



**OFFICIAL REPORT**

**OF THE**

**STATES OF DELIBERATION**

**OF THE**

**ISLAND OF GUERNSEY**

**HANSARD**

**Royal Court House, Guernsey, Thursday, 13th December 2018**

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**Present:**

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

**Law Officers**

**People's Deputies**

**St Peter Port South**

Deputies P. T. R. Ferbrache, J. Kuttelwascher, D. A. Tindall, R. H. Tooley

**St Peter Port North**

Deputies, J. A. B. Gollop, C. N. K. Parkinson, L. C. Queripel, M. K. Le Clerc, J. I. Mooney

**St Sampson**

Deputies L. S. Trott, P. R. Le Pelley, J. S. Merrett,  
T. J. Stephens, C. P. Meerveld

**The Vale**

Deputies M. J. Fallaize, N. R. Inder, L. B. Queripel, J. C. S. F. Smithies

**The Castel**

Deputies R. Graham L.V.O, M. B. E, C. J. Green, B. J. E. Paint,  
M. H. Dorey, J. P. Le Tocq

**The West**

Deputies E. A. Yerby, D. de G. de Lisle, S. L. Langlois

**The South-East**

Deputies H. L. de Sausmarez, P. J. Roffey,  
R. G. Prow, V. S. Oliver

**Representatives of the Island of Alderney**

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

**The Clerk to the States of Deliberation**

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

**Absent at the Evocation**

Miss M. M. E. Pullum, Q.C. (H.M. Procureur), R. M. Titterington, Q.C. (H.M. Comptroller)  
Deputy B. L. Brehaut (*relevé à 9h 36*); Deputy M. P. Leadbeater (*relevé à 10h 57*);  
Deputy G. A. St Pier (*relevé à 9h 36*); Deputy M. M. Lowe (*relevée à 9h 40*);  
Deputy S. T. Hansmann Rouxel (*relevée à 10h 03*); Deputy A. H. Brouard (*relevé à 9h 35*);  
Deputy A. C. Dudley-Owen (*relevée à 9h 35*); Deputy H. J. R. Soulsby (*relevée à 9h 40*);

## **Business transacted**

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# States of Deliberation

*The States met at 9.30 a.m.*

[THE BAILIFF *in the Chair*]

## **PRAYERS**

*The Senior Deputy Greffier*

## **EVOCATION**

# Billet d'État XXVII

## **Suspension of Rules to change order of debate – Motion carried**

**The Senior Deputy Greffier:** Billet d'État XXVII of 2018, Article XVIII – Committee *for* the Environment & Infrastructure and Policy & Resources Committee.

5 **The Bailiff:** You are jumping ahead of yourself.

**The Senior Deputy Greffier:** I beg your pardon. Yes, indeed. Article XVII, States' Trading & Supervisory Board – Aurigny Air Services, Aircraft Acquisitions.

10 **The Bailiff:** Deputy Ferbrache.

**Deputy Ferbrache:** Thank you, sir –

**The Bailiff:** Deputy Meerveld.

15 **Deputy Meerveld:** Sir, I would like to put a motion to the States to suspend the Rules and change the order of debate, to debate Item XIX, the Strategic Plan, prior to debating the acquisition of assets that would come under that Plan.

20 **The Bailiff:** Do we have a written motion to suspend the Rules or are you just doing it orally?

**Deputy Meerveld:** No, sir, I am doing it orally.

**The Bailiff:** We are suspending the Rules, I suppose we are suspending the Rules to suspend the Rules. Is there a seconder for this motion? Deputy Le Pelley.

25 Well, we will go straight to the vote then. (*Interjections*) No, no. Exactly why are you suspending the Rules? Let's have it clear as to what your motion is.

**Deputy Meerveld:** Sir, I wish to pass a motion to suspend the Rules, and subsequently pass a motion to change the order of debate to debate item XIX the Strategic Plan for Air and Sea Routes prior to debating item XVII which is an acquisition of assets under that Strategy.

**The Bailiff:** Well, there is nothing in writing but we will go to the vote on it. Of course the time to move this motion would have been at the conclusion of the last meeting when the Schedule of Business for this meeting was debated. That is when the Rules provide for motions of this sort to be debated. But if the majority of the Assembly wish to suspend the Rules and proceed in this way then we may do so.

Two Members have entered the Chamber, they should have the right to –

**Deputy Inder:** Could I have a recorded vote please, sir?

**The Bailiff:** Well, I was just going to allow two people to be relevé. Deputy Brouard, do you wish to be relevé?

**Deputy Brouard:** Yes, sir, thank you, sir.

**The Bailiff:** And Deputy Dudley-Owen?

**Deputy Dudley-Owen:** Yes, please, sir, thank you.

**The Bailiff:** We have a request for a recorded vote then on the motion to suspend the Rules to enable this oral motion to enable Article XIX, which is the policy letter from the Committee for Economic Development on the States of Guernsey Air and Sea Route Policy Development and Investment Objectives, to be debated ahead of Article XVII, which is the report from the States' Trading & Supervisory Board on Aurigny Air Services – Aircraft Acquisitions. Is everybody clear as to what they are voting on? It is merely at this stage to suspend the –

**Deputy Smithies:** No, sorry, I am not entirely clear. Are we voting to suspend the Rules and then we will vote on – ?

**The Bailiff:** There would then have to be a motion to then ... So at the moment we are just voting to suspend the Rules.

**Deputy Fallaize:** Are there going to have to be two motions to suspend the Rules? This is a motion to suspend the Rules to allow a motion to suspend the Rules to be put verbally. Is that what ... ? *(Laughter)*

**The Bailiff:** Well, I think let's take that as one motion just to have this –

**Deputy Fallaize:** To suspend the Rules in two cases.

**The Bailiff:** To suspend the Rules. Then if that is suspended, I will then put to Members the motion that we change the order of debate. So at the moment what we are debating – and two other Members are just entering the Chamber, so as soon as they are seated I will ask Deputy Brehaut if he wishes to be relevé

**Deputy Brehaut:** Yes, thank you, sir.

**The Bailiff:** And Deputy St Pier, you wish to be relevé?

80 **Deputy St Pier:** Yes, please, thank you.

**The Bailiff:** Just so you are aware of what is happening, we have had an oral motion from Deputy Meerveld, seconded by Deputy Le Pelley, to suspend the Rules and so what we are voting on at the moment is this oral motion to suspend the Rules. If that motion is carried there will then be a motion to debate Article XIX which is the States of Guernsey Air and Sea Route Policy Development and Investment Objectives ahead of Article XVII. So there will be two votes. The first one is simply this vote on an oral motion to suspend the Rules, and we have had a request for a recorded vote on that.

*There was a recorded vote.*

90 **Deputy Meerveld:** Sir, I would like to request a recorded vote on the second motion.

**The Bailiff:** Well, let's take it one step at a time.

*Carried – Pour 27, Contre 9, Ne vote pas 0, Absent 4*

**POUR**

Deputy Inder  
Deputy Laurie Queripel  
Deputy Graham  
Deputy Green  
Deputy Paint  
Deputy Dorey  
Deputy Brouard  
Deputy Dudley-Owen  
Deputy Yerby  
Deputy de Lisle  
Deputy Prow  
Deputy Oliver  
Alderney Rep. Jean  
Alderney Rep. McKinley  
Deputy Ferbrache  
Deputy Kuttelwascher  
Deputy Tindall  
Deputy Tooley  
Deputy Gollop  
Deputy Parkinson  
Deputy Lester Queripel  
Deputy Le Clerc  
Deputy Mooney  
Deputy Trott  
Deputy Le Pelley  
Deputy Merrett  
Deputy Meerveld

**CONTRE**

Deputy Fallaize  
Deputy Smithies  
Deputy Le Tocq  
Deputy Langlois  
Deputy de Sausmarez  
Deputy Roffey  
Deputy Brehaut  
Deputy St Pier  
Deputy Stephens

**NE VOTE PAS**

None

**ABSENT**

Deputy Lowe  
Deputy Hansmann Rouxel  
Deputy Soulsby  
Deputy Leadbeater

**The Bailiff:** We have now suspended the Rules so I am not sure what Rules we are going by. *(Laughter)* The voting on the motion to suspend the Rules was 27 in favour and 9 against. I declare that motion carried.

95 Two more Members have now entered the Assembly. Deputy Lowe, do you wish to be relevée?

**Deputy Lowe:** Yes, please, sir.

**The Bailiff:** And Deputy Soulsby, do you wish to be relevée?

100

**Deputy Soulsby:** Yes, please, sir.

**Motion to debate Article XIX before Article XVII –  
Motion carried**

**The Bailiff:** So I will just explain where we are. The Assembly has just voted by 27 to 9 to suspend the Rules on an oral motion from Deputy Meerveld, seconded by Deputy Le Pelley, and the purpose of that was to now enable Deputy Meerveld and I assume Deputy Le Pelley to lay a motion that we debate Article XIX before we debate Article XVII.

We have no Rules to govern this, but if Deputy Meerveld wishes to make a brief speech in favour of why he thinks that should be done and I will give Deputy Ferbrache the opportunity to reply to that briefly if he wishes to do so, and then we go to the vote.

