



OFFICIAL REPORT

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STATES OF GUERNSEY

SCRUTINY MANAGEMENT

COMMITTEE

States' Trading Supervisory Board
Public Hearing

HANSARD

Guernsey, Wednesday, 25th October 2017

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Members Present:

Panel Chair: Deputy Chris Green
Deputy Peter Roffey
Mrs Gill Morris – Non-States’ Member
Mr Mark Huntington – Principal Scrutiny Officer
Mr Alistair Doherty – Advisor

Business transacted

<u>Procedural</u>	3
<u>EVIDENCE OF Deputy Charles Parkinson, President; Deputy Jeremy Smithies, Member; and Mr John Hollis, Non-States’ Member, States’ Trading Supervisory Board</u>	3
<u>The Committee adjourned for five minutes.</u>	20
<u>The Committee adjourned at 11.55 a.m.</u>	33

Scrutiny Management Committee

States' Trading Supervisory Board

*The Committee met at 10 a.m.
The Moulin Huet & Petit Port Rooms,
St Martin's Community Centre*

[DEPUTY GREEN *in the Chair*]

Procedural

The Chairman (Deputy Green): Let me just start with some general introductory comments.

I would like to welcome everybody here today, elected representatives and members of the public.

Our session today is with the President of the States' Trade and Supervisory Board, Deputy Charles Parkinson; a member of that board, Deputy Jeremy Smithies; and Non-States' Member, Mr John Hollis. Welcome.

The panel today from the Scrutiny side of things is myself, Deputy Chris Green, the President of the SMC; Deputy Peter Roffey, the Vice-President; and Non-States' Member Mrs Gill Morris.

Can I ask anybody who has any mobile phones to please put them to silent whilst the hearing is in progress? It is essential during our session that the Committee is able to hear from our witnesses without any interruption from the public gallery.

I should also make it clear that this is a formal parliamentary Committee proceeding and members of the public are not permitted to speak during the hearing.

EVIDENCE OF

**Deputy Charles Parkinson, President;
Deputy Jeremy Smithies, Member; and Mr John Hollis, Non-States' Member,
States' Trading Supervisory Board**

The Chairman: So without any further ado can I turn to the witnesses and I would be grateful if you could introduce yourselves in turn, starting this end with Deputy Smithies.

Deputy Smithies: Yes, Jeremy Smithies, Member of the States' Trading Supervisory Board.

Deputy Parkinson: Charles Parkinson, President of the States' Trading Supervisory Board.

Mr Hollis: I am John Hollis, Member of the States' Trading Supervisory Board.

Deputy Parkinson: The fourth Member sends his apologies; Stuart Falla was unable to attend.

The Chairman: Thank you very much.

Right, can we start with Aurigny and the first question: the States' Trading Supervisory Board obviously acts as shareholder on behalf of the States for the company that owns Aurigny and one of the key ideas of having the STSB in the first place was to have a more active shareholder role for not just Aurigny but, for example, Aurigny. So the first question is: what has your board done so far, Deputy Parkinson, in relation to Aurigny that the previous Committee of Treasury & Resources was not doing in relation to Aurigny?

Deputy Parkinson: Well, we had been waiting in the initial months of our term of office for a P&R strategic review of Aurigny which eventually came out in the late spring. Aurigny is also affected by other pieces of strategy work going on within the States, particularly the review of the air transport licensing system which is being conducted by Economic Development; and now the review of the Island's air and sea links which incorporates a consideration of the length of the runway. All those pieces of work have a profound influence on the potential future direction of Aurigny. But nevertheless we cannot sit around waiting for other Committees to do their work forever, and so with our encouragement Aurigny has already taken a number of steps to improve its financial position.

Firstly, of course, it has decided to cease operating to London City Airport; secondly, that involves getting rid of an ATR 42 which currently serves London City and Leeds Bradford, and that has now been deployed into the wet lease market; thirdly, they have established their own ground handling operations at Gatwick to try and improve the customer experience there. They have launched a new website and relating to that they have launched a new fare structure which is designed to stimulate demand by disaggregating the components of the fares on their routes. Finally, for the time being, they have launched a new file connection service with easyJet which we can explain in more detail if you want, and they are also engaged in conversations with other airlines to consider whether strategic partnerships with them would produce any benefit.

The Chairman: I note those points and they are obviously well made.
Can I ask more specifically what impact do you think your board has had on those decisions? Obviously Aurigny has its own board and you have your role as the STSB, to what extent has your involvement and your board had an impact on those three or four matters of progress that you referred to a moment ago?

Deputy Parkinson: Primarily, of course, management of Aurigny does rest with the board of Aurigny but, in the light of the continuing losses and the apparently deteriorating financial situation, we did specifically request that they did a piece of work around basically identifying the profitability and financial returns from every single route that they operate. So they commissioned an outside consultant to undertake that work for them and basically split their accounts across all of their routes so that we could better understand where the losses were arising and what actions might be taken to stem them, and that directly led to the decision to close London City.

The Chairman: Deputy Roffey.

Deputy Roffey: Can I ask then: you were encouraging them to close London City on that basis?

Deputy Parkinson: We encouraged them to undertake the work to identify which routes were making the losses and it became very clear that London City was a main cause of the problem and so, yes, we encouraged them to review it.

Deputy Roffey: Leaving aside Alderney which we will no doubt come back to, did this piece of work highlight any other of their routes that were making any kind of significant losses?

80 **Deputy Parkinson:** Well, basically the profitable route is London Gatwick and essentially all of the others are either in small loss or treading water.

Deputy Roffey: But obviously they have got fixed costs. So if they just ran London Gatwick would it be profitable in its own right? Did this report drill down to that extent?

85 **Deputy Parkinson:** We modelled various potential scales of operation and the most profitable scale of operation would be to slim the airline right down to Gatwick and, say, Manchester. But clearly out of the strategic review from P&R, one key instruction was that Aurigny should be viewed as an economic enabler, and we did not consider and the board of Aurigny did not consider that reducing Aurigny to a skeleton service would serve that purpose.

90 **Deputy Roffey:** One more, if I may?

What status does that strategic review have? I mean, it has not been debated by the States, nobody has approved it, but there is a small group of people who came up with *their* views. Do you regard it as a bible that you have to follow?

95 **Deputy Parkinson:** I think we would regard it as guidance in the spirit of co-operation between States' Committees, but it was not helped by the fact that the strategic review was actually two separate reports which P&R have had to extract the essence from.

So I do not think it could possibly be regarded as a very clear set of instructions, if it is instructions at all.

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The Chairman: Just on that theme, Deputy Parkinson, have any of the recommendations in that strategic review of Aurigny been of any real use to your board?

105 **Deputy Parkinson:** I think just running through them, there are several which we certainly have no argument with and which steps have been taken to implement.

Recommendation 1 was that Aurigny should remain in States' ownership – fine, we are content with that.

Recommendation 2 is that it should retain its air operating certificate – fine, well obviously it needs to.

110 Recommendation 3 was that the company should be considered and treated as an economic enabler: well, that provides some guidance to us in terms of route coverage and so on.

Recommendation 4 was that the Guernsey–Gatwick route should be underpinned by a service level agreement between the shareholder and the states of Guernsey. Of course we are still waiting for the air transport licensing decisions, but we understand that Aurigny is effectively likely
115 to retain its effective monopoly on Gatwick for another five years at least, so I think once the air transport licence review is complete we would be able to formalise that arrangement.

Recommendation 5 was set terms of reference and undertake an unconstrained review of the company's fleet. That will happen, but we cannot really do it until decisions like the runway length are taken, so we need those other pieces of work to happen first before we can undertake that
120 review.

Recommendation 6 was to instruct the company to complete an IATA operational safety audit and explore options the code-sharing and interlining as a matter of priority. Aurigny is undertaking a consideration of how much it would cost to obtain and maintain an IOSA certificate. In the meantime of course it has entered into this arrangement with easyJet and is in discussion
125 with other airlines. So we are addressing the key point here, although work is still being undertaken on the detail of the IOSA certificate.

The Chairman: Can I just take you back to the economic enablement point, because this is a phrase we hear quite a lot in the context of Aurigny? What does 'economic enablement' actually mean to you? As far as I can see from the recommendations it seems to be really a call for an increase in visitors, but does it mean more than that?

Deputy Parkinson: Yes, obviously being able to get clients and visitors on and off the Island is very important to the finance industry and to the hospitality sector, amongst others. So connectivity serves wide economic purposes as well as social purposes, because residents of Guernsey want to be able to get off the Island as well.

Deputy Roffey: Where is the balance between the cost of travel off the Island and the number of places you can go to? You said if you stripped it down to just Manchester and Gatwick it would be more profitable, but it sounds like Gatwick customers are slightly cross-subsidising the other routes therefore if they did not have to do that they could probably pay less.

So I just wondered what you think is the most important economic enabler: being able to get to Guernsey quite cheaply or being able to get here from lots of different towns?

Deputy Parkinson: I think it is a mixture of both. People choose routes to travel on based very largely on the convenience and flights at the times they want to travel, but also of course on cost. And both of those need to be taken into consideration. Aurigny's task is to maximise its revenues at the same times as, clearly, providing as wide a connectivity to the Island as it can.

Deputy Roffey: Would it be possible for the Scrutiny Committee to see, in confidence, the piece of work that has been done by the consultants on the profitability of the various routes?

Deputy Parkinson: I do not know, I will have to ask my staff. Can we share that with the Committee?

Yes, we can share that with you in confidence.

The Chairman: Are you saying really, Deputy Parkinson, that until only recently Aurigny effectively did not really know what the profitability of each route actually was, including London City?

