islands, but he did not know, he had no clue, which Island Atlantic 3335 Airways served.

For me, this cameo perfectly demonstrates the simple undeniable logic behind this amendment. For me, rebranding should have happened 12 years ago when we bought Aurigny

back in 2003. For me, it should have happened when we bought a new Embraer jet with a blank canvas fuselage. For me, it should happen tomorrow. For me, it is the clichéd '*no brainer*'.

3340 But this amendment cannot rewrite history and this pragmatic amendment accepts that it is not going to happen tomorrow. All this amendment asks is that serious consideration be given to rebranding Aurigny Air Services to a name that clearly positions it as a Guernsey airline. As the States' committee with operational oversight of the airline, it asks for the States' Trading Supervisory Board to investigate whether or not a rebrand should take place and report back to the States after consulting with other States' committees and the airline.

3345 No final decision today, either way; just the start of a proper investigation into the pros and cons. And the amendment is not being prescriptive or suggesting any particular brand name, just a brand name that clearly positions it as a Guernsey airline.

3350 Having read the conclusions of the Scrutiny Committee's Review on the Security of Air Links when it was published, I would draw colleagues' attention to recommendation 11 of the report, which says:

'Consideration should be given to whether the re-branding of Aurigny to include reference to Guernsey in the Airline's name would be advantageous.'

Whilst I did not have any sight of the Scrutiny Report until late last week after I had distributed my amendment, it is a welcome endorsement that Scrutiny's recommendation is virtually a carbon copy of my amendment.

3355 Talking of endorsement, I am particularly grateful that the T&R Board, I am told, will be supporting my amendment. I know that the T&R Minister has a penchant for not opposing amendments that he sometimes quite likes, but I am happy that Deputy St Pier and the rest of the team are going a meaningful step further and supporting this one. Thank you.

3360 I am also grateful to Deputy Luxon for seconding the amendment. Happily, I was not short of volunteers to second the amendment, but the fact that when he worked at the soft drinks industry and I worked in the ad industry, he entrusted me with the local marketing activity for the world's number one brand, gave me a nostalgic reason to seek Deputy Luxon's signature.

3365 Nostalgia – that perhaps leads, segues, me neatly on to the Aurigny name. Mr Bailiff, I do understand the reticence of some to turn the page and close this chapter of the airline's history, but Aurigny is no longer a Trislander operation with Alderney its primary focus, the airline is a jet operation with Guernsey its primary focus. For me – and this is the reason for its inclusion in the text of the amendment – the 1st March 2018, the 50th anniversary of when Sir Derrick Bailey founded the airline, would be the perfect opportunity to have a proper celebration of the past 50 wonderful years as Aurigny and officially pass the baton to a new brand name that features
3370 Guernsey in a no-nonsense 'does exactly what it says on the fuselage' name for the future – perhaps for the next 50 years and beyond.

For me, the Aurigny name is an anachronism; it is not fit for purpose. It is a name that does not help to pay the bills. Moreover, it is a name that hinders. Aurigny have informed me that they spend up to half a million pounds each year on off-Island marketing. How much of this £500,000 investment is wasted – *simply wasted* – because of the handicap of what Aurigny admits on its own website is not the easiest of names? On their website Aurigny's ad agency, somewhat tellingly, asks, 'How do you market an airline to a UK market that cannot pronounce or spell its name?'

3380 Sir, I would like to finish where I started and make reference to one of the airlines in the very useful, and appropriate, case studies that T&R included in their policy letter. If you visit Cayman Airways website it tells you that:

'Your Cayman vacation begins the moment you step on board Cayman Airways! So join us and set foot in the Cayman Islands before you even land!'

Mr Bailiff, how great, how fantastic, would it be for business visitors, leisure visitors and Islanders to genuinely feel like they are setting foot in Guernsey, even though they are still on the

tarmac at Gatwick. Yes, an airline brand is about what is painted on the side of the plane, but it is also about what is ingrained in the mind-set of the airline staff and its passengers.

I encourage all Members to support this amendment and I reiterate that it does not mean that a rebranding will take place, all it means is that it will be considered.

Thank you, sir.

The Bailiff: Deputy Luxon, do you formally second the amendment?

Deputy Luxon: Yes, sir.

The Bailiff: Deputy Bebb.

Deputy Bebb: Point of Order. I would like to move a motion 13(6)(a) that it goes further than the Proposition and that this be not debated.

The Bailiff: Yes. Members, the Propositions are concerned with the recapitalising of Cabernet Limited and provision of borrowing facilities to Aurigny. In my view, this does go beyond those Propositions. I do not see HM Procureur disagreeing with me.

So, therefore, you are being asked to vote on a Proposition that the amendment be not debated and no vote be taken thereon – that this amendment be not debated and no vote be taken thereon. Those in favour; those against.

Some Members voted Pour, others voted Contre.

The Bailiff: My view is that that Proposition is lost.