**Deputy Tindall:** Sir, as there are no Rules is it not possible for us, certainly the President for Economic Development to give and maybe the President for E&I ... as it affects them? *(Laughter)*

**Deputy Tooley:** Or, sir, perhaps for nobody to make a speech?

**The Bailiff:** If this had been moved when it should have been moved, which was at the conclusion of the last meeting, there would have been an opportunity for brief speeches in favour of a motion to amend the Schedule laid by Policy & Resources.

So what I am doing I suppose is adhering to the spirit of that Rule and there would not have been a major debate at that stage, but we are in a land where there are no Rules, this is what the Assembly ... I am doing what I think is fair and best, sticking to what I think is the spirit of the Rules, and as I say, I will allow two brief speeches by Deputy Meerveld and Deputy Ferbrache. Then Members can vote as they wish thereafter.

Deputy Meerveld, a brief speech just as to why the order of debate should be changed.

**Deputy Meerveld:** Yes, sir, thank you for that opportunity.

Basically it is very simple. Proposition XIX States of Guernsey Air and Sea Route Policy Development and Investment Objectives, we are looking at an overarching strategy covering air and sea links in that debate and yet in Proposition XVII we are asked to actually approve the acquisition of aircraft assets to aid in improving air routes. Therefore I think it is only logical that we discuss, debate and agree the overarching strategy covering air and sea routes prior to making a decision on whether or not to acquire aircraft, at a very significant cost, which would effectively be assets under that strategy.

Thank you, sir.

**The Bailiff:** Deputy Ferbrache.

**Deputy Ferbrache:** Sir, there has been ample opportunity because I arrived here at nine o'clock this morning for Deputy Meerveld to have mentioned to me that he was going to bring this motion. Frankly, if the boot had been on the other foot I would have done that. As you yourself said, this motion should have really been debated at the end of the last States' sitting because that is why Deputy St Pier at the end of every States' sitting puts the Schedule for Business for the next meeting and we debate it, in fact there is very often very little debate on it.

Frankly, the reason given for the change of order has no merit at all, *(Interjections)* there can be oohs and ahs and ifs and buts but whatever the vote is on Deputy Parkinson's Committee's policy letter it should not affect this policy letter at all because this policy letter asks for the States to give permission to purchase three new ATRs delivered next year.

Also because the people out there must be wondering what on earth we are doing. I asked Aurigny to get a letter from ATR if this matter was delayed, because if we have a debate there is a possibility we will not conclude the debate on this policy letter before the conclusion of the States tomorrow, there is a possibility because no doubt Deputy Parkinson's policy letter will take some



significant time to debate and we have got other matters, so we may not finish it, and there will be, I imagine, in relation to the debating of this policy letter a significant number of speeches.

So there is a letter from the Sales Director Europe of ATR to the Chief Executor Officer of Aurigny dated 28th November, which reads as follows:

We refer to the letter of intent dated 29th June 2018 as amended on 17th October 2018 between Aurigny and ATR for the sale of three brand new ATR72-600 aircraft equipped with ClearVision technology and delivered in August, October and November 2019. The said letter of intent contains exceptional terms and conditions that ATR conceded to Aurigny Air Services as a launch customer for the ClearVision technology, but also for a sale concluded this year 2018 for delivery next year 2019. We would like to attract your attention to the validity of the letter of intent that we agreed to extend to 20th December in the amendment agreement signed last October. For industrial reasons we are not in a position to extend the validity a second time. Should we fail to execute a sale and purchase contract pursuant to the provisions of the amended letter of intent within this date the exceptional terms and conditions that you have currently secured would no longer be guaranteed and the timely development of the ClearVision technology indeed would be jeopardised. We very much look forward to you meeting the deadline.

155 So it is a matter for the States, if the States decides that it is going to change the order and we do not get to a conclusion and the purchases cannot take place when they otherwise might have if the States do approve them, so be it. The public out there will have a view of that no doubt.

160 **The Bailiff:** Well, we have had the two brief speeches that I said I would allow. We go to the vote on the motion to debate our Article XIX ahead of Article XVII, the effect of which will be I think we take Article XIX next and then Article XVII and then move on with the rest of the Agenda.

**Deputy Meerveld:** May I request a recorded vote?

165 **The Bailiff:** And there will be a recorded vote.

*There was a recorded vote.*

*Carried – Pour 21, Contre 17, Ne vote pas 0, Absent 2*

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Inder	Deputy Fallaize	None	Deputy Hansmann Rouxel
Deputy Lowe	Deputy Smithies		Deputy Leadbeater
Deputy Laurie Queripel	Deputy Graham		
Deputy Green	Deputy Dorey		
Deputy Paint	Deputy Le Tocq		
Deputy Dudley-Owen	Deputy Brouard		
Deputy de Lisle	Deputy Yerby		
Deputy Prow	Deputy Langlois		
Deputy Oliver	Deputy Soulsby		
Alderney Rep. Jean	Deputy de Sausmarez		
Alderney Rep. McKinley	Deputy Roffey		
Deputy Kuttelwascher	Deputy Ferbrache		
Deputy Tindall	Deputy Brehaut		
Deputy Gollop	Deputy Tooley		
Deputy Parkinson	Deputy Trott		
Deputy Lester Queripel	Deputy St Pier		
Deputy Le Clerc	Deputy Stephens		
Deputy Mooney			
Deputy Le Pelley			
Deputy Merrett			
Deputy Meerveld			

**The Bailiff:** Members, the voting on the motion to debate Article XIX ahead of Article XVII was 21 in favour with 17 against. I declare it carried.

So, Greffier, if you will now call Article XIX.

170

**Committee for Economic Development**

**XIX. States of Guernsey Air and Sea Route  
Policy Development and Investment Objectives –  
Propositions carried**

*Article XIX.*

*The States are asked to decide:*

*Whether, after consideration of the policy letter entitled 'States of Guernsey Air and Sea Route Policy Development and Investment Objectives' dated 12 November, 2018 they are of the opinion:*

- 1. To approve the Core Strategic Objectives, Critical Success Factors and Investment Objectives as set out in Appendix 1 of the policy letter.*
- 2. To note that the Core Strategic Objectives, Critical Success Factors and Investment Objectives as approved by the States will be taken forward and used to assess the cost/benefit evaluation of options that will be put forward for further investment to secure, improve and optimise the Bailiwick's air and sea links.*

**The Senior Deputy Greffier:** Article XIX, Committee for Economic Development – States of Guernsey Air and Sea Route Policy Development and Investment Objectives.

175 **The Bailiff:** Deputy Parkinson will open the debate.

**Deputy Parkinson:** Thank you, sir.

The policy letter before the States today is a critical step to secure and strengthen the future provision of the Bailiwick's air and sea links. It follows the Committee's policy letter on  
180 deregulation of the Air Transport Licencing System and in turn it will be followed by policy letters on the Alderney PSOs and hopefully our transport infrastructure.

If agreed by the States, this policy letter will provide clarity on what it is we are trying to achieve and what we need to consider in order to meet those objectives.

Why do we need the investment objectives and what are they? It is perhaps surprising that, to  
185 my knowledge at least, the States has never had an agreed air and sea links strategy. The States has therefore not defined what it wants from its air and sea links; what, if you like, good looks like. We know transport links are a priority and we all feel we must do something to improve them, but we have not agreed what that should be, or what the aim should be.

This then is the purpose of this policy letter and the Propositions that Members are asked to  
190 support. This approach will be particularly important when the time comes in the near future for the States to make decisions on future investment. Whether that is through capital investment or revenue expenditure, and it is inevitable that significant investment will be needed to achieve better transport connectivity. So it is critical that we make the decisions based on agreed objectives and clear business cases.

195 The timing of this process may well be fortuitous as the global economic cycle that seems to have reached a peak public investment at this time could help to unlock wider benefits than simply those of improved air and sea connectivity. Such investment would also send out a clear message beyond our shores: Guernsey is open for business and investing in its future.

200 So what are our objectives? They are that air and sea link connectivity should meet the majority, if not all, of the current and future travel requirements of the resident and business population; that they should enable economic growth; and that they should increase visitor numbers.

There is further definition to these high-level objectives set out in the detailed table of investment objectives in appendix I of the policy letter. These are explained in that letter so I do

205 not intend to go into the detail of each investment objective now. I do, however, wish to draw Members' attention to a number of key points.

Firstly, the quality of air and sea links are assessed under three headings: affordability, connectivity and reliability. We have set out the investment objectives under these headings. However, these requirements vary in their relative importance for each user group and will often  
210 conflict with each other, hence the trilemma challenge that we refer to. Any single investment will not deliver all of what is required by all user groups. We need therefore to take a considered and practical approach. That is why we have set out our clear priorities for air route connectivity.

These focus on the need to develop access to an international hub with the ability to interline a key requirement. The necessity for a London hub which provides speedy access to London for the Island's community and which supports our business needs is the second objective, and the need  
215 to develop point-to-point regional connectivity, including to European visitor markets, is the third.

Clear objectives are set for each of these priorities with the international hub aiming to prioritise connectivity and the London hub and regional air routes prioritising affordability.