Deputy Parkinson: I think the piece of work that we had commissioned is the most intensive study of the cost of each of the routes, and I am sure Aurigny would say that it had a grasp of where the profits arose and the losses were incurred. But actually we got down into much more detail and came up with, I think, more robust figures.

The Chairman: Deputy Roffey.

Deputy Roffey: You talked about the different focus on the interlining or quasi-interlining arrangement is there any possibility that would remove the need for Guernsey people flying further afield paying the international airport taxes? Technically, if we are not in the UK for more than 24 hours we should not be doing so, but we always do.

Deputy Parkinson: Unfortunately the arrangement with easyJet will not, and that is because although you will be able to book to go to anywhere on the easyJet network from Guernsey it would be two separate tickets – there will be a ticket to get you to Gatwick, or wherever, and then a ticket to go from Gatwick to Lisbon, or wherever you are travelling too. So unfortunately under the way the UK operate their scheme at the moment they are going to charge the air passenger tax on both.

180 **Deputy Roffey:** But a genuine interlining arrangement would –

Deputy Parkinson: Would solve the problem – if you had one code, one ticket that took you all the way through, then that would solve the problem.

185 **The Chairman:** So, a moment ago, Deputy Parkinson, you were talking in terms of Aurigny wanting to maximise its revenue whilst also providing a decent level of transport connectivity. Are you able to give a little bit more detail about what a successful Aurigny actually looks like in the future? A bit more detail around that, for that balance to be struck.

190 **Deputy Parkinson:** We are under instruction to try and return Aurigny to surplus, so we are working towards that goal. I have always argued that where unprofitable routes have to be run for other reasons, social or economic, that the subsidy required to run those routes should be identified and specifically captured as a subsidy – which indeed would have to be offered to the industry generally. I am not suggesting that would be just simply a sum of money awarded to
195 Aurigny but, for example, the Alderney routes clearly are inherently loss-making, but Alderney requires a lifeline route or lifeline routes and the States of Guernsey will ultimately need to support those routes. But what I want to see, and what the review takes us in the direction of, is that the subsidy is made explicit and that is tendered in a public service agreement to the industry.

200

The Chairman: Deputy Roffey.

Deputy Roffey: So would you be happy then if Aurigny was stripped down to being the guaranteed sole licensee on both Gatwick and Manchester and just bid for the subsidies on the
205 other routes – as long as somebody operated to Bristol and somebody operated to wherever?

Deputy Parkinson: From a Guernsey point of view, it is sufficient that somebody operates this collection of routes, or a decently broad spectrum of routes. So I do not think we need to be, from a Guernsey perspective, precious about Aurigny providing those services; but I have to say that,
210 having looked at the financial information which we will be making available to your Committee, I do not think many of those routes would operate without a subsidy.

So the question then is: how much is the States of Guernsey willing to pay to obtain those services?

215 **Deputy Roffey:** And presumably it would mean Aurigny having to change their business model to leasing aircraft, because people might come and go on other routes and they would have to step back in again in order to guarantee the connectivity? You could not buy and sell planes all the time, could you, to do that?

220 **Deputy Parkinson:** You cannot necessarily get out of the leases very quickly either, so I am not sure that directly determines that question.

The Chairman: We have obviously started to talk about the Alderney dimension, so let's go there. The budget for 2018 suggests that the losses for Aurigny attributed to the Alderney routes
225 is an annual loss of £3.2 million. We had certainly understood previously that the losses for the Alderney route purely was in the region of £900,000 per annum. Can you tell us why that has gone up?

230 **Deputy Parkinson:** I think probably the £900,000 figure, which is quite an old number, was
overly optimistic. But in changing from the Trislander to the Dornier a number of costs have
increased, notably of course that the plane has two pilots instead of one pilot. And actually the
process of procurement was unfortunate in that Aurigny, thinking that the Trislanders had a very
short life expectancy, bought some second hand Dorniers which have proved to be unreliable, so
235 the maintenance costs on the older planes has been very high. But I think probably these factors
were just simply not adequately budgeted.

The Chairman: Mrs Morris.

240 **Mrs Morris:** Deputy Parkinson, do you think that if the STSB had been in place when the
Dornier decision was made, a different decision might have been made?

Deputy Parkinson: I am not sure. The issue was at the time that Aurigny feared that the
Trislanders might be no longer allowed to operate in fairly short order, and therefore they had to
have a replacement and so they had to go into the second hand market and buy replacements.
245 Obviously they did also order a new plane which has proved to be quite reliable and, with the
benefit of hindsight, it would have been better to buy new planes because in fact as events turned
out the Trislanders continued to operate for another three years or so.

So I think that if people had understood that the Trislanders could have remained in service for
long enough for Aurigny to procure new planes then, with the benefit of hindsight, it would have
250 clearly been more sensible to buy new.

Mrs Morris: So, do you think there was poor decision-making?

255 **Deputy Parkinson:** The board at the time thought that the Trislanders might be condemned
and they had to continue to provide a service.

Mrs Morris: Could they not have leased?

260 **Deputy Parkinson:** Leased what?
It is very, very hard ... The market for this size of plane, the 19-seat planes, is pretty illiquid as
we have found since then, when Aurigny has tried to charter in Dorniers to cover replacements.
There were situations when the fleet was not going to be able to cope. There just are not many of
these planes available.

265 **The Chairman:** Deputy Roffey.

Deputy Roffey: Now we are on to Alderney, I am just trying to get my head around the
exercise that we keep being told is going to happen. There is going to be tendering exercise and a
guaranteed subsidy.

270 When is that going to happen?

Deputy Parkinson: Yes, that is in the hands of Policy & Resources and Economic
Development – Policy & Resources to provide the funding and Economic Development to manage
the process.

275 **Deputy Roffey:** Presumably the States would have to approve ... I mean, we are talking about
millions. If the losses that you have indicated are correct, nobody is going to be attracted on to it
without providing a very big subsidy. Presumably it is going to have to come to the States?

280 **Deputy Parkinson:** I would imagine Economic Development would wish to do that.

Deputy Roffey: What would happen if Aurigny did not win?
They have got these Dorniers that they have bought, but what would they do with them?

285 **Deputy Parkinson:** They would have to sell them into the market, but there are a number of possible outcomes and whoever wins is going to need planes.

Deputy Roffey: I was hoping that you might say that they might look at the Guernsey–Jersey route because at the moment there is a fairly wide opinion that the occasional flight with big
290 planes is not providing the same level of service as we used to have some time ago.

Deputy Parkinson: Aurigny could always operate to Jersey, but the problem is it was a loss-making route when they operated it in competition with Blue Islands; and again the question would arise as to whether it was worth sustaining those losses to provide more frequency.
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Deputy Roffey: If Aurigny did not win the Alderney route you would still be seen as the operator of last resort for an absolutely vital strategic link. Wouldn't they need to be almost ready to step in again if there was any failure by the new operator?

300 **Deputy Parkinson:** No, Policy & Resources have clarified their comments on the strategic review to say that Aurigny would not be required to maintain planes to have a step-in capability. Clearly, if somebody else was operating the route and failed, then the States of Guernsey would undoubtedly look to Aurigny to solve the problem. But all Aurigny would be able to do is go into the market to try and find wet lease planes which could be brought on to the route at short
305 notice.

Deputy Roffey: Does Aurigny, in your view, really want to win that contract?

Deputy Parkinson: Aurigny has indicated to us that they will bid for it.
310

Deputy Roffey: Yes, you could put in a very keen bid or a not very keen bid. Have they indicated whether they are keen to carry on operating to Alderney?

Deputy Parkinson: I think they are certainly willing to.
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The Chairman: Just staying with the level of service to Alderney. Is the level of service that is envisaged for Alderney in the memorandum of understanding still valid, do you think, going forward?

320 **Deputy Parkinson:** We still operate within that framework and the memorandum of understanding group continues to meet and to review performance against the service levels that have been agreed. Where there are shortcomings in the performance then that matter is taken up with the management of Aurigny who attend these meetings, and obviously they are doing their best to bring the service up to the required level.
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The Chairman: Deputy Roffey.

Deputy Roffey: Have P&R and Economic Development discussed with you the quantum of subsidy they think needs to be offered on the route in order to attract bidders?
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Deputy Parkinson: No, they have not.

Deputy Roffey: Do you have a view on how large it would need to be?

335 **Deputy Parkinson:** I think it would be in the order of two and a half million.

The Chairman: Per annum.

Deputy Parkinson: Yes.

340

Deputy Roffey: Alderney Airport also runs at a loss, I understand? (**Deputy Parkinson:** Yes.) So the degree of subsidy on the Alderney air routes would be two and a half million plus whatever is being lost on the airport operation?

345 **Deputy Parkinson:** Alderney Airport loses about £800,000.

Deputy Roffey: So you are up then to about £3.3 million?

Deputy Parkinson: Yes.

350

Deputy Roffey: I have not got an answer to it, but it seems a very large number for 2,000 people! But I do not know what the answer is.

The Chairman: Obviously there is this wider review now of transport connectivity that has subsumed the Aurigny review. How do feel that that wider review on transport connectivity will inform the ongoing role of the STSB? What opportunities will you have to feed into that review?

360 **Deputy Parkinson:** I am not sure what opportunities ... I mean, presumably they will consult us because we are responsible for the Airport and the Ports. Obviously we do have views on how both should be developed so we would hope to have an input into that process. But that is separate from our role in relation to Aurigny.

The Chairman: Any other questions on Aurigny?
Deputy Roffey.

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Deputy Roffey: Yes, I do not know if you know the answer, but are P&R looking simply to general revenue as the source for the potential £2½ million subsidy, or are there other potential sources, like Alderney's gambling licensing money or things like that?