Amendment by Deputies Dorey/Domaille:

Not carried – Pour 10, Contre 35, Ne vote pas 0, Absent 1

POUR

Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Dorey
Deputy Burford
Deputy Hadley
Deputy Brehaut
Deputy Domaille
Deputy Bebb
Deputy Lester Queripel

CONTRE

Deputy Fallaize
Deputy Spruce
Deputy Collins
Deputy Duquemin
Deputy Green
Deputy Paint
Deputy Le Tocq
Deputy James
Deputy Adam
Deputy Perrot
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Harwood
Deputy Kuttelwascher
Deputy Langlois
Deputy Robert Jones
Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy St Pier
Deputy Stewart
Deputy Gillson

NE VOTE PAS

None

ABSENT

Deputy David Jones

Deputy Le Pelley
Deputy Ogier
Deputy Trott

3410 **The Bailiff:** So we will proceed with debate and, just before we do so, I can announce the result of the voting on the Deputy Dorey/Deputy Domaille amendment. There were 10 votes in favour, with 35 against. I declare the amendment lost.

Deputy St Pier.

3415 **Deputy St Pier:** Sir, I will be brief, and perhaps in a forlorn attempt to shorten debate I am happy to indicate Treasury & Resources Board's support for the amendment. There may, of course, be potentially... there will be substantial costs involved in a rebrand, but the value added by a rebrand of course has never been considered, we have only ever really looked at the costs and I think this amendment would allow that work to be undertaken and for that to be assessed.

3420 Personally, I do have some sympathy with Deputy Duquemin's arguments. I think it was brought home to me when I had visitors arrive in the summer. They were actually on the jet when it had that emergency landing, so it was very much a welcome to Guernsey, but I think what struck me was them describing their experience on 'Auri-g-ny', and that did grate a little – as Deputy Duquemin said, the struggle to even pronounce the name.

3425 I think in relation to the retention of the brand possibly on the Alderney routes as a sub-brand or whatever, those are the kind of issues that could be considered as part of an assessment of the heritage of the brand. But I should emphasise that the board do have no settled and pre-determined view of the merits or otherwise of a rebrand; but we do think that the States' Trading Supervisory Board is the right committee to consider this matter, under the new system of Government, and no doubt taking input from, I would imagine, Economic Development, the States of Alderney – probably Education, Sports & Culture may have a view as well – business groups and so on.

3430 On that basis, sir, we feel that it is an amendment that is worthy of support.

3435 **The Bailiff:** Deputy Sherbourne.

Deputy Sherbourne: Thank you, sir.

In an attempt to lighten the mood, I immediately think of Jamaica Airways – I can hear the steel bands now. Can I say that that is the image that Deputy Duquemin paints for me. I actually support this amendment. I think it was a missed opportunity the last time we debated it and I will certainly vote for the amendment today.

3440 Thank you.

The Bailiff: Deputy Gollop and then Deputy Kuttelwascher and Deputy Stewart.
Deputy Gollop.

3445 **Deputy Gollop:** Well, hearing Deputy Sherbourne speak reminds me of a song of popular 1970's: Typically Tropical – Going to Barbados. It was a little bit politically incorrect so they renamed it Ibiza when they redid the hit and got rid of the Coconut Airlines. But the point I am making is you can draw a lot of inferences from pictures of airlines.

3450 This is a tricky amendment in one respect because I know the Aurigny brand has a great reputation amongst air enthusiasts around the world, and we know it has been extremely successful in terms of customer satisfaction. It is particularly up in Alderney because of the historic links with the Island, and perhaps the use of the word 'Aurigny', which is a Norman French variation on the name. Perhaps we will hear more later on that. I do accept the wisdom and the logic of Deputy Duquemin's amendment.

3455 It is interesting that he, over the years, has been a great advisor on campaigns of all kinds – sporting, political, commercial – and he is, it has to be acknowledged, an expert in his field. We

should listen very carefully to this, you could say, free marketing advice. He did make a telling point about the website as well. I would perhaps like to see a name that in some respects keeps Aurigny for part or all of the fleet, but does promote Guernsey's brand name better. So I think we should follow Deputy St Pier's lead, after all they are the shareholder interest in Aurigny, and try this out regardless of perhaps concerns expressed by the company. Perhaps we will get free marketing for both the airline and the Island out of this move forward.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

Sir, if Deputy Duquemin had asked the question of Mr Cathcart, 'Where does Qantas fly to?' I think he would have known the answer, and what is interesting about Qantas, as we all know, it stands for Queensland and North Territories Air Services; it does not actually cover the whole of Australia – a bit like Aurigny refers to Alderney, but there we go it is just a thought. And if he had said where does EasyJet fly to (*Interjection and laughter*) what is interesting there is that we have more than one airline in the UK, and obviously British Airways has got the British and all the rest of it, so I am not sure that the actual name is necessarily an issue.