The investment objective for sea link affordability is to enable sustainable competitive fares for  
220 passengers, for vehicles, for freight, that are reflective of the cost of service. Additional services that are not economically viable but still desirable from a socio-economic need may require some form of Government underwrite or subsidy. For example, inter-Island ferry services.

The investment objectives for sea link connectivity are frequency of service, capacity and a schedule that meets the critical lifeline needs of freight users and the needs of Islanders and  
225 visitors to the Islands.

We need to make use of the most suitable ports to enable flexibility and connectivity across all route sectors and maximise opportunity for travel between the Islands in the Bailiwick and with Jersey to support sports as well as tourism.

Investment objectives for sea link reliability are the provision of a year round lifeline service for  
230 freight and passengers and sufficient contingency to allow robust continuity of service in the event of maintenance or technical issues.

Sir, to summarise, the Committee considers that the objectives it is setting out are a sensible and necessary step to be able to define what we need from our air and sea links.

This then brings me to the second area that I wish to talk about. It relates to the process that  
235 will need to be followed to reach measured investment decisions so that the investment objectives may be achieved. After all, it is no good having investment objectives if we do not have the means to achieve them.

Members heard yesterday that the Policy & Resources Committee's strategic review of air and sea links infrastructure, which they were directed to produce after their own amendment to the States in 2017 is fizzling out ... it was originally intended that P&R would bring a policy letter on  
240 their review to this meeting, and the PwC report was to have been appended to it. Sadly, that has not now happened. So unfortunately some of the evidence on which our policy letter is based is not before the States.

So let me be absolutely clear, if the States agrees the objectives today then it must require  
245 further work to be done to assess the business case for the extension of the Airport runway. (**A Member:** Hear, hear.)

The objective of affordable connections to regional airports requires us to be able to attract low cost carriers who operate planes that cannot take off from Guernsey's current runway fully loaded. EasyJet require a runway length of at least 1,580 m. A runway of that length could be  
250 accommodated within the boundaries of the existing Airport. British Airways, on the other hand, would requires 1,700 m or 1,800 m and if it was an objective to attract an airline like that we would have to extend the runway outside the boundaries of the existing Airport. Our current runway severely restricts the number of airlines that can provide us with access to an international hub. Few of the airlines which operate planes that can take off fully loaded from Guernsey today  
255 have the code share agreements that we would need to maximise the benefit of access to an international hub.

Incidentally, in passing, I should remind Members that if Aurigny gets permission later on to acquire its three new ATRs they would not be able to operate to an airport like Heathrow because they are too slow. We lose business today because the largest corporate jets cannot take off from our runway fully loaded. This has driven private office business to Jersey. It is therefore essential to consider the full business case for various lengths of runway extension to see if there is an option which is economically feasible.

Those who support this approach include the Chamber of Commerce, the Institute of Directors, and the Guernsey International Business Association. They represent a full cross-section of our Island's business community; the people who create jobs, drive growth and generate taxation, which supports our public services. The Committee for Economic Development also supports this approach by a majority.

Of course, as the Vice-President of Policy & Resources said yesterday, there are those who do not want to extend the runway and that is an acceptable view, but it is also in their interests to examine the evidence to prove that their gut feeling is correct. In short, before we make the decision we must do the work to explore the evidence. The work needs to set out a detailed cost benefit analysis of the options for extending the runway, covering the social and economic impacts and environmental considerations, which will then be submitted to the States for debate.

Given we have already agreed in the Policy & Resource Plan that air connectivity is one of our priorities, and today I hope we will agree with what we are aiming to achieve: to not do the work to enable us to make a reasoned decision on the infrastructure required would be an abrogation of our responsibilities as a Government.

Possible runway extension options cover three scenarios. Firstly, the creation of a runway of 1,570 m/1,580 m length within the current boundaries of the Airport, and two further options of extending the runway to a total length of either 1,700 m which is allowed by the States' Island Development Plan, or 1,800 m which would require an amendment to the IDP. The second and third options would involve extension beyond the current boundaries of the Airport and would likely involve significant capital investment as well as legal complications.

So the social and economic benefits would need to be carefully weighed against any environmental concerns and the overall costs of the project. Together with this, there will be a need to consider options for investment in enhanced landing systems and market stimulation to increase the number of people travelling. These initiatives could be taken alongside a runway extension, but could also be taken on their own.

Let me be clear, at this stage we are only asking the States to agree what the investment objectives are, we are not recommending or predetermining any particular investments at this stage. We would, however, ask that the States follow an objective and fully evidence-based process so that the best possible investment decisions are made. Producing that evidence is the role of Policy & Resources Committee in their Strategic Review of Air and Sea Links, and the States must direct the Policy & Resources Committee to do that work when they bring their policy letter to the States in February.

Turning to sea links, the Committee recognises that there is a body of opinion within the community which holds that our sea links have not been as good as they should have been in recent years, although matters have improved lately. We must ensure that a resilient reliable and affordable ferry service is in place. (**A Member:** Hear, hear.) Whilst there are a number of options that could achieve this, the right starting point is in effect the steady state option of exploring the merits of a long-term agreement with the current incumbent operator, this could include reconfiguration of their fleet and investment in new vessels if that is considered appropriate.

As with the air route investment options, the Committee's belief is that a range of options should be examined and assessed against the States' investment objectives, not simply two out of the four options recommended by the PwC review which you have yet to see.

At this stage and given the uncertainty over the potential sale of Condor Ferries to new owners, the Committee does feel it prudent to assess a number of potential contingency options as set out by the Vice-President of Policy & Resources yesterday. However, this should include all

of those contingency options. The contingency options should not be considered as Plan A, the majority of my Committee believes that our objective should be to work with Condor to seek ongoing improvements to the services they provide while preparing a Plan B.

Sir, the policy letter before the States today is a critical step in order to be able to secure and strengthen the future provision of the Bailiwick's air and sea links. If agreed by the States it will define what we need to achieve and will help to guide the future investment decisions of the States in regard to the infrastructure. As a political body we will be failing in our duty if we agree these objectives but then decide we are not going to do the work needed to meet them.

By agreeing the policy letter today, the States will be sending out a clear signal we are determined to improve our air and sea links, we are prepared to invest in our transport infrastructure and we support Guernsey's economic future.

Thank you.

**The Bailiff:** Deputy Hansmann Rouxel, do you wish to be relevée?

**Deputy Hansmann Rouxel:** Yes, thank you, sir.

**The Bailiff:** Thank you.

Does anybody wish to speak in this debate? Deputy Inder.

**Deputy Inder:** I do, sir.

I am already scared; we have had two different messages from two different committees in the space of 24 hours. Policy & Resources yesterday gave us an indication of what their companion policy paper, which would have been delivered today, is likely to say with regard to ... I am only going to speak about sea links. Their view is: go alone; we effectively nationalise our ferry service or – and I am happy to be corrected – I think the second was go out to tender.

Today we have got Economic Development saying develop a relationship with an existing operator. Two utterly different messages within 24 hours –

Sir, please, happy to –

**Deputy St Pier:** Sir, point of correction.

**The Bailiff:** Deputy St Pier.

**Deputy St Pier:** Sir, yes, it is a point of correction actually rather than asking Deputy Inder to give way. The statement yesterday was very clear that P&R's preferred option is precisely the one that Economic Development have described, the option which Deputy Inder is referring to was very clearly identified as being contingency planning.

**Deputy Inder:** Okay, I accept that. Okay, I am not so scared anymore. *(Laughter)*

The core objectives in this seem relatively sound and I am just going to ask something when Deputy Parkinson does tidy up, when we look at the 2.4, bullet point 1 says, 'act as an economic enabler'. What I am not seeing through here is tourism growth. Now is tourism growth included in acting as an economic enabler? When I look at 3.3 the clear message coming consistently is the need to achieve improvement in the three areas, namely affordability, connectivity and reliability; the fourth one I would like to have seen is growth. I just wondered if Deputy Parkinson when he responds could speak to that, because I think we are expecting a tourism strategy and I am hoping again with that it is tied in in some way to this paper.

**The Bailiff:** Deputy Gollop.

**Deputy Gollop:** Sir, I start with a little apology. You, sir, were quite right in suggesting that it was a bit awkward that Deputy Meerveld raised this point, but I think the context of maybe why it was not done two weeks ago when you were not presiding was I went on too long in my summing up speech on the Planning; we were still here at quarter past one, we had gone well into the lunch hour and things ended rather quickly at that point. So there is a lesson to me there.

I, like Deputy Inder, find quite a lot of sense in this policy letter. Indeed it is actually one of the best constructed of its kind, especially in relation to strategic transport links. I think it, rightly, almost, as Deputy Parkinson has implied, starts a new era in thinking about the importance of transport links.

I remember years ago Deputy Roffey said to me when I was compiling a lot and signing amendments left, right and centre for reviews and delays and consultations and opinions in the media that it is all very well having analysis but you have got to back that up with policies for action.

I think that is where we have been lacking, particularly in transportation matters, notwithstanding the Aurigny question, because we have had umpteen reports, as Deputy Inder and others have reminded us, some of which have not even come to fruition, but we have not really seen much steer and action.