370 **Deputy Parkinson:** I do not know what P&R are considering in that regard. As you know at present Aurigny's loss is effectively subsidised out of the capital reserve.

The Chairman: Just to wrap up on the Aurigny issue. We are mindful of STSB's submission to the Aurigny review panel which recognise that there obviously can be tensions between individual objectives, and called for greater agreement on the balance that should be struck between those different objectives. Are we any nearer, Deputy Parkinson, to securing agreement on where that balance between objectives should lie?

380 **Deputy Parkinson:** I think that hopefully when we have these other reviews it will become clearer to what extent the Island is willing to pay for wider conductivity. As I said earlier, I do think it is important that we identify where we are subsidising a route to remain connectivity, that we

identify that subsidy and fully understand that we are spending money to do that – whereas at the moment all we do is once in a while recapitalise Aurigny.

385 **The Chairman:** Deputy Roffey.

Deputy Roffey: There was a comment from Aurigny in the *Press* recently that said if there was an extension to Alderney Airport and they could use an ATR it would make the operation a lot more cost-effective because that same plane could be used on other routes. Has some work been
390 done to see – and obviously that is an additional cost – but if there is a revenue saving, there must be an exercise that could be done to see whether it is a wise investment or not.

Deputy Parkinson: I do not think any work has been done on whether the benefit to Aurigny would offset the cost of the runway. The issue would be exactly the issue you raised in relation to
395 Guernsey–Jersey, that of course running an ATR twice a day would be a lot cheaper than running Dorniers five or six times a day. The question is really what level of service should the Island of Alderney expect? If we have got people in Guernsey moaning that they can only get to Jersey three times a day, or whatever, and perhaps less at certain periods of the week, what are the people of Alderney going to say about a reduction in frequency of that order?

Deputy Roffey: Many years ago the Board of Administration did an exercise that said that the losses on the airport in Alderney would be a lot less if it was closed for several hours in the middle
400 of the day and you had one split shift rather than two shifts of workers – one ATR in the morning and one ATR in the afternoon. I know I am going to get strangled by everybody in Alderney for saying this, but isn't there also a potential saving elsewhere in your operation and the cost of operating the airport?

Deputy Parkinson: Very probably. So the question is what level of service is Alderney entitled
410 to expect? But clearly if we reduced the frequencies significantly and if we were able to operate bigger planes, then yes, it would be cheaper.

The Chairman: A question has just come to mind, Deputy Parkinson, that for many people the London City route would have been an obvious example of economic enablement. How is it
415 consistent to be pursuing that as an objective but shutting down that route?

Deputy Parkinson: What I have said is that where the States wants to subsidise a route for any reason, social or economic, then that subsidy needs to be identified, (**The Chairman:** And explicit.)
420 made explicit and offered to the market. Now, when we did our route analysis, which I referred to earlier, and identified that London City was a major cause of the losses, in discussions with P&R and Economic Development we advised them that absent any assistance from anywhere else Aurigny would want to close that route. No offer of assistance was forthcoming so Aurigny then proceeded to close it, with our blessing.

Now, if Economic Development decides to offer some kind of PSA on the London City route, we would be concerned, particularly if they put some money behind it, because that money was
425 not – at least immediately – offered to the existing incumbent.

The Chairman: Mrs Morris

Mrs Morris: One more question on Aurigny.
430 The previous Scrutiny Committee did a review on the security of air links and one of the recommendations in that report was the inherent danger of an airline in public ownership

becoming more inefficient over time. To what extent are you conscious of that danger of inefficiency in the public sector? And how do you feel about that? Do you think that is a real risk?

435 **Deputy Parkinson:** I think there is a risk that any business that is in a position where effectively it will not be allowed to go bankrupt could become lazy, and clearly it is our job as STSB to ensure that the right Chairman, in particular, is maintained at Aurigny and that the board of Aurigny are competent to do their job and that they maintain proper scrutiny of the airline's operations.

440 **The Chairman:** Mr Hollis, do you have anything to add on that that, on Aurigny?

Mr Hollis: Yes, basically what you have is an airline that is sub-scale with the most complicated mix of services that you can envisage, in terms of the Alderney route requires one type of plane, 445 most other routes require another type of plane at the moment, and the Gatwick route which has a jet.

So the inefficiencies apply not just to frequencies, they apply to the ability to mix the crew and to have standby crew and flexibility moving across those planes; and it is even worse than that because some of the crew have to have different skills and different qualifications to fly different 450 types of Dorniers.

So the level of complication and therefore the level of cost that you are overlaying on that very small airline is quite significant, and therefore I think that made your questions, Deputy Roffey, even more relevant about how you apply fixed costs of operations or transitional costs for planes to certain routes at periods of time. Those things can distort the numbers when you are looking at 455 route profitability.

Then the only other thing I would reinforce is that if there is a view around economic enablement that a price can be put on it, then that should be put on it presumably by Economic Development either from business travel or for visitor travel, and that would be a sensible way to value economic enablement and finance, whether it is Aurigny or another airline. So I think that is 460 an important piece of work that is done, not by ourselves but by another Department.

The Chairman: Economic Development.

Mr Hollis: Yes.

465 **The Chairman:** Deputy Smithies, do you have anything?

Deputy Smithies: Not particularly, I would just defer to my two colleagues who are clearly on top of their brief and just say that the STSB as a whole is entirely supportive of everything you 470 have heard.

The Chairman: Thank you. Shall we move on then?

I think the next topic I would like to address is the contribution that the STSB has to make to the medium-term financial plan.

475 Deputy Parkinson, judging from your comments in the States in June, I think it is probably fair to say that you did not seem entirely happy with the contribution of £30 million from the STSB over the lifetime of the medium-term financial plan which is five years. Is that £30 million contribution actually realistic, do you think?

480 **Deputy Parkinson:** If the concept was that it would be returned from the operating surpluses of the trading assets then the answer is, no, it is not realistic or anywhere close to realistic. We believe we can get to £30 million by a series of one-off transactions effectively in the capital

structures of these businesses. But the danger I see is that the States may form the impression that this is an endless stream of money pouring out of the STSB, whereas in fact these are one-off, non-repeatable transactions.

The Chairman: In your June speech, you talked about the £30 million figure at that point being unverified. Are you content now, towards the end of October 2017, that those figures have been verified properly?

Deputy Parkinson: We have done a great deal more work on what the businesses can properly return. Bearing in mind the role that we consider we have, which is partly to protect the consumer, essentially we are moving towards a position where our view on the trading assets is that they should be run almost, dare I say it, as not-for-profit businesses, that they should make a proper return on capital where necessary and so on, but actually even within the law in many cases we are not allowed to charge additional costs in order to raise revenues to substitute for general revenue.

The trading assets do make modest dividend returns at the moment and will continue to do so, but the verification work we have done has established clearly in our minds that we cannot get anywhere near £30 million over the life of the medium-term financial plan from that source. So, we will hopefully achieve the £30 million but it will not be out of regular dividends.

The Chairman: You also said in your speech that there had not been a lot of discussion, if any, with P&R about that figure. Is that correct?

Deputy Parkinson: Yes it is, that figure just arrived out of the blue. I think we saw the medium-term financial plan a couple of days before it was published.

The Chairman: Mrs Morris.

Mrs Morris: Do you find it odd, given that you are supposed to be representing the shareholder, that P&R should say you have got to find £30 million, when actually you would expect the shareholders to be raising those expectations of the trading bodies?

Deputy Parkinson: Well, that is the financial reality of P&R's situation, they had a £70 million projected shortfall and they needed some numbers to plug the hole, and the biggest single number was the number they allocated to STSB.

Mrs Morris: So could you enlighten us on how capital restructuring is going to deliver the bulk of this £30 million dividend stream?

Deputy Parkinson: Well, we have already returned enormous amounts of money in the last 12 months. For example, we financed the Belle Greve outfall which was originally funded by £19 million from the Capital Reserve, and we repaid that £19 million to the Capital Reserve, took on some debt from the States' loan, and found some money from the reserves of Guernsey Water to make up the £19 million. We are now contemplating refinancing part or all of the work that was done on Berths 4 and 5 in St Peter Port Harbour which involved, if you recall, two new mobile cranes? **(Mrs Morris:** Oh, yes.)

Similarly all of that work was funded out of the Capital Reserve so we are now considering whether we can source that money elsewhere including from the Government loan – the Bond – and repay the Capital Reserve. So these are capital transactions, one-offs, where we are basically substituting debts for the equity that the States of Guernsey has put into these businesses.

The Chairman: Deputy Roffey

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Deputy Roffey: For the States as a whole – as opposed to what is your money and what is P&R's money – it is smoke and mirrors isn't it? We are just borrowing, whereas we used to be paying things out of surpluses on our account. So, we are not really balancing the books, we are just taking on extra debt that we did not have before?

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Deputy Parkinson: Well, we are using some of the debt which the States of Guernsey has already taken on and which was not otherwise being employed. But, of course, the effect of that is that the businesses will have to service the debt, so the interest cost that we will incur as a result of this will have to be borne by the consumer.

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Deputy Roffey: So from the consumer's point of view it is really no different to returning it out of the surpluses that you are forced to make to pay a dividend, because it has the same impact on what they are having to pay.

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Deputy Parkinson: Yes, but to us the principle is that we accept a normal business will make a return on capital invested, and the cost of funding the capital of the business is part of the legitimate cost of providing the service. What we are not comfortable with, as a board, is the notion that you simply, regardless of your costs, jack up your revenues in order to produce a surplus. *(Interjection by Mrs Morris)*

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Deputy Roffey: Sorry, can I just pursue that just for a second? Oh go on then, after you! *(Laughter)*

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Mrs Morris: So, having refinanced Belle Greve and considering Berths 4 and 5, are there any other uses you could find for the Bond over the medium-term plan?