I also know that Aurigny is favoured by a lot of people, and I know one of our Members who is resting at the moment is very keen on retaining the name Aurigny. But, nonetheless, I am perfectly supportive of this because, once and for all, we may decide on this issue, but the question then will be who is going to pay for it, because you all know that when this was last discussed there was an estimate of half a million pounds. Now, will that be an extra subsidy to Alderney, or will it come out of the development...? That is what will be the issue on the day and I am sure it will cost a lot more by 2017. So that is what it will boil down to.

Deputy Duquemin has got to put forward a really powerful case, using all his marketing skills, to make that case to warrant the expenditure. As Deputy St Pier has said, on T&R we are all supportive of this. I would like to resolve this, then we do not have to talk about it anymore.

Thank you, sir.

The Bailiff: Deputy Stewart, then Deputy Luxon.

Deputy Stewart: Mr Bailiff, I will be supporting this amendment because I think it is a thoroughly good idea, for all the reasons that Deputy Duquemin has said. But when we think we need every advantage on our airline, we do not have the marketing spend that Quantas has and a big airline... but we are moving into a different league. It is a league where we have to start looking at alliances, it is a league where we have to reach out a bit more, and in terms of marketing, to lever that, use everything you can get.

I have launched probably 15, maybe 20, radio stations across the UK, and the radio station that I launched in Norwich was called *Norwich 99.9*; the station we launched in Pembrokeshire was called *Radio Pembrokeshire*, the station we launched in Caernarfonshire was *Radio Caernarfonshire*, and I would have probably called *Island FM* something other than *Island FM* before (*Laughter*) because I knew you would do that – (*Laughter*) I knew they would do this, sir. I knew they would do this – any chance to pick on poor old Deputy Stewart (*Laughter*) because *BBC Guernsey* already had nicked the 'Guernsey' moniker – or used it, I should say – so we thought of something different.

However, we have the chance to actually leverage it. Not only is it easy for people to understand, but as you drive that beautiful Embraer 195 right across the tarmac and it says 'Guernsey', it is a billboard. Do you know how much you have to pay for a 46-sheet billboard at Gatwick Airport a year? A fortune! It is free marketing and I think it will help us at *Visit Guernsey* and... Look, we are rebranding the States, we have been shredding all of our old comp slips. And I will have to change my business card when I get re-elected – or if I get re-elected, (*Laughter and*

interjections) sorry that was a little slip there! I do apologise to Deputy Trott. He is the big predictor.

If you plan it then you can run down your stock, you can run down your stock and it need not cost, and it could be planned, and I think when you are looking at the 50th anniversary of an airline, which is something to be really proud of, there are very few airlines that actually last 50 years. I think that is a good time to say, 'Do you know what, we have grown up, we have moved on, and let's do something that will really benefit us in our marketing, and give us better bang for our buck.'

So I will be supporting this amendment and I thank Deputy Duquemin for bringing it.

The Bailiff: Deputy Luxon.

Deputy Luxon: Sir, very briefly, I am happy to second the amendment. I will rip up my speech. We do not need a speech. The Mother of the House said 'shorter speeches', sir. Thank you.

If we go to page 3091 and 3092, sir, you will see there a whole list of airline names and islands. Now if this States was actually sitting on Death Island, I do not imagine Deputy Duquemin and I would have brought this amendment forward to re-call that airline, Death Air! That probably would not work very well, or even if we were in Turkey right now, Turkey Airlines because it has got a connotation.

I love Aurigny and I love the firm and I love what they do, but Deputy Duquemin is actually right, it does not add any value in the noisy sector of tourism destination and our core market of the UK. I do not know what the name should be. Deputy Stewart is clearly offering, if he does not get elected next year, to do the voice overs of the new advertising campaign!

I suggest to Members we are not telling Aurigny, or indeed the new States' trading board, to do this because there was a bit of hypocrisy; I asked Deputy Dorey not to micromanage Aurigny and here I am also micromanaging! But we are not, because we are not saying, 'Do it', we are just saying, 'Please have a look at it', because there are some real marketing, and therefore financial, benefits.

So I would ask Members to support the amendment.

The Bailiff: Deputy Brehaut and Deputy Inglis.

Deputy Brehaut: Thank you, sir.

I have said this to Deputy Duquemin before, Deputy Duquemin is – or is it 'Duschman'? These local names are so difficult – like 'Auri-g-ny'. But I am making a serious point in that rather perhaps flippant remark, that on one hand we have to celebrate – I think it was in the Government Business – those icons that are unique to Guernsey, and when we have one that is unique – Aurigny – we say, 'No, do you know that language does not work in the 20th century.' Yet we are trying to get into schools to say to children, 'This is your heritage. What is the origin of Aurigny? Get out there and celebrate it.' Exploit the difference and promote Guernsey in that way.