I mean even the analysis here of the trilemma idea of affordability, connectivity, and reliability is developed and the argument made it is very hard to have all three. Well, to a degree, you can balance the three and I think nostalgically with rose tinted glasses people look back, for example, at the era that they would not like now because (a) it was too slow (b) it involved railways and (c) it did not have any cars or roll-on, roll-off facilities, but the *Sarnia* and *Caesarea* were always thought to be wonderfully reliable, relatively fast and so on. So you can balance things.

Deputy Parkinson probably went further today in his speech than the policy letter in itself goes, in suggesting that you do actually need some impetus for state action to get things going. But even the paper – listen to this – on page 3 says under paragraph 1.5:

However, [the investment objectives] are not in and of themselves the complete solution. Once the States have agreed the objectives to improve air and sea links, the next step will be for the Committee to work with operators who feel they can best deliver those Investment Objectives. Their operating models will in turn inform future decisions on the transport infrastructure which is required. Delivery of this programme may entail significant capital and ongoing revenue investment.

You can interpret that in many different ways. It could be an ownership model; it could be a subsidy model; it could be an investment and capital model; it could be an ATR fleet model, whatever. But it does involve money, and it involves the potential of different models. I suppose having been to a quite inspirational presentation earlier this morning the IOD had, I kind of like to think we can embark on a partnership with a States that has a more entrepreneurial attitude to getting things done.

Part of me, I must admit, despite the points Deputy Ferbrache made yesterday about maybe Mr Nye Bevan not being the sole architect of the NHS ... he certainly was not; it involved lots of thinking and in fact medical work as well and so on. But of course that government and Mr Attlee would not work in today's world because it was far too left of centre and it was fighting the financial markets and of course it was in the context of a post war economy. But it was an old Labour style of approach and I think that to a degree our back stop, as Deputy St Pier and Deputy Trott have implied in certain scenarios, I am afraid is old-fashioned nationalisation. Whether that means a State-run enterprise or one you could franchise out or have golden share model, I am not sure. But I think unfortunately, given the situation we sometimes find ourselves in with a very limited range of options and potential providers, we have to think along those lines.

I think that we can be overly analytical and overly optimistic. This may be the first report of its kind but it is not the first time we have debated thinking along these lines. Twenty years ago when the former Deputy Brock was a significant figure in shaping the advice and policy analysis paper, I remember Advisory & Finance Committee in that era were very much focussed upon improving

our tourism and improving our links. In some ways that was a golden era because we have dropped 100,000 staying visitors a year on a decade ago, but I think the message from that era was we were having aspirations and wishes that were not fulfilled.

410 Deputy Brehaut and his Environment & Infrastructure Committee sometimes gets some stick in this Chamber and outside the Chamber even from pundits and commentators, but actually they and their predecessors can claim at least one success, albeit at a price to the taxpayer. Yesterday we heard on a road transport level that public transport for buses may top the 1.8 million mark; when I remember when I first joined the Traffic Committee we were down to 800,000 passengers per year.

415 Now that investment has been achieved not just through public participation but let's face it through subsidy and the States owning the vehicles and purchasing new vehicles. I mention that because some communities would have a transport industry that would include air, sea, road and rail where appropriate. But what is interesting is we have seen at a price a universal subsidy applied which has seen an increase in bare usage of public transport despite the trends  
420 demographically all being downhill, with additional car use, smaller number of visitors, smaller number of school children, etc.

What have we seen with the Airport since the brand new beautiful Airport was opened in the early years of the millennium, having been commissioned in the late 1990's? Well, it nearly had a million passengers a year and now I think the aspiration under the Airport's business plan is to get  
425 back to 850,000. So unlike the buses which have gone up, the Airport has gone down and we have seen the same of inter-Island sea links. That shows that whatever we are doing at the moment is not working.

I was a little bit mischievous last month: I asked some questions of Deputy Parkinson relating to the sad loss of the last remaining domestic French link due to the cost and, yes, it was costing a  
430 lot of money probably to the taxpayer, its usage had gone despite having brand new planes in its later years. Its usage had dropped, its fare levels had risen, and it was apparently not being marketed in a way that expanded the business model. Now we have lost our last remaining all-year-round link to the continent, yet here we have a vision which is telling us we must have greater connectivity.

435 There is an interesting insight in this report relating to London Heathrow. I have certainly met and believe it myself that London Heathrow would be a great asset to Guernsey for international business, for tourism and for improving links to the finance and City of London, but – and it is a big but and I notice too we have seen a recent report in the *Press* about this – I spoke and almost got a bit cross with a very able and learned and experienced travel agent transport professional a  
440 couple of days ago, who warned me and the States from going overboard on links such as new French or Swiss links or Luxembourg links and the Heathrow link.

The argument based upon 20 or 30 or even 40 years of practical commercial running your own business experience was that these links rarely survive more than a short time because even their primary users after a while get worried about the cost, the marginal cost of travel, and will go for  
445 cheaper models.

For example, the argument was put to me that a round trip to London Heathrow, even if we achieved it, would cost £450 a ticket. The reason being London Heathrow tends to like larger planes, which we know cannot use Guernsey Airport; it tends to charge a lot for its slots, and it does not like planes that delay internal and external flights. We are almost seeing the same issues  
450 arguably with some of our other airports. So my counter response, I am afraid, was if we really wanted a London Heathrow link, unless for some reason the economics change radically, we will end up doing something Deputy Dorey really likes doing: subsidising the air user, whether he or she be a tourist or business traveller.

That, I think, is the bottom line of this, because Open Skies, I supported it partially to prove  
455 that it will not bring about the revolution in connectivity that we wish to see. It will have some benefits, Deputy Tindall has outlined with the Bournemouth link, the Edinburgh link and the Glasgow link, but before we say what a wonderful development they are and it is good to have a

new operator like Logan Air in the picture maybe, guess what, I did a little bit of checking on that and saw that they will only operate on Saturdays between Easter or May and September of next year. Each service to Edinburgh, Glasgow and ... what was it? It might have been Norwich – no, Bournemouth, which used to have a very good service from here – will have 800 passengers a year.

Well, there are more people using the buses, even on one of the less profitable routes at the moment. Eight hundred people a year is not going to transform our economy unless they are all billionaires that come over. I really do think we need more progressive thinking across the piece. This is a good start but it is a start that is a bit late in the day and, as I say, I think there are many harder questions we have to think of and we have to balance very carefully what we spend on Aurigny and what that money would be able to buy in other parts of the transport structure, and we do have to in a way, to quote Deputy Parkinson, have a cost benefit analysis approach to measuring what overall will benefit us as a community and not just one specific niche.

**The Bailiff:** Deputy Roffey.

Oh sorry, Deputy Ferbrache is on his feet so I think perhaps I should give him the opportunity to speak at this point.

Deputy Ferbrache.

**Deputy Ferbrache:** Deputy Gollop raises some interesting points because he says in practical terms we are struggling to get back to 850,000 passengers or thereabout a year at the Airport. Now this stresses the importance of Aurigny, because in 2017 Aurigny passengers there were just under 55,000 servicing the Alderney routes, some of those Alderney/Southampton, so you take those off, and there are about 489,000 or thereabouts on other routes, so therefore of the 800-odd thousand Airport movements 500,000 plus were from Aurigny. So we are very dependent upon Aurigny.

Deputy Gollop brings realism to it because he says and he gives his example about the 800, I am not sure if it is millionaires or billionaires who are going to come from Bournemouth, whatever they might be. Whatever we do, and the Scottish link that is going to come once a week in the summer for four or five months is all great, fantastic, more of that we need, but that is not going to make a radical difference to our air links and the offering that we give.

Now this policy letter is eminently sensible, and I have little doubt that it will be approved either unanimously or certainly by a significant majority, and it is a step forward. But it does not give us any detailed answers to the questions we need to answer. That is the problem, it is promising everything, it is laying out everything but it does not say how we are going to achieve it.

Now just common sense and where Deputy Inder got himself, I think, a bit mixed up before, he was talking about the conflict in relation to sea links. There was no conflict between what Deputy Trott said yesterday and what Deputy Parkinson said today, but there was a conflict between what Deputy Trott said yesterday and what Deputy Parkinson said today over air links and about the extension to the runway. That is where the conflict occurred and it was within 24 hours, and that is a great concern.

Let me say this, I did mean to say it at the beginning of my little address but I say this, and my colleagues who were on Economic Development can back this up completely: the absolute reason, and the entire reason, for the delay in bringing forward the Air and Sea Link Review was the responsibility of P&R. There is no equivocation about that, they are entirely responsible for that. They delayed and they delayed, because we agreed terms of review very quickly as Economic Development, it then went to Deputy Trott and via the civil servants we would say, 'What is happening?' 'Oh, Lyndon is too busy to look at it, Lyndon does not like it, Lyndon wants to delay it, Lyndon has got a certain view, Lyndon does not agree with that'.