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Deputy Parkinson: We are going to look at all the opportunities. We are going to need to find – not exactly £30 million because there will be a stream of small dividends from these businesses – but we will need to find maybe £25 million of the £30 million somehow.

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Mrs Morris: I ask the question really because when we were doing the Bond review it was very clear that the Treasurer and Deputy St Pier believe that a large proportion of the Bond will go to bodies overseen by the STSB. Is that your view of the matter?

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Deputy Parkinson: Well, from the point of view of making these capital returns to the Treasury we could borrow the money externally. So in some circumstances the consideration could arise that actually we might prefer to borrow the money outside rather than to borrow it from the States Treasury. The point is this financial engineering involves substituting debt for the equity of the States. But I am interested to hear that was Deputy St Pier's view because there are, of course, a number of other potential projects in the pipeline which could require very heavy funding from perhaps out of the Bond – one example might be an electricity cable to France –

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Mrs Morris: That was indeed what he mentioned.

Deputy Parkinson: But that does not solve my £30 million problem! *(Laughter)*

The Chairman: Deputy Roffey.

585 **Deputy Roffey:** One of the fascinating things about Scrutiny is you talk to lots of different Committees and it is clear that some of them are moving in slightly different directions to each other. *(Laughter)* P&R do expect an ongoing revenue stream – maybe they will be happy that there is re-capitalisation and borrowing in the short term, but they expect there to be consistent payments from the failing bodies back into the centre. You seem to say on the behalf of the consumer that is not something that you are happy with.

590 Isn't it time that the States had a full debate around this because I keep hearing different views over it but nobody is really being the arbiter and only the States can be?

595 **Deputy Parkinson:** Yes, it is not just that we feel an obligation particularly in light of the States' resolutions to deregulate Guernsey Electricity and Guernsey Post. We feel that part of our role is to act as custodians for the consumer. But the simple reality is, if you look at our businesses in detail, with the best will in the world many of them are never going to produce a surplus. If you take, for example, States' Works 80% or 90% of its business is with other States' Committees. So, yes, we could jack up the charges and yes that would increase the amount we could return to the Treasury, but only with the consequence of reducing the surpluses or increasing the deficits of other Committees.

Mrs Morris: So, just jam-jar accounting, really?

605 **Deputy Parkinson:** It is a waste of our time even thinking about putting up charges at States' Works.

610 **Deputy Roffey:** I understand that, but in other areas like Water and, I was going to say Electricity, but of course you do not technically have a monopoly on electricity now because Guernsey Gas is able to do it, but effectively you still do. We could load more charges on the consumer, but surely that would be subsidising taxation which relates to the ability to pay, to charges for basic commodities that do not?

615 **Deputy Parkinson:** Yes, and I have made it very clear – and I think my colleague, Deputy Smithies, has also made it clear – that politically we are not willing to support that process. But Guernsey Electricity *does* pay dividends now, and Guernsey Electricity has a large asset base, I think it is close to £100 million of assets which were funded by the States of Guernsey; and I think it is reasonable that the business pays dividends that are at an agreed level, reflecting the fact that it is using a lot of States of Guernsey capital. I think it is reasonable for the consumer to be charged for that, because the consumer is obtaining the benefit of that £100 million, or whatever it is, of assets that the States has provided. But it is when you start talking about charges that go beyond the cost of capital that we get uncomfortable.

625 **Deputy Roffey:** But do you accept there is a philosophical difference over this issue between your board and Policy & Resources?

Deputy Parkinson: It may be. I am a little bit unclear as to what Policy & Resources' philosophy is on this. I well understand that they want some money. *(Laughter)* I do not know what principle they think should be applied.

630 **Deputy Roffey:** That is concerning, really, because it is in their long-term financial planning, well certainly in the medium-term which seems to be their long-term financial planning as well. You are the people who are going to have to deliver it and you do not understand where they are coming from. I mean, shouldn't those talks be happening?

635 **Deputy Parkinson:** No. The question concerns what Mrs Morris said, which is that she tells us she thinks they expect the STSB to be a source of this sort of level of funding in the longer term. I do not know if that may be the case. What we do know, of course, is the medium-term financial plan and that says we are expected to produce £30 million between now and a certain date. And we think, by hook or by crook, that we can probably get there.

640 But I am not making any comments about what the sustainability of that is beyond the date we get to with the medium-term financial plan, because what I am saying is the regular stream of dividends you could expect from these trading assets will not come anywhere close to that sort of money, and the one-off transactions that we are undertaking to get that money cannot go on being repeated. So I think it would be a grave mistake for any Policy & Resources Committee to
645 be counting on funding of this scale beyond the medium-term financial plan.

The Chairman: Mr Hollis, I think you were trying to get in?

650 **Mr Hollis:** Yes, I was just going to add the point that in terms of any differences of philosophy between the Committees – P&R and the Treasury Board – I think those are trumped by what the law actually is, because we are prevented from imposing charges or increasing charges to fund general taxation. So in terms of whether there should be a review in the States about this, I think the opportunities arise at Budget time when the charges are put forward, and also in a review of the contents of the medium-term financial plan.

655 **Deputy Roffey:** There have been some sophism saying that we can overcome the legal problems by not increasing charges, by finding efficiencies that will cut costs, but then of course if you did not have to pay to the centre those efficiencies could be passed on in lower charges. So the effect is exactly the same, isn't it?

660 **Mr Hollis:** Yes, it is.

665 **Deputy Parkinson:** Yes, and John is absolutely right, if P&R wants to entrench the philosophy that these businesses should be raising significant profits to support the current account budget of the States, then P&R needs to bring a policy letter to the States to change the law, because at the moment some of the businesses are legally prohibited from doing that.

670 **Deputy Roffey:** The borrowing that is going to do the short term: I understand the rationale that people will enjoy these facilities for some time to come and therefore why shouldn't they pay towards it, but aren't this generation having their penny and their bond because we have inherited an infrastructure that was paid for by previous generations out of retained surpluses, and now we are going to borrow and say it is only fair that we pass on to the next generation the costs of the next lot of facilities? Aren't we playing a one-off trick and actually benefiting ourselves?

675 **Deputy Parkinson:** Yes.

Deputy Roffey: Thank you. *(Laughter)*

680 **The Chairman:** A very concise answer!

We have talked about – or you have talked about – the potential for capital restructuring; we have also talked about the fact that there is not much scope for price increases. What about general efficiencies within the various bodies? What scope is there for further efficiencies?

685 **Deputy Parkinson:** Obviously we are working with the boards to try and make these businesses as efficient as possible; and it can be argued actually that taking some debt on to their balance sheet encourages them to be more efficient. But, as Deputy Roffey has already pointed out, under the laws relating to Water, for example, if we found lots of efficiencies we would be obliged to pass them back to the consumer.

690 **The Chairman:** What about elsewhere?

Deputy Parkinson: Well, they are all legally different situations and we are taking advice from the Law Officers on the legal framework across the piece.

695 **The Chairman:** But what kind of quantum – it may be too early to say, would it, in terms of potential efficiencies across the piece?

Deputy Parkinson: No, I think I would not have any direct knowledge of that.

700 Clearly what we want is all these businesses to be running efficiently in the interests of the Island and that we are improving the management structures of each of the businesses and creating, if you like, shadow boards for the unincorporated assets which will hopefully lead them in that direction.

705 **The Chairman:** Deputy Roffey.

Deputy Roffey: Can I ask at this point two or three questions about Electricity – I know you are not the board, so I do not know how much you know about Guernsey Electricity day-to-day. But for instance this cable, you have just said there may be a big swathe of borrowing required for a new undersea cable. Where does that stand? It was going to go ahead quite soon and then we were told that one of the cables that was regarded as lost had been salvaged, as it were, and then it put the timescale back. What are the plans as far as a new cable direct to France?

715 **Deputy Parkinson:** Well, I think they are delayed. Any project of that nature can only go ahead when ownership of the seabed between here and France is clarified, and this gets tangled up with fishing rights and other issues.

720 So the reality is that there is not in place at the moment a clear legal understanding of where our piece of seabed stops and theirs starts. I think if a cable is installed the likelihood is that the French will be responsible for the part of the cable up to their side of the boundary and we will be responsible for the part of the cable on our side, but since at the moment the location of the boundary is uncertain this complicates matters.

But I would have to say, just on the side there, that I do not think it is an absolute given that we would go ahead with the direct cable link. There are other ways that Guernsey could diversify its generation –

725 **Deputy Roffey:** That is just what I was coming to next!

Deputy Parkinson: There are various projects in the pipeline that have been mooted by the Renewable Energy Team, for example, for a 30 MW wind farm off the north-west coast. There are projects relating to the eastern seaboard. None of these things have official status, but they are ideas which have been floated.

Deputy Roffey: How realistic is it – and we keep hearing the cost of wind power and offshore wind power is plummeting. Is it reaching a point where it is a realistic thing to plan for, or is it still just a bit of a pipe dream?

Deputy Parkinson: No, the cost of both onshore wind and photovoltaics is now comparable with the cost of generation by, say, gas. So actually in terms of just sheer economics – and the cost of photovoltaics has fallen very, very steeply and appears to be continuing to do so – it may well be that in the fairly near future it will actually be cheaper to generate through photovoltaics than through other sources.

Deputy Roffey: Yes, Germany hugely expanded photovoltaics by having a government subsidy –

Mrs Morris: As did the UK.