Now, I would be opposed to this actually anyway on costs grounds, because we are kicking this advertising can a little bit further down the road, that is what we are doing now, because it is always so tempting to do – make a decision today, nobody is going to write a cheque out for a few months yet. When you get another aircraft in get a bit of sandpaper out rub it down paint Guernsey on it – you might get somebody from the CET scheme to do that for you because it will not take too long. We underplay what would be a real time cost to the airline and ultimately to the States. So I am opposed to it on cost grounds.

Now, I am making a very serious point here: what do we know about Air Malaysia just at the minute? Let's imagine that a Guernsey aircraft, nobody is harmed at all, they just overcook it on the runway, and there it is sitting with its nose wheel down and the chutes and Air Guernsey emblazoned all over the side of the aircraft. I think that is the mistake you could make. When it

3560 gets national coverage that this – ‘Oh it is a small little Island. They own their own airline. You can see clearly emblazoned Guernsey Air.’ Of course, you know how the media will spin these things.

I think there is a degree of neutrality in Aurigny, but I think it is also a very unique, distinct Guernsey product, that we should simply try and promote, rather than rubbish so readily. I make the point that some considerable cost, not today – not today, but there is a cost attached to this... 3565 and of course that would be another Assembly; we have already predetermined a project for them, putting in our own spending request.

So I think you know what I mean.

Thank you.

3570 **The Bailiff:** Deputy Inglis and then Deputies Le Tocq and Conder.

Deputy Inglis: Thank you, sir.

Deputy Brehaut has actually taken away everything I was probably going to say! (*Interjections and laughter*) I have a lot of sympathy with what Deputy Duquemin is bringing forward, but I am 3575 just quite taken aback that we are proposing to spend a lot of money leading in to 2017 on a report on how we might rebrand Aurigny.

Now, to me, it is very simple; it is ‘Aurigny Guernsey’. That is all you have to do. I do not see the huge amount of spend, but I am disappointed that Deputy Duquemin, as the promoter of the Guernsey language, is taking this stance and – exactly what Deputy Brehaut said – it is an 3580 important part of the cultural identity of Guernsey and I feel that we should embrace it, not pooh-pooh what the wording is and how it is pronounced, because it is the first part of a conversation about anyone coming to Guernsey, because they want to know and understand how to pronounce it.

So, as it stands, I would vote against this and I would urge other Members to consider that as 3585 well.

Thank you.

The Bailiff: Chief Minister.

3590 **The Chief Minister (Deputy Le Tocq):** Well, I am a great supporter of *Guernésiais* and *le bon français et tu*, and French as well. But I will be supporting this amendment, because of this fact: I will be at the British-Irish Council tomorrow; I can guarantee I will not be speaking Guernsey-French there because they will not understand me.

I think this is talking about audiences – different audiences – and if Deputy Duquemin has, I 3595 think, picked on something that is really important, it is that if we are going to use our airline to be some sort of advertising to the outside world, then it is incumbent upon us to choose a name – to have a name that does something to that effect.

I would be quite happy with it being called Alderney actually, as opposed to Aurigny, because from the point of view of spelling it, I know it is very, very difficult for people and just running off 3600 the tongue it does not work. I have the same problem with my own name, when I had my business cards first done when I was Deputy Chief Minister, people said I tried to contact you and they find out they could not actually spell my name properly. It was not ‘Le Tocq’ so much; it was ‘Jonathan’! (*Laughter*) But anyway –beside the point.

Making things as simple as possible, particularly if you are looking from a marketing viewpoint, 3605 is very important. I do not think it will be any problem for us at all to look at this effectively, make some decisions for the modern age. Yes, we love ‘Aurigny’, but the fact is it is now being used and it can be used to market the Channel Islands, to market the Bailiwick of Guernsey outside of our Island and therefore it is worth having a look at the name.

3610 **The Bailiff:** Deputy Conder.

Deputy Conder: Thank you, sir.

I thought I ought to stand up because Deputy Bebb, who I thought was going to go into cardiac arrest when Deputy Duquemin laid his amendment – he is out of the room now, but I
3615 I thought I should just add, sir – Is he back? (*Interjections and laughter*) Somebody ought to just pop out. Deputy Adam should perhaps pop out and see if he is okay. He really was rather exercised about this!

A serious point. A couple of serious points. We are seeking another States' report. That is not free, that is going to take up a lot of officer time to produce a new States' report, and I would just
3620 say Disability Inclusion Strategy – remember about a year ago when we were discussing it, why have we not progressed, because we could not find any officer time to do it, so we are going to produce another report. Fair enough.

It looks like we are all very keen to do this. But also the nature of the debate... and we are in a funny mood, I think, at the end of this day because all of those who spend quite a lot of time –
3625 and I guess I probably put myself in this category – pleading or advocating austerity, saying how short of cash we are, we cannot take anything on, are actually not supporting the idea of bringing this report.

Most of them have been talking in support of rebranding; they have already made their decision. Most people say how great it would be – we must get the airline renamed because of
3630 the great marketing benefits. That could well be the case. Of course, there is a figure attached to that, we heard last time. We discussed this half a million – probably much more than that by the time we get round to it.