I see my colleagues who were Members of the Committee at that time nodding; Deputy Dudley-Owen, Deputy Merrett, Deputy Mooney, even Deputy Kuttelwascher, they are all nodding,



510 so all five of us cannot be wrong. That is the message we were getting (*Laughter*) so that is the message we were getting from P&R's appointed representative, and it took too many months for that review to be finalised – entirely the responsibility of P&R and one of their senior politicians. So we could not advance it.

Deputy Parkinson was, I think, a little frustrated when, as Deputy Tindall was yesterday, to say, 515 'Hang on. We expected to see something today, or at this States' meeting, and we have seen nothing.' Deputy Parkinson says we are now due to see it, he believes and I accept what he says, in February. Yes, I accept that, I accept that is what we were told; well, let's wait and see. We were promised something in December, it did not come; how can we be sure it will come in February. It is taking too long.

520 Also remember the Aurigny Review, remember how long that took. That was much delayed. Now I have spoken to two Members who took different views of the Aurigny Review and were on that panel. The chairmanship they said was one of the worst they had ever seen, the delay, they would fix a meeting because they would have six or seven preferences because they are all busy people. Deputy Trott would then say we have got to meet on such and such a date and then it would be cancelled because Deputy Trott was not available.

Deputy Trott would go and see people who were not connected with the review on his own without telling the other Members. He would have a view and unless others agreed with his view in relation to the Aurigny Review he did not want to listen. One of those people spoke to me over many months but as recently as last night because I just wanted to check that my recollection was 530 absolutely correct. So the delay in the Aurigny Review, the delay in Air and Sea Review is entirely the fault of our senior Committee and they should apologise for it. (**Several Members:** Hear, hear.)

But let's get on with review, because as I say there is much to commend this policy letter; in fact there is nothing really not commend it. But the truthful answer is we are going to need 535 subsidies. Whether we call it subsidies or not – we may not be able to call it subsidies because there are certain rules – but that is what we are going to need. We are going to need capital subsidies and we are going to need revenue subsidies. We undoubtedly are going to need those, because when we had the presentation for the Aurigny purchase, or non-purchase as the case may be, we will decide that in due course of aircraft, a number of States' Members turned up and every single one of them was clearly interested, most of them asked questions, and every question 540 that was asked was pertinent and relevant. Deputy Le Clerc said, 'Look, I have heard all of this but what about affordability of flights?' – an excellent question.

Now let's take the 500,000 – it is easier for my arithmetic – people that travel on Aurigny but do not go to Alderney. Now if we were to reduce those fares by £10 that is £5 million. If we were 545 to reduce them by £20 that is £10 million, £40 that is £20 million, and you can make Aurigny as efficient as you like, it would still require a massive subsidy.

Deputy Roffey talked about the late Wendy Morgan yesterday. A colleague I worked with in the States all those years ago was her husband, Deputy Laurie Morgan, and he used to get so frustrated. He was a gentle, decent man, equable temperament, but the nearest I saw him get 550 angry was with the finance sector, because the finance sector were saying, 'We need cheap flights, but we need regular flights'. So what they would do, because it was inverse of what happened or reverse of what happens now, the finance sector would book their flights at the very last minute because they would get them cheaper. That meant that airlines running air routes were frustrated because they would have to plan their business, they have to have a business plan, and the way 555 that it was being operated was making that very difficult. So this gentle man was the most angry I have ever seen him at an A&F meeting and actually beat the table on one occasion.

So that just shows the position, and it is Deputy Gollop's point again about everybody wanting to rush off to Heathrow – and I do, because when I was a law student we used to fly to Heathrow; it is much better than Gatwick – or we would go on the boat because that was cheaper at that 560 time. But the point is that as soon as you start it, people will look for ways of cutting cost, and if it is too expensive to go to Heathrow they will go to Gatwick, or they will go to Southampton, or

they will go somewhere else. So let us be realistic. It is not the *panacea* but it is certainly something which should happen, and Heathrow is the obvious hub. But how are we going to achieve it, when are we going to achieve it and at what cost?

565 Deputy Parkinson makes a good point that if the Aurigny purchase is approved in due course by the States the new ATRs may be too slow to go in and out of Heathrow. They may be too slow to go in and out of Gatwick in due course, we may be forced with having – except for the routes like Southampton, the routes like Birmingham etc. – jets.

570 Now nobody knows – the British Government does not even know – who the Prime Minister will be tomorrow so, Mrs Thatch- ... I wish it was Mrs Thatcher, Mrs May will probably last until April or May and then she will be on her way. But they really do not know. Heathrow was promised years ago, the British Government vacillated over whether it should be Heathrow or Gatwick but it is going to be many years before the new runway is opened, if at all, still at Heathrow. It could easily be 10 years. Now Gatwick, the covenants that it had expire, I think, in July 575 2019, so it could have this sort of second runway, as it were. It is like the reserve runway; that is my terminology and nobody else's. But is that going to make any difference to Guernsey?

So what we are going to have to look at is the costing of Heathrow, the likelihood of Heathrow, and the benefits of Heathrow, but let me say unreservedly I believe that should be fully examined. But as Deputy Parkinson says, we need to examine it and we can tell the big wide world 580 out there that they will have to follow what we say, but Ryanair were never going to come to Guernsey because the runway is too short.

Now again, I remember a nice sunny day when the General Manager of Ports and Harbours took us, as Committee Members for Economic Development, on a little bus ride in the summer of 2017 to show us where the runway would have to be extended to if it was 1,750 m which is 585 probably the optimum distance, because Deputy Kuttelwascher made it clear in his requête, which most of us supported, that what he was proposing was an interim solution, it would solve the problem a bit but it would not solve the problem totally.

Deputy Trott's emotive and inaccurate language about pulling up all the country parishes and demolishing it – if you actually looked there would be some land that would be outside the 590 Airport boundaries and there would be a couple of properties that would be adversely – severely adversely – effected. But it would be completely different from knocking down 200 houses, which was his mental image – he did not use that figure – the mental image that he created. Completely irresponsible statement by a senior politician.

He said we would need a planning inquiry. Deputy Parkinson has already covered that: if it is 595 beyond 1,700 m we would need a planning inquiry. We would need a planning inquiry anyway, I think, even if it is below 1,700 m. But when the Seafront development takes place we are going to need a planning inquiry. When the schools come forward we will probably, I do not know yet, we will not, Deputy Fallaize is nodding that we will not, but there will be many occasions when the States will need planning inquiries. This planning inquiry will be an absolute necessity but will not 600 be that complicated. It will take a time because all planning inquiries take a time.

Sea links, I remember Deputy Trott and I think Deputy St Pier, but certainly Deputy Trott was very keen a long time ago to have the plan B to have Guernsey Freight Lines Ltd or whatever we might call it, a States' owned entity. I think they went to see one of these many corporate advisors and they all seem to be accountancy firms. I do not know why they do not use a humble legal 605 firm, but there we go, they go to see them for advice about the figure that you needed, what it would cost, how practical it was. I do not think they got very far with that.

Condor has not actually got a contract, it has got a Memorandum of Understanding with Guernsey. What we should be doing is our option A – but there should be options B and C and whatever it may be – should be to sit down with Condor and say, 'The service you are giving at 610 the moment is not good enough for Guernsey. The fact that a previous States must have had a mental aberration,' – so we are not the only ones that make terrible decisions – 'in letting you reduce your fleet from five vessels to four vessels and therefore you are not servicing the needs of Guernsey properly, that needs to be addressed.'

615 'The Liberation', whether it is a wonderful vessel or not, its character has been blackened. It will never be rehabilitated in the minds of lots of travellers, so therefore you need to come to some kind of financial arrangement with Condor. But whoever owns them are going to want to make a return, because they are not a charity, they are not philanthropic, so you should say, 'Well, okay, we will give you a contract on proper terms as long as there is a proper service level agreement of 10, 20, 25 years, whatever it may be, but you have got to do this, you have got to have these considerations, and we will subsidise you in some way. Go and buy two decent vessels which we will help you purchase in some way,' and again it would all have to be proper commercial agreements. But you are going to have to change the service you give, you are going to have to give different times, you are going to have to give different services to Guernsey and possibly even to my good friends in Alderney.

625 Yesterday, Deputy Trott said of course we should have a ferry service to Alderney but I bet a dollar to a donut that when we bring our policy letter at the end of January to do substantial works at Alderney Airport that Deputy Trott and Deputy St Pier and others will say, 'No, no, no, you should be looking at a sea service. Forget the Airport look at a sea service.' If I am wrong they will be able to tell you that at the end of January. Wholly unrealistic and very poor leadership and I do not mean that critically. (*Laughter and applause*)

630 Now paragraph 4.7 of the report, and again I want Deputy Parkinson and his colleagues at Economic Development to understand this is not a criticism because we are going to need detail in due course, and Deputy Parkinson himself said that, we are going to have to come back with all these phrases – that he as a professional accountant understands and I as a humble Guernsey advocate do not – about cost incentives and all that kind of stuff and whatever it is. But paragraph 4.7 says this:

In the long run, the Bailiwick's air connectivity needs to be sustainable and affordable so any 'kick start' must be with the aim of enabling long-term affordability of air links. Attracting carriers with sufficient scale and capability to grow the market through competitive fares which require reasonable levels of incentive is, therefore, an important objective.