Deputy Roffey: It might be an awful lot cheaper than building a cable link to France.

Deputy Parkinson: I suspect it will not even need a subsidy. As you possibly know, Guernsey Electricity is in the process of putting in a planning application to put photovoltaics on the roof of the power station at St Sampson's and that would be a 100 kW output. But as a first step to try it and see, they are also looking at several other States' owned buildings and sites and if these pilot projects prove successful, I would not be surprised to see more of the same, frankly, and it would not require any subsidy to encourage them.

Deputy Roffey: But they are not happy with private individuals really, doing that. We have heard the general manager saying that that stunts the market, because their fixed costs are spread over fewer people?

Deputy Parkinson: I think what they would say if they were here is that they are not particularly keen to pay a high feed-in tariff for the electricity that private consumers produce for themselves. So I think the answer to that is actually batteries.

As battery technology improves if people who install their own capacity can store the power they generate and use it themselves, then I think that is the way forward. But Guernsey Electricity does not particularly want to buy that power off them but, having said all that, the point which Guernsey Electricity have made, and made very well, is that you cannot at the other extreme have all the middle-class installing photovoltaics and windmills and generating their own power, leaving those who cannot afford to do that to bear the cost of the grid. And since everybody needs the grid because we would all need to be able to tap into mains power from time to time, even if we had our own capacity, basically I suspect the answer is that there needs to be a rebalancing between the standing charge you pay and the unit cost of electricity, and probably in the longer term the standing charge needs to go up and the unit cost needs to go down.

The Chairman: Mrs Morris.

Mrs Morris: Mr Hollis said before that Aurigny were subscale: if we installed a wind farm off the north-west coast would that be of sufficient scale to justify the infrastructure that would be required?

Deputy Parkinson: Well, the idea that has been floated by the Renewable Energy Team is a 30 MW wind farm which would be about five or six windmills off the north-west coast. Now, peak demand in Guernsey is 70 or 80, but in the summer months of course in the middle of the day it is

much lower. Peak demand happens at six o'clock on a wet Tuesday evening in February, when people arrive home from work and put the kettle on and have the telly on.

So the demand is not constant and that is the problem with the whole idea really, that if you have got a generation source like a wind farm where the power outputs obviously fluctuates in proportion to the wind that is blowing, and where your consumption moves on a different wavelength according to the temperature and so on, you are going to have periods when your generator is generating electricity that you cannot consume, and vice versa.

So, the problem will be solved, again, when battery technology improves to the point where if we do generate surplus power we can store it and then use it when we need it.

The Chairman: Deputy Roffey.

Deputy Roffey: There is a huge bit of work going on elsewhere in the States about hydrocarbons and how to import them in the future. The kind of stuff you are talking about obviously could have a huge impact on the amount of hydrocarbons we are going to need in future. Can we be assured that the fully joined-up thinking is going on and that this is being discussed?

Deputy Parkinson: I think you can, because of the happy coincidence that the staff working on the hydrocarbons strategy are employed by the STSB. So actually these things join up within the STSB.

Deputy Roffey: Just on the other side of the coin, what about increased electricity consumption? It has been fairly static because people have got more devices but they are more efficient, but everybody is predicting a huge explosion in electric vehicles over the next few years. I think they have trebled since last year in Guernsey.

Do we have the generation and distribution capacity if suddenly they really to take off?

Deputy Parkinson: I suspect the answer to that is no, and that Guernsey would have to reinforce its capacity in various ways both for actual generation and on-Island distribution. But this is involving a lot of strategic thinking as you would imagine at Guernsey Electricity, because clearly that is one driver that leads people to suppose we might need another cable to France, but equally we have already discussed that there are potentially on-Island renewable resources which might be able to serve the purpose cheaper and more independently, and perhaps more environmentally soundly. So there is a huge amount of thinking going on at Guernsey Electricity, of which we are kept very fully informed as to how they see the market evolving.

The Chairman: Mr Hollis, do you want to add something?

Mr Hollis: Yes. I would just like to reinforce that point regarding electric cars as well, and also reinforce the point that here we have in Guernsey Electricity what you might historically have regarded as a fairly safe and steady utility with the ability to put in some fairly safe and steady returns, but the reality is that over the next five to 10 years it will see its business turned upside down. Deputy Parkinson has already referred to the need to restructure the tariffs significantly.

Electric cars offer a huge opportunity and challenge; but Electricity are very familiar with those. Perhaps a good example – again coming back to battery technology – is what is happening in Denmark at the moment with Nissan. They will allow an electric car to be plugged into its network and as long as the network, with a bit of technology in it, enables the network itself to draw power from the battery in the early evening to support the peak demand. It then requires the user to simply say how many miles they want to go the following day and then the electricity network will

835 make sure that by the start of the morning in that non-peak time, that brings up the battery power to provide the necessary power for the car.

If you consider that on somewhere like Guernsey, where you can only drive perhaps 10 miles in a day, the scope for that mobile battery power helping to manage the peaks and the troughs is very, very significant compared with most other locations. I make this point simply to reinforce the role of Guernsey Electricity and the opportunities here are such that its business model will change very significantly. Other electricity utilities are writing off significant amounts of assets across Europe, recognising they are going to go through that change. So we are not sitting here passively thinking we can jack up a few charges to meet the medium-term financial budget –

The Chairman: That is very evident!

Mr Hollis: There are some major transformational issues here that are being worked on very thoroughly.

Deputy Roffey: I think it might be useful actually to have a future review with Guernsey Electricity, who are obviously right at the front edge, because it sounds like planning becomes more and more difficult as the pace of change changes, and if we go to electric cars we may have solar power cars 10 years later.

The Chairman: I think we are just going to take a five-minute break and then we will come back and ask some questions about the Waste Strategy.
Deputy Smithies.

Deputy Smithies: Rather than going back to it after the break, if I could just comment on a couple of things that have been said.

The Chairman: Yes, of course.

Deputy Smithies: I completely agree that the technology is going to be extremely exciting over the next few years. There has been no mention of tidal power which is another aspect which I think is going to be of vital importance.

But I just wanted to go back to something that Deputy Parkinson said in passing earlier about the setting up of the 'shadow boards' to oversee the trading assets. We are not, certainly by means of efficiency, because that may well be clawed back and given back to the consumers – but there are new businesses which can be generated.

Now, I am not pretending that they are going to generate £30 million in perpetuity, but there are different aspects – and this to me is the exciting thing about setting up these shadow boards. We will be bringing in people with fresh thinking who will bring a new dimension and perhaps generate within. For example, and it is a trivial example, but suppose we started selling bottles of Guernsey water, that would be a completely new business and it would be a revenue earner and I do not see that being in conflict with the base function of Guernsey Water which is to supply water at the tap. So there are those opportunities, I think.

The Chairman: Thank you, that is very helpful.

Okay, we will just break and we will rise for five minutes. Thank you.

The Committee adjourned for five minutes.

The Chairman: We resume with Mrs Morris.

Mrs Morris: Thank you.

Deputy Parkinson, we have heard a couple of phrases this morning that I think the public might need a little bit more clarity on. The mandate for your board is 'to be an active shareholder, where we hold shares', but we have also heard about shadow boards. I am just interested about how all that works together where you have got executive boards, what you actually mean by a shadow board, how that fits in with you and how that fits in with the other Committees and P&R – I am trying to find a way of describing that because it sounds quite confusing and I think the public might be quite confused about how that all fits together.

Deputy Parkinson: Yes, I can explain.

Some of the assets are incorporated as separate companies and they have therefore their own boards, and they are Guernsey Electricity, Guernsey Post, Aurigny and JamesCo which owns the oil tankers. The others, which are Guernsey Waste, when it is formed, the Dairy, the Water, the Ports – both the Airport and the Harbour – are unincorporated businesses so they are actually in effect just parts of a States Committee, and we feel that they should be operationally more like the incorporated businesses. When we started their structures varied a little bit, for example there was a management board at the Dairy but there was not a management board at the Ports or Water or at the other businesses.

So what we are trying to do is put in place a structure where there are shadow boards for each of those unincorporated assets which operate to some extent like the boards of the incorporated assets and supervise the day-to-day management of those businesses.

Mrs Morris: So you would see those as operational and your role as more strategic?

Deputy Parkinson: Well, as more like that of a shareholder.

At the moment, to take Guernsey Water as an example, it is simply part of a States' Committee and historically businesses like that were run with boards full of politicians and that is how the States operated. We do not think that is the right way to go forward – although we do think, at least for the time being, politicians need to be represented on the shadow boards of each of these businesses. But what we want to do is bring in expertise, not only from outside the States but also from other sections within the States, to cross pollinate so that there is an appropriate mix of skills on the management boards of those assets to drive the businesses forward.

Mrs Morris: So your role is as this active shareholder role. How do you see your engagement with the other Committees? What do you think their role really is, because if you are the active shareholder where do they come in?

We have already heard that with Aurigny in Alderney you are actually on the one hand waiting for the reviews they are doing, but actually you have still got businesses to run. Is that getting in the way?

Deputy Parkinson: Well, the States has other interests in these activities beyond being the owners of the businesses. If you take Aurigny clearly which we have already discussed, this is a company owned by the States but it has a role in relation to economic enablement, it has a social role, and it also for the moment performs the medical evacuations from Alderney – so it has a role in relation to the Health Department. There are interactions with other States' Committees at various points where their interests and their policies bear on the activities of this company.

Our business as the shareholder role is to see that the company is well-managed and, in the case of Aurigny, that it tries to produce a surplus and so forth.