What is going to happen? Well, if we are in our austerity mood, there is no chance that when we get this back we are going to find that money to do it, because there are going to be a whole
3635 load of other priorities. So I suppose, on the assumption that Deputy Bebb is still with us, he will be pleased that I have raised some of the issues that he was concerned about.

I suspect I will vote against this simply because I think there is a level of double standards in terms of producing yet another report and expecting an officer to be found to produce the report. And when we come to it, I suspect those of us who are now saying, 'Yes, it would be a great idea,'
3640 will actually be saying, 'But we have got no money.'

The Bailiff: Alderney Representative McKinley.

Alderney Representative McKinley: I am sure that someone from Aurigny – the old Aurigny –
3645 ought to say something on this matter.

Could I start with a point of correction perhaps, with Deputy Duquemin. He said several times over, 'This is a Guernsey airline. This is a Guernsey airline.' This is not a Guernsey airline, this is a Bailiwick airline. I think we should make a point of that.

The other point is I think a lot of people in Alderney, who will be listening and actually have heard about this proposal, are rather sad about it because for an airline that was formed in 1978
3650 and was making a profit until 2003, when it was handed over to the Bailiwick, with the name of Aurigny is a rather well-known airline. It is sad to see the proposal to change its name, but I am glad it is only at the moment a proposal for a debate or a policy paper to be written.

I assume that when it was taken over in 2003 it was making a profit. It has not really made a profit over the last few years for sure. We discussed that a lot earlier. If the name is changed, all I
3655 would ask is that it did have some reference to Alderney, being the original owners of Aurigny and that airline should be used to promote not just Guernsey, but the Bailiwick, and include Alderney.

Thank you very much.

The Bailiff: Yes, Alderney Representative Jean.
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Alderney Representative Jean: I would just like to make the point that in 2018 – I thank Deputy Conder for his remarks, I thought they were very pertinent.

3665 First of all, I do not think we would have the money to do this and I do not think it would be very wise to spend that amount of money when we need it for other things. But the one pertinent thing is that everybody is looking forward here to celebrating the 50th anniversary of the airline. Well, my view is if you chop the name Aurigny off, which means Alderney in French – ‘*Au Rigny*’ in French – what you are doing is you are chopping away any possibility of celebrating that marvellous 50th anniversary.

3670 Aurigny is a tradition. It is an airline that has been around for 50 years. It has served Alderney, and even although one could look at it in a different way, it has served Guernsey, Jersey, Cherbourg, Southampton as well, for us all those years.

3675 In those days it did make profit. It is a tradition. It is a success. It is a brand. It is a good name already. I cannot see the sense in altering that and yes my colleague, Mr McKinley, is quite right, people in Alderney are worried about this; they are upset, they are proud of the name of their airline, and even still with all the difficulties that Alderney faces with Aurigny and the problems you have seen that we have – and they are many – the fact is Alderney is still proud of Aurigny and I do not think it is the right thing to do.

Thank you. And those who have spoken in support so far, thank you.

3680 **The Bailiff:** Deputy O’Hara.

Deputy O’Hara: Well, I would be expected to speak on this.

3685 I have to say, Members, I do get concerned about how Guernsey is changing its face nearly every day. I sometimes wonder what we will end up with in 40 or 50 years’ time or whatever. I can understand the reasons of trying to promote the Island, and if this does go through then fine, but what we will need to find is some kind of compromise. Guernsey and Aurigny need to be somehow on that plane. I do feel that as every day goes by Guernsey just loses that little bit more of its identity. I might be wrong, but that is how I feel.

3690 I am going to vote against it because of that reason. But if it does go through and if we do get the money, then I will say that by all means let’s try to brand it in such a way that we still try to keep our cultural identity.

Thank you.

3695 **The Bailiff:** Deputy Sillars.

Deputy Sillars: It is, of course, sir, currently a Jersey company that owns Aurigny.

The reason for standing actually is Deputy Conder. I heard half his speech, but actually for me, I am torn as to –

3700 **Deputy Harwood:** Sir, point of clarification. The actual ownership of Aurigny is through Cabernet which is a Guernsey company!

Deputy Trott: It is a Jersey-registered company.

3705 **Deputy Sillars:** Okay, so I was right on that point, but thank you for the point of clarity.

The reason I really wanted to stand is I am very torn as to whether to support this amendment, because many times in the past we have gone and said, ‘Yes we should go and do this, and look into something,’ and the concern has been, how is it going to get funded for the actual looking into it all?

3710 But what we have not done at all is actually looked at how on earth it is going to be done if we come up and want it to be changed, and we all know that it does cost a fortune to change a name over. My business has just done a re-launch, if you like, after 83 years and I have just had the bill for it and it is colossal, and we are tiny, of course.