Absolutely 100% sensible, but who; who are these people going to be; when, how and at what cost? Because I have just given a simple example, knock off £10 for 500,000 people it is £5 million, knock of £20 it is £10 million. It ain't going to come cheap, and it ain't going to be easy.

640 In my view –  
Sorry, I apologise. I give way to Deputy Kuttelwascher.

**Deputy Kuttelwascher:** I really thank Deputy Ferbrache for giving way, because the point he has made about it not being cheap to subsidise air fares with Aurigny and he has given the example, and he is quite right.

645 The problem is this, Scrutiny Management Committee and indeed in liaison with STSB will be looking at the efficacy, if you like, of Aurigny as a business, and what really needs to be looked at is its operative model, and the way it operates as a model it can never be cheap, it can only be expensive, but it is not the only way of delivering the product, and there are other ways which would result in much lower fares. The question is do we want to do it? So although what he says is correct in relation to Aurigny I do not think it is absolutely the case if you look at a different operating model for our air services.

Thank you, sir.

655 **Deputy Ferbrache:** I fully accept that. The devil is the detail, that is the difficulty.

Just let me finish off with a couple of points. In relation to sea route policy, in my view we need another vessel on the route for the northern route, which is from here to England and back; we need a more reliable series of vessels; we need a better schedule more suited to our needs; and we need better availability to France.

660 So all of those things we need, but the reality is it is going to cost the public of Guernsey, the taxpayer of Guernsey a lot of money. I can see that we are going to have to inject capital of

somewhere between £100 million and £200 million. I can see that we are going to have to get an annual subsidy of perhaps £20 million. Now that is the reality as I see it. I may be wrong but there are no easy answers. The days when airlines were willing to come to Guernsey and flew to

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Guernsey, because it was an attractive place to come, have gone.  
Let me also say this: people talk about taking away the landing charges. That would make a lot of difference to the cost of flying in and out of Guernsey but would cost the taxpayer some £8 million or £9 million.

So again it just emphasises we would be – and Deputy Gollop has made this point, he says I do not quite agree with him on this, but he says in previous speeches that actually air travel is quite cheap. He cannot see the cost of it being reduced, I think that would be a better way, significantly, and I agree with him. But that is the message we have got to give. We should be running as efficiently as we can, we should be as open as we can, and we should be as entrepreneurial as we can, but it is going to be difficult.

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I conclude by commending this policy letter to the States.

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**The Bailiff:** Deputy Roffey.

**Deputy Roffey:** Thank you, sir.

I preface my remarks by responding to something that Deputy Parkinson said in opening about we must be guided by all of these business organisations, they are all saying one thing and therefore it is what this Assembly really has to do. I have never taken that line. If we really did that we would be half way through digging a tunnel to Jersey right now, which I – it may have a business case, I have not really seen it, but that is what the leader of the Chamber of Commerce was telling us to do, and at the same time perversely build a new airport down at L'Ancrese when we could have actually driven to the one in Jersey which was a bit strange, but of course we must all bow down before the wisdom of the business leaders in Guernsey.

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Deputy Gollop said that this was a very well-constructed policy letter, and Deputy Ferbrache said nobody would be voting against it. Well, I am. I am going to vote against it because I think it comes to the wrong conclusions. It asks us to endorse the priorities set out in appendix 1 and I think they are wrong, and I will come on to that in a minute. But first of all, the reason really I did not vote is I do not care what order we debate things now the requête is out of the way, but the reason why I did not vote to actually change the order is I do not think this policy letter takes us forward very much.

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It points out that we have got a trilemma that we have all known about for the last 30 or 40 years. It does not really give us any strong or concrete ideas and I do take the point maybe because it was expected another policy letter was going to come at the same time and it has not appeared. I know nothing about that, but this policy letter is here and is fairly anodyne really. I mean it points out it is really difficult to have frequent flights to lots of destinations and with a really reliable service. Yes, we knew that. What are we going to do about it, really is the issue?

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I think one of the problems with this Assembly is that many Members actually over promised at the last election, because we gave the impression that that trilemma really was not there that, yes, of course members of the public were right, we could and should and would have frequent flights to lots of destinations at low costs. It was very good for getting ourselves elected; I think it was stretching the truth to breaking point in some places.

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Sir, if people turn to page 16 and appendix 1, we have a little section down in the bottom left about air links with the relative priorities for different types of air links. One is to a connection to an international hub, for which I read probably Heathrow; one for connection to a London hub, for which I read Gatwick; and one for regional connections, where I read everywhere else.

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Now I do not disagree with the relative priorities for the international hub because if we were able to get a link to Heathrow, hurrah! I think we all think it would be a good idea, I accept it would be mainly business driven, although I have to say I am thoroughly fed up of having to get taxis around from Gatwick to Heathrow to get connections. I will be doing it again in two weeks'

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time, so there are leisure travellers who would like to see our Heathrow link back as well, but it would be primarily driven by business and therefore having connectivity at the top and affordability at the bottom makes a degree of sense.

If you go to the third one, regional connections both in the UK and elsewhere, so just about everywhere other than Heathrow or Gatwick, we have got affordability as number one, connectivity as two and reliability right down the bottom. Well, I sort of see that actually from most other places because it is really going to be the tourist market that is going to be driving that. It worries me that things like Southampton, with which also we have a big health connection, we have got reliability as number three; and to some extent Manchester as well which I think is a potentially important link. But in the round talking about if people want to fly in occasionally, not that frequently, only during the summer months, then yes, great, if they are bringing tourists here, I can see that affordability should be number one.

The one that worries me most, I think, is the middle one. We are talking about Gatwick really. Affordability is one, connectivity is two and reliability is the least frequent. In other words, the easyJet model is much better than the Aurigny model; that is how I read that.

Now I thought the whole purpose of us making a lifeline link and keeping it as a licenced one and not opening it up to the market place, was because we realised that our insurance policy was invested here. If we sign off these priorities then to me we are saying we want the sort of Isle of Man approach where, yes, many locals and tourists quite like it because it is more affordable, but actually the connectivity and the reliability is much worse than what we are seeing in Guernsey where Aurigny fly often and, my goodness, they make a real effort to get you home; they do not just cancel flights at the drop of a hat. But that makes it less affordable when they do that sort of thing.

Sir, if we, for instance, extended our runway in order to follow this priority to let easyJet or somebody similar come here to serve Gatwick then we obviously are signing Aurigny's death knell, they will be gone, (*Interjection*) yes, they will. Well, I would really like to see the business model that would stack out if there were two very low cost rotations a day to Gatwick from an extended Guernsey Airport by easyJet; what on earth do we think that Aurigny will be doing, so they are gone.

We are now in a position where Flybe have put themselves up for sale. Well, that could work out really well: it may be British Airways or Virgin Atlantic or somebody else will buy them, carry on operating to Guernsey, give us interlinking through to other places all around the world, hurrah! It could work out very differently indeed, it could be disastrous for Guernsey; we do not know.

What we do know is that we have our insurance policy, we have Aurigny that are there, we are not going to get cut off from the world or largely cut off from the world. That is why we bought it we were right to buy it, we were right to ignore the siren voices – I think Deputy Lowe was one – certainly Flybe were delivering things to our Assembly – or whatever they were called at the time – saying, 'Do not buy Aurigny. Do not worry, we are here, we will look after you.' Well, there is no guarantee. They probably meant it, but there is no guarantee in the private sector because you do not know where you are going to go.

So, sir, I still take the view that we really need that insurance policy. I think that that part of the appendix we are being asked to approve, and it is a shame it is buried away in an appendix, but Proposition 1 is to approve the priorities in the appendix, militates against maintaining that insurance policy. It puts on the Gatwick route affordability, and we all want affordability. I fly quite often to Gatwick. I would love to pay less but it puts it above connectivity, i.e. frequency of flights, and above reliability which is actually something in the business model of Aurigny that makes it more expensive.

Deputy Kuttelwascher is right: it need not be Flybe, Aurigny could develop a business model that was similar to that, but again it would be back to us having low connectivity and less reliability. So I actually do not support that. I am sorry to Mrs Le Flem who wants £20, £30, £40 off her airfares, so do I, but before that I want a secure, reliable, frequent service to the capital of the

UK – and Heathrow at the moment is just pie in the sky. I hope it comes out, but Gatwick is really where our eggs are invested at the moment. I want to maintain this, I think that this policy letter undermines it, and I urge people to vote against Proposition 1.

770       **The Bailiff:** Deputy Kuttelwascher.

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

          I will start at the bottom of what I was going to talk about because of something Deputy Roffey has just said about Heathrow is pie in the sky. No, not true. We were offered Heathrow on  
775 the Committee for Economic Development last year at a subsidy. Now Flybe have slots at Heathrow which are limited to peripheral destinations and Guernsey would have been one of them, they were available. It could have been brought into effect. However, the route subsidy that was requested by Flybe was of a magnitude that we did not even bother asking anybody for the money, because as you remember we had everybody getting £100,000 to try and do a ferry  
780 service between here and Jersey in the morning and evening as a commuter service.