Mrs Morris: So if you were going to give a score for collaboration with the other Committees who have a policy role, what do you think that would be at the moment? Is there room for improvement?

935 **Deputy Parkinson:** Yes, there certainly is room for improvement.

We do talk regularly to all of the other Committees and I think actually our role connects with virtually every other Committee. We do talk to them and co-operation is generally good. I mentioned just now that it is our staff that are doing the work on the Hydrocarbon Strategy or, for example, the Inert Waste Strategy or the Waste Strategy. All those three strategies are actually
940 owned by E&I – Environment and Infrastructure – but it is our staff that do it. So obviously we are co-operating and working with them all the time.

I would say, going back to the case of Aurigny, at the moment we have not managed to join up all the dots. There are big pieces of work which sit with Economic Development and with Policy & Resources which we need to enable us to go on and provide shareholder direction to Aurigny. I
945 am not saying that work is not being done, I am sure it is being done, but at the moment we have not seen the fruits of it and we need that to happen before we can move on.

Mrs Morris: That sounds like an ideal world where you are all talking to each other and you are all collaborating, but are there areas where that collaboration is less than you would expect or
950 where there are actually areas of disagreement? I certainly have picked up through the first half of this that there are areas that you are maybe not in agreement with every Committee?

Deputy Parkinson: Well, there are going to be tensions because in numerous places our interests are not going to be exactly the same as those of another Committee. Just to take, for
955 example, Medevacs, which is a service that has been provided to Alderney on a best-endeavours basis by Aurigny for many, many years.

Now, we have all agreed, I think, that this needs to be formalised. At the moment, because it is provided on a best-endeavours basis, there is no service level agreement – Aurigny just tries to do these evacuations if it can, and it does not necessarily have planes that are perfectly adapted to
960 that purpose and it certainly does not have staff that are medically trained.

We all agree that this arrangement should be formalised – I am not 100% certain that it should be Aurigny that provides the service – but nevertheless, while Aurigny continues to provide the service there should be an agreement between Aurigny and the Health Department about what level of service Aurigny is going to provide. Clearly, that depends on the cost and if you want a
965 24/7 capability, that is quite expensive to provide. Aurigny have to rota their staff and they are not employed to do Medevacs, they are employed to fly commercial flights and if a Medevac has to take place then that disrupts the regular flying schedule, and so on.

So there is always a tension between what that service is going to cost and what level of service is going to be provided. But these things need to be resolved by dialogue and we will
970 assist other Committees, wherever we can, in terms of a piece of work that Environment & Infrastructure are doing which is the Harbour Area Action Plan. We are keenly interested in that because we are responsible for managing the Harbour and we would like to be able to develop and improve the facilities down there, which we cannot do until they have done the Harbour Area Action Plan. We have offered to assist them to do it and we will offer our resources to help any
975 other Committee where there is an area where our interests overlap and where we need to work together.

Mrs Morris: Do I take it that that offer has not been taken up?

980 **Deputy Parkinson:** We understand that they feel the work needs to be done by a planning officer – and we have many things but we do not have planning officers. So that is a problem they are going to have to solve with no doubt assistance from P&R for the resources required.

The Chairman: Mr Hollis.

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Mr Hollis: Yes, I just wanted to come back as you implied that this setup might be somewhat idealistic, so if I may just reinforce the levels and the thinking behind it, starting with the overall view that the STSB should be working in the long-term interest of Islanders. But then as a board if you looked upon it as any commercial group board, the way it will judge its operating units is perhaps on three levels: (1) the soundness of the strategic plan; (2) the operational efficiency; and (3) the responsiveness to customers and customer service. So that is this the way that we look upon it.

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Now, when you look at the strategic plans in each case, you need to recognise our overall objectives, the long-term interests of the Islanders, and secondly that it is a public service and therefore that strategic plan has to be fed by States' policies and that is where we will get our input for each of the businesses. So, for example, back on Electricity, if the view environmentally within the States was to accelerate electric cars, that should translate down through policies that come through us here and into Electricity.

1000 Now, in terms of the shadow boards for the unincorporated entities, we are simply looking at best management practice to make sure that the people who are responsible for the day-to-day operations are operating at a business level, that they are taking those decisions and thinking through efficiencies, getting benchmarks, getting customer surveys, etc. as good practice.

1005 So we have structured those shadow boards under States' rules, as sub-committees of the STSB. While they are being established, without us trying to get too involved in day-to-day operations, it was viewed sensible and necessary to have some of the STSB members assist those shadow boards or sub-committees to step up their responsibilities and game.

1010 In addition a good example is we try to co-opt skills from other parts of our entities so, for example, Alan Bates the Chief Executive of Electricity also sits on that Water shadow board because there are various overlaps between the two as to how they look at long-term investments in infrastructure and they are dealing with the same customers as well. So there are various efficiencies from having expertise cross-bred, that has not happened to the same degree in the past. So I think it is practical, not just idealistic, and it does follow decent business practice.

1015 **Mrs Morris:** Thank you.

The Chairman: Thank you

Deputy Roffey, did you have something on this, before we go on to Waste?

1020 **Deputy Roffey:** Yes, I am aware of the time and that we have got to get through Waste and property rationalisation, but you have brought up the Harbour Action Area.

As a Deputy I keep hearing of this as the next big thing and talks about five-star hotels down on the Harbour, but I really do not know that much about it. What is your understanding? What does it mean? Is it going to be an opportunity for profit for your organisation, as it were, or for the States through your organisation?

1025 What actually is in mind?

Deputy Parkinson: It is a piece of policy which has to be in place before we can start reallocating spaces, etc. down at the Harbour.

1030 It is clearly right that there should be an overall plan for the way the Harbour should evolve. In a previous era the Board of Administration stuck a customs shed on the North Beach which now

turns out to be in the wrong place, and basically if somebody had had an overall view of how the Harbour was going to evolve that mistake might have been avoided. Clearly, we totally accept that overview needs to be in place.

1035 There are many things that we would like to be doing, for example, on the Cambridge Berth and around the passenger terminals and so on, but which we cannot do until somebody puts that overview plan into place.

1040 **Deputy Roffey:** I would love to probe further but we have not got time so I can always write some questions.

The Chairman: We will come back to you on that –

1045 **Deputy Roffey:** But moving on to Waste, we still have not got time to go into the minutiae but can you just tell us how is it going, both in terms of timescale and whether you are going to have everything in place in time? And in terms of the budget that has been approved: are we going to live within it?

1050 **Deputy Parkinson:** Yes, it is going very well. The Waste Transfer Station is being constructed and it is already out of the ground for people to go and see. The various other pieces of contract work which have to be negotiated are well in hand and so far we are within budget. But perhaps I could defer to Deputy Smithies who is the board representative on the Waste business.

Deputy Roffey: He is the 'Waste man' is he?

1055 **Deputy Smithies:** It is not a title I relish, but there we are, I will accept it! *(Laughter)*
Yes, I concur entirely, we have got two boards – the Waste Strategy Implementation Board and we have now set up the Waste Shadow Board. I am very satisfied that the work is going along on schedule and to budget and I do not see any alarm signals being hoisted at the moment.

1060 **Deputy Roffey:** Have all the business cases been signed off by P&R now?

1065 **Deputy Smithies:** The business cases so far have been signed off, but obviously we have to keep going back to P&R as and when a new piece of work comes along – it is not a blanket permission to go ahead, we have to keep going back to P&R.

Deputy Roffey: And exports will start in time for you to get the best possible profile from Mont Cuét and be able to build the green waste recycling??

1070 **Deputy Smithies:** At the moment I do not have any alarms about that at all. No, it seems to me to be working very nicely. In fact we have a slight extension on the life of Mont Cuét because recycling waste deliveries to Mont Cuét are slightly down, so the timescale for Mont Cuét closing have moved back slightly – not much, just a couple of months, but enough to give us a bit of leeway should we need it.

1075 As I say, at the moment there is no sign of us actually needing that.

Deputy Roffey: When the strategy was approved it was partly the buildings and the export and whatever, it was also predicated on recycling targets. How much progress has been made? What is happening with them?

1080 **Deputy Smithies:** Not much advance on the current targets, things are as they were. There is always more room for more recycling. The take-up has been very, very satisfactory but could be better.

Deputy Roffey: Did the Waste Strategy suggest very significant increases in recycling?

1085 **Deputy Smithies:** Yes, we have seen increases but not perhaps as far as we would like.

Deputy Roffey: Is the hope that when you charge per bag that will be a step-change moment, that people will be pushed to recycle more?

1090 **Deputy Smithies:** Probably. One can never predict human nature and human behaviour, but yes I would have thought that would be an incentive.

The Chairman: What about the potential use of punitive measures? Is that being ruled out at this stage?

Deputy Smithies: Certainly by me, and I have heard no suggestion of it from anybody else. I do not think we are going to ... it is a carrot at the moment with no stick.

1100 **Deputy Roffey:** Can you just reconfirm for those people who prefer to use Bring Banks, that a reasonable number will be retained so they are able to do so?

Deputy Smithies: That is problematic with Bring Banks, because there is certainly going to be an increase in the number of Bring Banks, and those that are on private property we have already got indications that the owners of that land – or the owners of the car parks that they are on – would prefer to see them phased out. But there will always be Bring Banks available.

Deputy Roffey: I am going to park the physical side of the strategy because you are telling me it is all going well so I will take that and not probe any further.

1110 What about the charging mechanisms, because that is what a lot of the Island are waiting to see – how are they going to be charged for rubbish disposal? How much is it going to be per bag? How much is it going to be through other charges?
What is the latest?

1115 **Deputy Smithies:** There is no change at the moment in the projected cost, that remains as we have always said, there has been no change in that. The *mechanism* for the charging is still being sorted out.