3715 So the concern I have got is where will the money come from? It is again setting expectations. We will look into it, people will take their time looking into it and everything else but actually it is a shame that Deputy Stewart sat down, or has spoken, I should say, because I would like to know whether it ought to come out of his budget. Only because if all the tourism is going to benefit from it, it seems to me, absolutely, there are others that maybe it should not come out of, and I
3720 would support perhaps not taking other money out of it, but it is just I would like to have had that thought of where the money might come from, not to put 80p on to the flights and all those sorts of things.

So I am torn and I have not finally decided which way I will go on this.

3725 **The Bailiff:** Deputy Hadley.

Deputy Hadley: In fact, I can see the sense in wanting to change the name and, indeed, I think last time when this was debated I did support the rebranding of the plane, which was lost.

My ear has been bent considerably by Deputy David Jones in the last day or two and I think I
3730 am persuaded very much by what David said, and indeed about some of the other sentiments that... Deputy Jones has said, I am sorry – and what some of the other Deputies have said about the tradition that we are losing. I am a great fan of Aurigny Airlines. I think it is a fantastic airline and I always use it when I can, and I think they give an excellent service. I think that reputation has been hard won and well deserved.

3735 I also think if we are spending money changing the name, we are talking about a substantial investment and for the lack of an investment of that size this States' Assembly is going to prove the delay of early years education, which is a really important investment in the future of our children and the future of our Island; and for all sorts of reasons we should not be delaying that, but we are going to have to because this Assembly is so reluctant to make investment of half a
3740 million.

So in this particular case, for all these reasons, I will not be supporting this amendment.

The Bailiff: Deputy Paint.

3745 **Deputy Paint:** Sir, I was not going to say anything, but just as a matter of interest, Aurigny does not only mean Alderney, it also means spider crab – (*Laughter*) (**The Bailiff:** *Araignée.*) in good French. In good French! In Guernsey French it is Huv'lin! So we have got a change of things here. Now, if it is called Guernsey Airline are we going to spell it with an extra 'e' so it retains part of our culture, which is really good French?

3750 I do not think I can support this because Aurigny has become part of our culture. So other people do not know what Aurigny is – cannot even pronounce it – but when you go to other parts of the world, which I do annually... I might be flying on let's say a fictitious airline, let's just call it *Lysanne* Airlines, I do not book the flight on *Lysanne* Airlines, my travel agent does it.

3755 So if people are coming from the Far East here and they go on Alderney, they do not know what it means, they basically do not care. It is booked for them before they get here. So I do not think it really makes much difference at all myself.

Thank you, sir. That is all I have to say.

The Bailiff: Yes, Deputy Lowe.

3760 **Deputy Lowe:** Thank you, sir.

It has been said previously by the others that we have tried so much in different Guernsey business plans to try and keep our culture and keep our autonomy, and I am disappointed to see that we are trying to actually get rid of that today, or consider it.

3765 The reason I stood up was because many are saying, 'Oh well, it is easy enough isn't it. Let's send them off and get another report done, and when it comes back it is too expensive.' It was

interesting that, for those that who were up earlier this morning they probably would have heard on *BBC Guernsey* that the speech for the day was actually Deputy Lester Queripel's yesterday. And they actually replayed it, because they said it was so sensible, where the Government of today are sending out expectations to people. They were referring to the Disability Strategy where we send out expectations to people that we support that, we are going to do this, that and the other, and when it comes back we have not got any money. They thought it was the most sensible speech of the day yesterday. So well done, Deputy Lester Queripel, on that.

Because that is very much the frustration of those that criticise the States, because they really believe when we have made a decision, it is actually going to happen and then we find we have not got the money. For those of us that really believe that we are struggling and we are looking for cutbacks, and as much as I think it is great to have our name Guernsey on a plane, maybe we can add it on there and sort of have 'Channel Islands' on the bottom. Just print 'Guernsey' if you want, then you upset everybody else. There may be ways around it.

Aurigny – is it a need or is it a want? I think that is really where I come from, in as much as I want to keep Guernsey's autonomy, because we have signed up to that. Maybe this States do not want to stand up for autonomy. I think that was the previous States that signed up to it, maybe these States will actually change it and we are going to go all English. Well I do not, but I would actually really hope that if you are signing up to this today and you are re-elected that you will follow it through and you will find that money from somewhere – which sounds like it may be Commerce & Employment's budget because they are *Visit Guernsey*.

So I look forward to them coming up with half a million or more. I have heard £750,000 as one amount that has been bandied around as well. So if they have got that sort of money, that they can support this, in the full knowledge that it is going to come up and be expensive and be part of *Visit Guernsey*, I look forward to Deputy Stewart or another member of his Department, saying yes they have discussed that and that is the reason they support it, because it will be coming out of their budget.

The Bailiff: Does anyone else wish to speak? Deputy Rob Jones.

Deputy Robert Jones: It should not go without notice that the Security of Air Links Review did put a recommendation 11, in that

'Consideration should be given to whether the re-branding of Aurigny to include reference to Guernsey in the Airline's name would be advantageous.