          Those slots are available now, Flybe still have them and if somebody like Virgin or BA bought them, if they wanted to use those slots they would have to fly to somewhere like Guernsey or Jersey or the Isle of Man or Newquay or somewhere up in Scotland. What aircraft they would use would be limited by what could land in Guernsey and that is the problem. It could be some of the  
785 old Flybe Embraer's or it could be the Q400, and if you are going to use a propeller aeroplane into Heathrow it is going to be expensive. BA fly lots of modest airfare routes out of Heathrow it is not *per se* very expensive but it is if you want to fly turbo props.

          The other thing is the landing fees and charges at London City are much higher than Heathrow. London City at the last count was the most expensive airport to operate in and out of  
790 in Europe. So that is one point, so we could have it sooner than later.

          The other thing is something Deputy Ferbrache mentioned about Aurigny looking at getting slots at Heathrow – absolutely no chance, forget it! But there are people who have got slots where they could come to us. Whether we want to subsidise the routes or not, well, that would be up to Economic Development to assess the economic benefit.

795       I have to bring up one point about runway lengths, especially something Deputy Parkinson said about if you wanted 1,700 m you would have to go outside the current boundary. That is not true either, because what people confuse is runway length and runway end safety areas, which could just be a field basically. You could – and I have said this before when Lagan was here – we could have laid 1,720 m of runway specification pavement, let's call it that, right up to the eastern  
800 boundary of the Airport. You could not use it as a runway. You could use it as a take-off in one direction but you could not use it as a runway until you created a safety area which basically would go over a road and across a valley.

          The other thing is it is possible to stick and I will say this, 99 m at the other end. Not 100. I will tell you why. You could actually get 1,799 m of runway within the Airport boundary but you would  
805 have to have a runway end safety area at the eastern end, which could be as little as about 110 m-150 m if you used the latest engineered materials arrester system technology, which is available and it has been used and it has been proven in service.

          That would have a marked impact on what sort of environmental impact report you might need or indeed what sort of planning inquiry you might need, because in the Airport and around  
810 the Airport the rules are very different for planning inquiries, and if one can make the case of safety, if you like, then a lot of things become a lot easier.

          So it is possible to get 1,799 m within the Airport boundary and it would not need anything to be done to the Forest, you would not have to level it with bulldozers, and you could even guarantee that the ILS system for people coming to land from the east would not have to change  
815 because you would just displace the threshold of this new runway to where it is now, but then it would mean that the aircraft would have 1,720 m to land on, which is slightly longer than Jersey. Isn't that a good thing? It means aircraft like Airbus 3190 could land and there would be no real

effect. The only effect might be if somebody wanted the full length for take-off in that direction  
There would be a little more noise because the aircraft would be a little bit closer to that part of  
820 the Forest, so –  
I will give way.

**The Bailiff:** Deputy Inder.

825 **Deputy Inder:** It will not be an unhelpful give way.  
Through you, sir, Deputy Kuttelwascher, I doubt there is anyone in this room that knows  
anything more about airports than him, sir.

I am just intrigued, we have got again an air and sea link review being conducted by effectively  
an accountancy firm which ultimately are going to get a load of people in to ... because  
830 accountants do not have skills in airports and they are not pilots.

Can he explain to us how much input as an ex airline pilot who clearly has significant  
knowledge – I do not know how old it is to be fair, but significant knowledge – about airports,  
how much input are you actually having into this PwC report, because if we have got skills in  
Guernsey I do have to question why we are outsourcing it effectively to a bunch of accountants?

835 **Deputy Kuttelwascher:** I can answer that because I did have an input but only after knocking  
on the door and saying I would like to have an input and I was joined by two other people in the  
flying profession and that was some months ago. But whether or not what was said by ourselves  
has had any effect I have yet to see.

840 Now I have, like quite a lot of you, seen a draft report of the PwC report and what was  
interesting is what Deputy Trott said was in the final report bears to me little resemblance to what  
I saw in the draft. So it has obviously been changed, but I would like to see it, and why we have to  
wait until March, I do not know. (**A Member:** Hear, hear.)

845 We were asked to, as a Committee, States' Trading Supervisory Board which I joined ... I was a  
bit late to the party but nevertheless, I did submit something and so did a couple of the other  
Members. We have heard nothing since. This was two months ago. We have heard nothing about  
our submission. I have not heard of any response to whether they agree with it, disagree with it, I  
have heard absolutely nothing. So there we are.

Oh dear, I will give way again, sir.

850 **Deputy Inder:** Through you, sir, I would just like to pursue this a bit.

So we have established that the Assembly Member with the most – probably the most – skill in  
the office had to go and knock on the door to get any access to this PwC report which happened  
to be a bunch of accountants. Now with this new information, I know Deputy Kuttelwascher has  
855 recently been elected to STSB, can I then pursue this line: how much has PwC interacted with  
STSB?

**Deputy Ferbrache:** If Deputy Kuttelwascher would give way to me then I could –

860 **Deputy Kuttelwascher:** Sir, I would be happy to give way to Deputy Ferbrache to answer the  
question. (*Laughter*)

865 **Deputy Ferbrache:** An excellent point, I should have covered it but Deputy Inder is right. We  
were never contacted at all, we were never asked our views, we were never, (**Deputy Inder:**  
Absolutely disgusting.) nobody – absolutely I agree with that. Deputy Inder said 'Absolutely  
disgusting', I agree with that. We were never contacted.

The only time that I knew that there was an interim report was when Deputy Parkinson, myself  
and Deputy St Pier attended a meeting with representatives of the Aurigny Board, I think about  
the 25th/26th September, when it was mentioned, and I raised my eyebrows and said, 'Well, why

870 haven't I seen the report? Can I please see it?' and I got one within a day or so. Absolutely disgraceful. Because P&R wants the States to come to a particular conclusion, it does not want to hear evidence, it does not want to have a business case, it has got its fixed views which are led by Deputy Trott.

875 **Deputy Kuttelwascher:** Sir, I thank Deputy Ferbrache for answering that question, because that all happened before my arrival, so he was the most appropriate person to answer that.

But I really have very little to say except how important it was to have this debate, although I know we will have a difference of opinion or I have with some Members of our Board, before discussing the Aurigny purchase because there are so many things in this report which could have  
880 a major effect on the requirements of Aurigny, particularly at this time, whether it is wise to change their aircraft when it could be that very soon the importance of Gatwick could be diminished therefore would they need all of these ATRs anyhow?

There are lots of issues, and I will refer to these when we get round to Proposition XVII. So I think it is important that we go through this because there are significant issues here. We are  
885 assuming that that these Propositions are accepted and we are happy with appendix A. We have to think very carefully about whether or not then it is the right time from a strategic point of view, and do not forget business cases, the first thing you consider is the strategic issues. I think purely on the strategic basis we need to see ... we will have had this debate, we also need to see other things like the PwC report, we need to see the review that has been conducted by Scrutiny  
890 Management Committee and with some input no doubt from ourselves. Also the Brexit issues because there are issues in that relating to aviation which could have a significant impact and so on.

Having said that, I am happy to support the Propositions in this policy letter, and I am so pleased that this is still this spark alive that actually wants to glean evidence.

895 Deputy Trott yesterday said he has seen no business case and no value-for-money case for, shall we say, extending the runway to whatever length. I am not surprised we have spent two years trying to get it and where are we? Nowhere. We are back to where we were in 2016 and Members may recall that at the Budget time when we put forward what we wanted to spend money on, there was first of all an amendment drafted by Deputies Roffey and Soulsby which  
900 said, 'You should not be spending money looking at this at all.' That was then withdrawn because P&R came up with their amendment saying, 'We will look at it: the overall issue of travel including sea links and how they would interact,' and where are we today? Nowhere.

Thank you.

No, I have finished.

905 **The Bailiff:** Just before I call Deputy Langlois, Deputy Leadbeater has been in the Chamber for a while. Do you wish to be relevé?

**Deputy Leadbeater:** Please, sir.

910 **The Bailiff:** Deputy Langlois and then Deputy Paint.

**Deputy Langlois:** Thank you, sir.

Deputy Parkinson, I think in his opening speech rather skirted around what I think is easily the  
915 most salient factor in this debate, and Deputy Roffey touched on it and examined it, and I think that was very useful. That salient factor is that at the core of our connectivity is the Gatwick route. We have acknowledged that by protecting the slots by buying Aurigny in 2003. That is where all our demand is, and we decided to protect and the alternative is to allow it to be cannibalised by some low-cost carrier or some alternative way of servicing that route, and I do not think we are  
920 going to be willing to take what is a risk. On the other hand, if we do not allow it to be cannibalised there simply is not the demand for alternatives.



As Deputy Ferbrache said, very nice to be able to fly to Inverness once a week on some small schedule; that is a nice-to-have but it is not the core of our air links, which is the Gatwick route. As Deputy Le Clerc said yesterday, when people talk about air links in Guernsey what they mean is the affordability of that particular route, and until we actually concentrate on that and build our air links around that –

I will give way to Deputy Parkinson.