Deputy Roffey: It is taking a long time, isn't it?

1120 **Deputy Smithies:** My own personal view, and I think probably the majority of the board's, is that it would be ideal to get it all sent out with the parish rates. But the Douzaine's need to be brought on side on that. There is still some resistance or still some uncertainty about that among some of the Douzaines.

1125 Ideally you would get one bill which would include the Waste Development Authority charge, the bag charge and the collection charge would all be rolled into together – *(Interjections)* Sorry, not the bag charge, the bag charge would be a separate item.

1130 **Deputy Roffey:** What about the split between how much is going to be on the bag charge and how much is going to be on the standing charge, as it were?

Deputy Smithies: At the moment the bag charge will be in the region of £1.50 to £2.00 per bag. This is actually going to be brought before the States in the next few weeks. (Deputy Roffey: Is it?) Yes, we will have to come back to you because there will be a change required in the legislation. Originally we had said it was going to be a charge per *bag* and now there is a feeling that we should move over to a *tag* system, and in order to do that we would have to actually redraft the law slightly.

1140 **Deputy Roffey:** Isn't the problem at the heart of this whole approach, that the more you are successful in minimising waste the less you are getting in in bag charges and the more you will have to put on the standing charge per household?

1145 **Deputy Smithies:** Yes, but the more recyclable waste we get and we can export, the better. It is actually a valuable commodity.

Deputy Roffey: Sorry, you have fixed costs that presumably have to be covered somehow?

Deputy Smithies: Yes we do. That will come out in time, I guess.

1150 **The Chairman:** Mrs Morris.

Mrs Morris: I was just picking up on something you said about more charges going through the Douzaines. Do the Douzaines really have the accounting infrastructure to deal with that?

1155 **Deputy Smithies:** Well, they do it at the moment.

Mrs Morris: Well, it is not exactly 21st-century for most parishes, I have to say.

1160 **Deputy Smithies:** Well, I would not go so far as that, (Mrs Morris: Really?) I have great faith in the parish system, so I would think that they would definitely be capable of dealing with it.

They are currently sending out the charge for the gate fee and the fees at Mont Cuet, so the system is there.

1165 **Deputy Roffey:** Isn't there going to be a change? At the moment we get charged different rates for different parishes depending on how much they need to raise, and it is done by the rateable value of your house. As I understand it there is going to be a sort of household poll-tax in future and it will be a flat rate for each household.

Deputy Smithies: Let's forget the poll-tax!

1170 I suppose in truth it is actually a proper definition of a poll-tax. It will be charged per bag, that is the point.

Deputy Roffey: On the bag side, on the size of it, is it going to be a flat rate for the mansion up the road and the little old lady in her sheltered housing unit down the road?

1175 **Deputy Smithies:** Yes, it is, although there is a move afoot amongst some States' Members to revisit the whole idea of putting it back on to the rateable charge and TPR. That is something that needs to come out in the wash. At the moment it will be a flat charge.

1180 **Deputy Roffey:** Couldn't you do it all per tag in order to make it really relate to the user pays?

Deputy Smithies: Well, exactly that – at the moment it is the user pays but there has to be, rather like Electricity, a standing charge to cover the cost, because otherwise you simply cannot do the accounting if you do not really know ahead of time how much money you are going to be getting in.

Deputy Roffey: Sorry, I am going to stop now because we need to move on.
At the moment we get charged per rateable value which has some sort of vague relationship – I mean, I know you can get a little old lady in a big house – but by and large wealthier people are in bigger properties and less well off people are in smaller properties. Aren't we moving in the wrong direction? Aren't we going to a less fair system where it is a flat rate per household?

Deputy Smithies: There will always be anomalies, I fear. We will still have the situation where some people are putting out far more rubbish than others. I have had representation from people saying, 'What if we only put out one small bag every three weeks? Why should I be paying a charge per week –

The Chairman: That sounds familiar.

1200 **Deputy Roffey:** It sounds like the States are going to have to make it soon.

The Chairman: Just to sum up on that, Deputy Smithies, perhaps. Obviously the responsibilities for the waste strategy stretch across Environment & Infrastructure, the States Trading Supervisory Board, and of course the Parishes have a role, so when Mrs Le Page of the Castel comes to me and says, 'I am not happy with my bag charge, I am not happy with what is going on with the waste', who is accountable for it? What is the answer to that?

Deputy Smithies: Well, the policy is handed down by Environment & Infrastructure. We are simply administering the system as it has been laid down.

1210 **The Chairman:** And the charging mechanism?

Deputy Smithies: Well, once again that is still under discussion. But we are moving towards the Parishes doing at all.

1215 **Deputy Roffey:** Yes, but who will bring that to the States? Will it be Environment & Infrastructure or would it be yourselves?

Deputy Smithies: It is a policy decision so it will have to be Environment & Infrastructure.

1220 **The Chairman:** Okay, thank you
Mrs Morris, I think we have got some questions on the rationalisation of the States' Estate.

Mrs Morris: Deputy Parkinson, we understand that there is going to be an Estates Plan in the New Year. (**Deputy Parkinson:** Yes.) Could you give us some idea of how that is going and what we might expect?

Deputy Parkinson: It is going very well. I will hand over to Mr Hollis in a minute to cover the detail.

1230 It is a big piece of work, it has taken a long time. It is not in trouble, there is no difficulty, but it is a huge piece of work.

The Chairman: Why has it taken so long?

1235 **Deputy Parkinson:** Just because of the the size of the task.

Politically, also, we were concerned that if we were going to get a policy letter to the States by the end of this year we would be competing with Education and other big debates, and frankly there would not be the time to give this proper consideration.

1240 Still it has slipped back, it will happen early in the New Year; but, as I say, that does not reflect any problem with the process, it is just the size of the task.

Mrs Morris: So for the benefit of the public who probably did not listen to the Radio Guernsey interview, could you tell us what areas that is going to cover?

1245 **Deputy Parkinson:** Yes, the States owns a lot of property in Guernsey and we have never had a proper estates plan to govern the management of that property in terms of assessment of individual buildings to assess what they need. First of all, whether we need them, or whether we are holding them for disposal, or what the purpose of the building should be, and then the condition of it, what work needs doing to it and life-cycle maintenance, and all that sort of detail.

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Mrs Morris: So we can expect a decent maintenance policy to come out of this, because that is certainly one of the things that over the years, as we have examined the accounts, we have always worried that we are not putting enough into maintenance.

1255 **Deputy Parkinson:** One of the things wrong with the current system is that there is a huge maintenance backlog and the States needs to address that.

But for detail on this I am going to hand over to Mr Hollis, who is our leader on the Estate Plan, so perhaps he can fill in some of the detail.

1260 **The Chairman:** Mr Hollis.

Mr Hollis: The thing to remember as well is that the STSB came together rather late because of the unfortunate circumstances of the initial President, so when we did get together in October and were formed, the Estates Plan was one of the priorities. We recognised that attempts had been made in the past through SAMP and others to look at property and best use of property within the States, but that we certainly had not taken all the opportunities, as the States, that managing properties offers.

1265 So we set about setting up a project and that involved looking at all the normal things. Who does it well? What do we do at the moment? What are the problems? We worked through the various Committees to get input on that with all the Chief Secretaries.

1270 Coming out of that we started to see we had four sets of opportunities that applied to people who were occupying the properties within the States and how they could be served better. And to the property professionals, the finance professionals – what is a good way of managing property, and the best property practices? For example, you will remember on the PAC the fact that Guernsey does not value its property and its accounts at all, and to a degree it can be used as an unvalued cookie jar on occasions. That undermines the professional management that you might want to apply to managing property.

1275 Normally, you would look at the value: is the maintenance being spent to maintain that value or is that being hidden? What return are you getting on the property in terms of commercially let property? Again all those yardsticks and the data underlying that were missing, so there was that

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second area of improving professional practices. Thirdly, there was the opportunity to release value, because we are sitting on lots of property and, as Deputy Parkinson said, the long-term strategic view on buildings and land was, let's say, muddy, or did not step up to what best practice is in some other jurisdictions. So we looked at those practices and brought in some ideas there.

1285 Then, finally, there is an area where it is not financial – that third one could obviously unlock significant capital value financially. And if we do not do that by making our assets work better for us, the implications are that we will have more revenue pressure in the States, and therefore *people* will have to work harder, as it were. So there is a one-for-one linkage there.

1290 Finally, just so we are not focusing purely on finance, we are a public organisation and there is a view that in some areas of our 'amenity development areas', as we are calling them, we have not invested to the degree that we might and we have not worked as well as we might with the third sector and others in upgrading some areas of importance for heritage and cultural purposes. So we have looked at those areas and started to develop our thinking. It was clear at that stage that it was sensible to expand our steering group and therefore we moved in June to a joint steering group with Policy & Resources, because we are not in a position to magic up a maintenance shortfall – that is going to be a P&R issue on maintenance. Some of the things that we are seeing on data and accounting directly affect what Treasury need to do, and some of the issues on release of property and consolidation of occupancy again come back to P&R.

1300 So we have been working through our preliminary findings with that joint steering group, with P&R, and are now in a position where we are working up the plan and a policy letter, as Deputy Parkinson says, that will practically come to the States early in the New Year.

The Chairman: Can I just point out, obviously there have been some demands already with staff being decanted out of the Income Tax Office and the building in the Grange that was previously the Education Department's building, obviously those developments have already happened. Has the Estate Plan already happened, or already started, without the political agreement of the States? That is potentially what it looks like.