I think this is what this amendment seeks to achieve. That said, it should be noted that the Aurigny management did say that they felt the concept of rebranding was out of date, because they stated that advances in internet searches and various other advances in technology did sort of help people to guide them round finding flights to Guernsey. What they have also noted was that they have made some arrangements to include Guernsey in their name and that Guernsey does appear, I think, on one of the tails of one of the aeroplanes and also in the departure or check-in lounge at the Airport. So strides are being made.

On balance, I think I will support this because it is only giving consideration, but I am mindful of the costs of these reviews, and over the last few days and months we are increasing the work load on staff in considering this. But I did take on board what the Treasury & Resources Minister said – that nobody has actually looked at the value that this might add, we have only ever concentrated on the costs of rebranding, whereas there may be some benefits. It might be a worthwhile exercise.

The Bailiff: I see no-one else rising. How long do you think you might be in replying, Deputy Duquemin?

Deputy Duquemin: Maybe about five to 10 minutes, sir.

The Bailiff: I propose then that we conclude this debate today.
Deputy Duquemin.

Deputy Duquemin: Thank you, sir.

3820 Thank you for everybody's contributions, it was a fairly lively debate, albeit quite late in the day.

Firstly, starting with Deputy St Pier, and in a way it was neatly done because Deputy Rob Jones finished on the same point and I think we can often get bogged down in the cost of a rebrand, but what we really need to do is assess – and *properly* assess – the value that can be added. That
3825 is why we do need an investigation.

Deputy Sherbourne – thank you, you never told us where Jamaica Airways was from, but maybe you can let me know by email.

Deputy Gollop – I think the important thing here is he spoke about the brand loyalty that exists with Aurigny. I think the important thing to stress there is that that would be transferred from the
3830 old brand to the new brand. The same affectation that we all have for Aurigny will continue.

Deputy Kuttelwascher is quite right on Qantas and this is always an example that will be used. Through you, sir, Deputy Kuttelwascher actually got the acronym wrong, I think it is 'aerial survey' at the end rather than 'air service', but the reality that was picked up straight away by Deputy Stewart was that we have not got the marketing spend of Qantas, and it is imperative that we do
3835 leverage everything that we have got.

Deputy Kuttelwascher, I think it was, also spoke about running down the stock, and in many ways we could be talking about painting and some of the costs as being in terms of business as usual.

When I asked the Chief Executive of Aurigny how much it would cost to repaint an aircraft...
3840 and the important question was how often they did it as business as usual... because, yes, it is a big ticket item, but I want to be appraised of the facts that it could be done as business as usual – and these aircraft are due for repaints on a regular basis.

It was interesting that when he replied, the Chief Executive of Aurigny did say to me it was good to remember too that repainting is only part of a rebranding. He told me do not forget
3845 about stationery, signs, manuals, equipment and the list went on. But, for me, sir – and this is a crucial point – he left off one very important part of any rebrand, and one that can often deliver a huge crucial return on investment, which is mind-set. Only yesterday Deputy Sherbourne referred in a different debate to the importance of the correct mind-set. Today in the *Guernsey Press* the GFSC's William Mason is quoted about 'a grow to survive mind-set' and it is imperative that we
3850 have that on this Island.

Two years ago I tweeted, 'If asked what he is doing, I want the pilot of Guernsey's airline to say he is driving Guernsey's economy, not driving a plane – #mind-set.'

DJ Stewart is correct – a billboard at Gatwick Airport is an awful lot of money and it is a huge missed opportunity that we are aware of. Even the managing director of Gatwick Airport, who I
3855 only met again at a conference on Monday, cannot understand why Guernsey is not in the name of our airline.

It was a point picked up also by Deputy Rob Jones. The Aurigny Chief Executive told the Scrutiny Panel that, 'We have done a little bit. We have put Guernsey instead of Channel Islands on the fuselage of the recently arrived ATR that will serve London City.' Great, but I think it could
3860 be so much more than that, not just an afterthought.

We spoke a lot about London City today, when we were discussing Deputy Dorey's amendment. But, for me, the ATR 42 could have been dual branded with the new Guernsey-focused airline brand sitting alongside; and Deputy Trott might like this with his new position, alongside the existing Guernsey finance brand, already Guernsey focussed, no confusion there, on
3865 perhaps an FT-style pink fuselage with headlines that simultaneously promote the benefits of the London City-Guernsey route and the Guernsey finance industry. That is just an idea, but it is one that is possible with, and I come back to that word, the right mind-set.

Deputy Luxon, thank you for seconding the amendment and highlighting the financial benefits.

3870 Deputy Brehaut, I think in many ways I understand the pros and cons of what was discussed, mainly the cons in your issue, and in many ways there is a possibility that we would – and we *could* – become very flippant about this, but this for me is a very serious issue and this is a change that can possibly happen that will be still resonating and still making a positive impact on this Island in 20, 30, 40, 50 years' time.