1310 **Mr Hollis:** No, I think you need to draw a distinction there between some initiatives that were initiated by the Chief Exec of the States and P&R as something that dropped out of the back of public service reform – I think those were kicked off. I think it was part of a broader recognition that the States is not using its properties as best as it might, so there was an exercise that was being driven by P&R to move out of the Grange House and the Income Tax building.

1315 **Deputy Roffey:** In that exercise what was their vision for how those properties were going to be released? What value could be realised from them?

Deputy Parkinson: They were released to STSB and it is up to us to consider how to dispose of them or what best to do with them.

1320 **Mrs Morris:** So there was not a plan before vacation?

Deputy Parkinson: No, because the plan was simply to get out of the buildings and reduce the operating costs, and then let STSB worry about what to do with the buildings.

1325 **Mrs Morris:** That does not sound like a joined-up plan.

Deputy Parkinson: What I want to stress is that public service reform, those initiatives, are now subsumed into the Estates Plan process and it will be joined up going forward! That was the situation we inherited –

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Mr Hollis: It predated us.

The Chairman: Deputy Roffey.

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Deputy Roffey: After what you were saying, Mr Hollis, can I then presume that in future book values can be ascribed to all significant properties that the States hold?

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Mr Hollis: I would hope so, I would sincerely hope so, because if you do not, you do not know what assets you are meant to be managing; and you hide things that you are, or are not, doing in terms of maintaining or improving their value.

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Mrs Morris: I am a bit confused here, in that when we have spoken to the Treasurer about how she is going to implement the new accounting standards, the depreciation policy appears to be that any investment over 50 years will be treated as completely written off. So are we talking about a book value and a market value?

I could just do with some clarification.

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Deputy Parkinson: I think there are two different purposes. We need to have a handle on the asset value of the assets under our control –

Mrs Morris: So the market value.

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Deputy Parkinson: – for management purposes. Now, those values may eventually inform the accounting process within the States as the States moves to full resource accounting. But we need to understand the values of the assets we hold, just to manage them.

Mrs Morris: So does that mean you are having each of the properties valued?

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Deputy Parkinson: I think we are not necessarily going to go out and get third-party valuations for these properties. Many of them are very difficult to value, because what are the alternative uses of a water treatment plant? But we have to have some understanding of the amount the State has invested in these properties.

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Mrs Morris: So that, by what the Treasurer is doing, would mean that it was only what we had invested in the last 50 years?

Deputy Parkinson: Well, that is news to me, I did not know that –

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Mr Hollis: I would suggest that we need to move to International Financial Reporting Standards. The IMF's Financial Stability Board – and we have a subset of that now – requires all major international finance centres to move to International Financial Reporting Standards. So I think we need to move in that direction.

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How we do it over time is an issue of practicality. As Deputy Parkinson says, we do not need to go out and value all the properties with external help, there are people and yardsticks internally that we can use to get to a decent management value of a building, both in terms of the costs that we are carrying it at and also we need to understand its market value because those will fluctuate significantly at certain times.

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Now, Treasury will also have a view and, again, the Chief Treasurer is on the joint steering group. These are things that are not happening completely independently, but there are practical steps that we will take in order to get the information we need for good management in place early. Then, in parallel, Treasury are looking at how they apply the final disclosure to the financial

accounts for external use – and they will take a little longer doing that than we will take for getting the initial values in place.

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Mrs Morris: So, do you think you have been left with a couple of white elephants with Grange House and the Income Tax building?

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Deputy Parkinson: Oh no, I do not think so, I think they both have a market value. In the case of 2 Cornet Street, the Income Tax Office, that is very complicated because it really forms part of the larger site, only part of which is in States' ownership. But Grange House is a relatively discrete property and clearly in an attractive location, and the building will have a value which I think we can fairly easily ascertain.

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Deputy Roffey: Is it scheduled?

Deputy Parkinson: It is listed, yes, I believe it is.

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Deputy Roffey: Those are relatively small sites compared with the other ones that might spring to mind, I think particularly King Edward VII Hospital and the Castel Hospital sites which are almost vacant now.

Do we have to wait for the exciting new overarching plan next year, or can you tell us what thought has been given as far as those two major sites are concerned?

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Mr Hollis: No, you are absolutely right you do not wait to plan. In fact as part of the work we have been doing with all the Chief Secretaries as well, and P&R have seen it, we have developed what we regard as the 'opportunities register'. So from every source, where are opportunities for re-use of certain buildings? And sometimes they are competing opportunities. And the value and the size of that opportunity and how near term or longer term it is.

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One of the earliest things we put in place – and in fact you could argue it is already in place – is the management of those opportunities, and the active management of those opportunities, so that perhaps if you look at that portfolio of opportunities you do not say, 'We can't do that because there is not a spare planner in E&I at the moment to be able to progress it'. We look at what you need to move each of those opportunities forward with, and that again is why it was a joint exercise with P&R because they will need to fund the pursuit of some of those opportunities. We do not wait for the strategy for that.

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One important point on that is that the commercial sensitivity of some of those opportunities is such that you will not see them plastered all over the policy letter.

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Deputy Roffey: Yes, but a real commercial approach has been taken, has it?

My 35 years in the States suggests that every time we have a property that really could be worth something if we used it commercially, we find a way of some service moving into it and finding a way of not making any profit out of it whatsoever, but doing something laudable.

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But in the present circumstances would you not need to be fairly hard-headed about realising the value of our Estate?

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Mr Hollis: I would agree with you, but the way that the States should take that hard-headed approach perhaps is to make sure that there are at least three of the key members of Committees: first, to be aggressive on the opportunity schedule and to be open about it within the commercial confidences within the States; and secondly, to make sure that the Committee for Economic Development is part of that review of opportunities as well as P&R in terms of funding to keep moving them forward.

Yes, I think I would hope the urgency is applied to it, because if it is not, the knock-on effect of not working your assets harder is going to rebound on all the Departments in the States having revenue shortfalls.

The Chairman: Is there any assessment at this stage as to what kind of quantum of savings or money that can be raised over the next, say, five years could be with a better, more efficient management of the States' assets?

Mr Hollis: Well, each of the opportunities is scaled, but again I must apply a degree of caution and let's talk about the Income Tax Office. I need to be careful ...

The value of certain things is not just the individual building, but it might be the value of the building with the surrounding area. Therefore, the States has a choice of either trying to work jointly with others in creating that combined value, but obviously will need to do it not just at its own timetable but the timetable of any partners as well. Therefore, there are some opportunities which will be phased out over a period of time, and naturally take some time. Again, that is the value of making sure we have got a comprehensive list so that we do not allow some of the medium-term opportunities just to drift, because we have not done the legwork in advance to bring them to fruition.

Now that has not existed up until now, and that is dropping out of the project and is being actively managed as part of the project before we wait for the report to go through. In some sense it is not policy, it is common sense – it is operational common sense. We do not need to wait –

The Chairman: They should be the same thing?
Mrs Morris, do you have any further questions?

Mrs Morris: No thank you.

Deputy Roffey: Can I mention a couple of final bits.

The States have decided that there should be a new kiosk provided at the east end of L'Ancrese based on a public-private partnership.

What is your understanding about what that actually meant and what is your involvement going to be?

Deputy Parkinson: The problem is, we do not own any land around the site of the existing kiosk, so if the kiosk has to be moved it can only be done with the co-operation of the Vale Commons Council who own all the land around it.

It is difficult for us to commit to doing anything in the immediate vicinity of that kiosk.

Deputy Roffey: If that was overcome, what is meant by public-private partnership? Are you providing the land and them providing the capital for building the facility on a long lease?

Deputy Parkinson: I am imagining an example would be – and the people who actually manage that kiosk also manage the Vistas Kiosk at Vazon, and there was a situation where they redeveloped the facility into what is now a very classy beach kiosk. In return we gave them a lease with a peppercorn rent for a long time because they paid the capital cost of doing the redevelopment. So that is a public-private partnership that worked well.

Deputy Roffey: Okay thank you.

He managed lots of prime public real estate and it is noticeable at the Airport you charge people to park, but elsewhere you do not. Is that logical? And if it is not, should you give free parking at the Airport or should you be charging at the Harbour or elsewhere?

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Deputy Parkinson: Well, one way we could produce the £30 million required by the Policy & Resources Committee would be to start charging for parking, but I think that is a difficult one – *(Interjection and laughter)*

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Deputy Roffey: I am sorry it was a mischievous final one!

Deputy Parkinson: But there is a serious point: in the context of a reconfiguration of the areas around the Harbour, one of the issues that will need to be looked at is the provision of parking, paid or otherwise.

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The Chairman: Just as a final wrap-up question, Deputy Parkinson. Do you think the formation of the STSB has made much of a difference to Government in Guernsey? And can you give an example of where that difference has manifested itself?

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Deputy Parkinson: I think it has the potential to be transformational, and the Estates Plan which we have just been discussing is a classic example. This is a project which we have needed for a long time. I was a member of the T&R board before last, and Mr Hollis was a member of the last T&R board, both of which had responsibility for property matters and neither of which, nor our predecessors, actually had the time and focus to apply to solving this problem. The STSB now

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does have that focus and we will solve the problem.
In terms of the management and the trading assets, again we are able to give these issues and the huge strategic implications that we discussed with Guernsey Electricity, there is just one of those assets, we are able to give that the sort of attention it deserves, than which if it had sat within a T&R mandate, frankly would have been very difficult to concentrate on.

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The Chairman: Okay, well thank you very much.

They will be a *Hansard* transcript of these proceedings this morning, but thank you very much to to our witnesses for attending and for the way in which you have answered the questions, it is much appreciated. Thank you very much.

The Committee adjourned at 11.55 a.m.

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