3875 In my opening speech I did make it clear that I did understand why some would be reluctant, and the Alderney Representatives, it was understandable – some of their comments. I fully expected the Alderney Reps to fight for its retention. But its retention only makes sense if it is kept exclusively as a heritage brand on the Alderney route and that, as Deputy St Pier did mention, is something that can be investigated.

3880 But for me it makes no sense whatsoever to retain an Aurigny name across the whole of its network where the overwhelming majority of its passengers and the overwhelming majority of its fleet of aircraft do not go anywhere near Alderney.

The date mentioned in the amendment, the 1st March 2018, does aim to fully celebrate the heritage and the history, but now it is also time to look to the future.

3885 Deputy Inglis mentioned my position as being a promoter of our own language *Guernésiais* and in a way it would be very interesting that even if the pilot said '*à la perchoine*' at the end of an announcement that would be one way – a really visible audible way – to celebrate our language and our heritage.

Deputy Le Tocq spoke about the modern age. He spoke about loving Aurigny but I think the key point there he said was it is worth asking the question.

3890 Deputy Conder, you are quite right, it was almost a funny mood, but it is a serious matter and I hope the benefits are promoted.

3895 Deputy O'Hara said, and his phrase was, 'Guernsey is changing its face' and he was not happy with that. But the problem is when people see our face saying 'Aurigny', theirs is pretty blank because they do not know what it means; it means nothing. Sometimes you do have to change your face.

Deputy Sillars – his own company was rebranded. Why did he rebrand? Because there will be benefits.

3900 Deputy Hadley also mentioned that it had been debated before and he also mentioned the emails that we were all copied from Deputy Dave Jones, and of course we wish him well. This has never been debated before. I think I was probably given a little bit of latitude last time I brought it up during an Aurigny debate, but this is the first time that I have felt that we have been able to put it in as a *bone fide* amendment to a report, which did provide a lot of evidence on the general update of Aurigny. So this is the first time it has ever been debated, and that is the case.

3905 Deputy Paint, perhaps we should change the puffin to a spider crab! In terms of culture, he said he did not care who he flew with, but the real fact is we want them to care, we want them to feel that they are stepping foot on a piece of Guernsey, even though they are still on the tarmac at Gatwick. It is mind-set.

3910 Deputy Lowe – 'Is it a need or is it a want?' For me, it is a must-have, because it will promote the Island and it will be an economic enabler. It is the sort of economic enabler that brings in revenue to this Island and helps pay for a lot of the things that we want to do on this Island by adding tax revenue etc.

Deputy Jones mentioned at the front end, but the final thing he did say was, it is important to look not just at the cost but also at the value, and I think that is important and a good point to finish.

3915 Yes, we could consider – and I say the word again, 'consider' – changing the name of an airline that even the *Daily Mail* said in a headline, that no-one had heard of. And remember, whilst I might want to get the green light today and rush up to the Airport tonight with a paintbrush and a few pots of paint, that will not happen. This amendment seeks an investigation where the

3920 relevant States' Committee, the States' trading supervisory board will consult others, including the airline itself and report back with the pros and the cons.

Sir, please, I hope Members will support this amendment.
Thank you.

The Bailiff: There is a request for a recorded vote.

There was a recorded vote.

3925 **The Bailiff:** Members, I suggest we just wait while the votes are formally counted so we can formally declare the result.

Carried – Pour 24, Contre 20, Ne vote pas 0, Absent 2

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Fallaize	Deputy Laurie Queripel	None	Deputy David Jones
Deputy Spruce	Deputy Lowe		Deputy James
Deputy Collins	Deputy Le Lièvre		
Deputy Duquemin	Deputy Dorey		
Deputy Green	Deputy Paint		
Deputy Le Tocq	Deputy Burford		
Deputy Adam	Deputy Inglis		
Deputy Perrot	Deputy Soulsby		
Deputy Brouard	Deputy Sillars		
Deputy Wilkie	Deputy O'Hara		
Deputy De Lisle	Deputy Hadley		
Deputy Luxon	Alderney Rep. Jean		
Deputy Quin	Alderney Rep. McKinley		
Deputy Kuttelwascher	Deputy Harwood		
Deputy Robert Jones	Deputy Brehaut		
Deputy Le Clerc	Deputy Domaille		
Deputy Gollop	Deputy Langlois		
Deputy Sherbourne	Deputy Conder		
Deputy St Pier	Deputy Bebb		
Deputy Stewart	Deputy Lester Queripel		
Deputy Gillson			
Deputy Le Pelley			
Deputy Ogier			
Deputy Trott			

The Bailiff: Well, Members, I can formally declare the result of the vote on the Deputy Duquemin/Deputy Luxon amendment. There were 24 votes in favour, with 20 against. The amendment was carried.

3930 We will rise now and resume tomorrow at 9.30 a.m.

The Assembly adjourned at 5.44 p.m.