**Deputy Parkinson:** Sir, it might assist the debate if I remind Members that this policy is subsidiary to the Air Transport Licensing Regime which this States approved in the summer. Under that Air Transport Licensing Regime Aurigny is effectively granted a monopoly over Gatwick effectively for at least the next five years. There is no intention in this policy to allow Aurigny's monopoly to be undermined by easyJet or anyone else.

**Deputy Langlois:** That is not quite what I was saying, I was saying that unless we do – we have protected it, as Deputy Parkinson says – but unless we do what we are just doing is skirting around the issue. Because a lot of people think we are discussing air links but right at the heart of it is this protected route to Gatwick. Some people want to talk about alternative low-cost carriers. What they are talking about is not a Guernsey/Liverpool route or whatever; they are talking about a Guernsey/London route and that is what most people imagine that we are debating, but we can skirt around that. Well, we did in this debate until Deputy Roffey brought it up and brought it to the fore. So in some ways we are not being honest in this debate unless we acknowledge the situation with the Gatwick route, and by far the most traffic from Guernsey goes to Gatwick.

Personally, I do not think that is going to change until Heathrow builds a new runway then there is a possibility that that situation might change, but until that happens everything that people are talking about is simply conjecture.

The other point that Deputy Roffey raised which I agreed with was the demand from representative bodies. Now if Aurigny had not established the London City route people, I am sure, would be standing up in this Assembly saying that the representative bodies of Guernsey's finance industry and commerce want to have a London City route, in fact demand a London City route, and admonishing the Aurigny Board for not having established one, because it seemed to everybody self-evident that there would be a huge demand from an international finance centre like Guernsey to London City; and Aurigny did, I will not say give way, but they acceded to that request, and the London City route turned out to be a massive loss leader with something less than 50% capacity on most of the flights. So we cannot accept what representative bodies tell us this Island needs. That is a decision for us weighing up all the evidence.

Deputy Gollop has just muttered 'business cases' which was the next thing I was going to come on to. Deputy Parkinson for a long time has said he is agnostic about extending the runway but he wants to see a business case. Well, the problem with business cases is however well they are constructed ultimately you have to make assumptions about what the demand is going to be, whether you are building a factory for widget production or extending a runway, at the end of the day you have got to make some assumptions about what the demand is going to be, so you are always going to be able to produce a business case which justifies extending the runway.

In fact the Committee *for the Environment & Infrastructure* were privy to some documents that the previous Economic Development had commissioned where the business case for work to the Airport was predicated on the tourist figures being increased by a third. Well, of course you can make a business case work if you make those assumptions, but quite where that extra 100,000 tourists are coming from was not quite clear.

So I do not believe the answer is that we need a business case. I think the decision is far more simple than that. I think it is staring us in the face.

Last night I looked up a 2002 – 16 years ago – Billet on our air links. It was about a couple of years, I think, before we bought Aurigny and the whole of the policy letter was devoted to what they called financial concessions. It sounds slightly quaint these days, but was basically the same

975 thing everybody is talking about, which is how you subsidise air routes, and that was mainly by allowing discounts on the landing fees.

In some ways I think Deputy Ferbrache is right that our air links and probably our sea links do require some form of subsidy. But that has to be transparent, and we are moving towards a greater transparency. I think a PSO for the Alderney route is a very welcome and positive development where the degree of subsidy becomes transparent rather than, as it is at the moment, sort of hidden in Aurigny's accounts. It might even be that if we all acknowledge that Aurigny's London routes are profit making and are subsidising the other routes, if we had a bit more transparency in the way we subsidise those routes we might even see the Gatwick fares decrease to some extent.

985 So I suppose in conclusion what I am concerned about is that this debate is going to deteriorate into a fantasy world of low cost carriers, possible alternatives, conjecture, which we have heard over and over again when it comes to our air links, and we are just going to lose sight of the fact that it is the Gatwick route which takes most of our traffic and which we have currently protected and which is served by an airline we own, and we cannot skirt around that fact. That has to be at the core of any decisions we make about our air links strategy, because everything else is wishful thinking.

990 Thank you, sir.

**The Bailiff:** Deputy Paint.

995 **Deputy Paint:** Thank you, sir.

From where I am standing the biggest thing that we have to solve is our infrastructure, whether at the Airport or at the Harbours.

Some effort is being made for this by Deputy Kuttelwascher. He is looking at it, and I will be very pleased to see what he comes up with, and I think we should be moving in that direction.

1000 With sea links we know that our Port cannot take any larger vessels and is restricted by the draughts even with these vessels at times and the length of quays. So something has to be done there. Vessels that are required for Ro-Ro services everywhere are getting bigger and bigger and bigger, so that diminishes the amount of other vessels that are available to us. So we are being put in a corner. Something must be done about this. We are very vulnerable because of this fact.

1005 Over the centuries St Peter Port was a tiny little harbour just down there and it expanded with trade to what it is today, and now it is not big enough to take vessels that are required for other ports as roll-on, roll-off. I believe that if something is done about that then there will be more availability of companies and vessels to come in to this Island, so we might not have to follow the path of subsidising everything.

1010 The job of this Government, in my view, is to provide the infrastructure and then do our best to try and get other people coming in, (**A Member:** Hear, hear.) because it will cost nothing. As soon as you start using subsidies, in my view, it is a false way of looking at things. A subsidy will cost the poorest people money. It will make less people want to go into business and really we have to be very careful, but as I said earlier the whole infrastructure of Guernsey has to change.

1015 Thank you, sir.

**The Bailiff:** Deputy Dorey.

**Deputy Dorey:** Thank you, Mr Bailiff.

1020 I identify with a lot of the comments that Deputy Langlois made.

On the appendix 1 we have got the investment objectives, the first one under affordability on air links is to incentivise airlines to help stimulate market growth through lower fares. Well, if we are going to do that we need to have the demand. There is no point incentivising airlines unless there is demand. Unless we have the demand through more hotel beds or a larger population, which I do not think either is going to happen in the short term. There is no point because there

will not be the demand. As Deputy Ferbrache said, if we are going to incentivise them with subsidies – I think he mentioned possible capital of £100 million, £200 million, £20 million a year subsidy just to give lower fares – who is going to pay for it? The taxpayer. We are under constant pressure to keep our taxes lower.

1030 Under connectivity it says, 'Connection to a major international hub such as Heathrow Airport.' Well, in my view, for any hub to be successful it needs frequency. That is what makes it attractive. We have had flights to Amsterdam, to Paris and to Heathrow in the past but they have all been withdrawn. When we used to have direct flights to Amsterdam I worked for a company which meant that I had to fly to Amsterdam once a month. I rarely used the direct link because it was  
1035 not the right time. At that time we had flights to Heathrow, I used to fly via Heathrow and then on to Amsterdam. It was more convenient because it was at the right time. So unless you have the frequency at a hub I do not think it will be attractive and it will not achieve what we want. I do not believe there is enough demand to have Heathrow and Gatwick.

As Deputy Langlois said, we had London City; that failed. A more convenient airport for  
1040 London, if people wanted to go to London, that supposedly should have been the first choice. But it was not because people wanted the frequency. If we had one or two flights a day to Heathrow I just do not think there will be a demand, and it will affect Gatwick. What makes the hub work of Gatwick is the combination of business travellers, local leisure and visiting tourists, and when you get the combination of all those three groups that produces the number of passengers which  
1045 gives you the frequency and can give you the hub which will make it attractive.

We have a shareholder objective if you go back to the 2015 – I think the price has been slightly increased since then – but 63% of the seats on Gatwick have to be at £67.22 or less. I think that has been inflated with inflation since then, but if we want to reduce the fares for business travellers we could remove that objective and let Aurigny charge higher prices on Gatwick as their  
1050 base price, but that would increase the cost to the locals and to visitors. There is no easy way without subsidising this to a greater amount and all that does is cost money to the taxpayer.

My third point is on the investment reliability where it says, 'To seek objectives to improve low visibility landing capability'. I would just like some more detail on that, because we are going to be debating the ATR acquisitions next and that is going to involve the possible clear view system. It  
1055 goes on to say in paragraph 4.29:

Airfield based systems therefore represent the best opportunity to extend low visibility landing to the greatest number of operators.

I would just like some idea of the timeframe that Economic Development was thinking about because if we are going to be investing money in an aircraft-based system but we are going to be imminently investing money into an airfield-based system, then it does not make sense to make both investments. So I would appreciate some clarity on the timeframe involved and expectation  
1060 in that investment objective.

But as it is I cannot support these investment objectives for the points I have made and the points that Deputy Roffey also made.

Thank you.

1065 **The Bailiff:** Deputy Yerby.

**Deputy Yerby:** Thank you, sir.

I have little to say because my points have already been well made by Deputy Dorey, Deputy Langlois and Deputy Roffey. I know that I am in a minority in this Assembly in thinking that there  
1070 is not a market-based solution to our connectivity, but I hold that belief firmly. I do not think the evidence is there to show the opposite view and, with that in mind, I cannot endorse investment objectives that appear to infer a market solution.

But it is worth saying that my notes on the policy letter boiled down to good policy letter, bad premise. It is a well-put-together policy letter and for those who hold the view that there is a market solution out there it is a sensible conclusion.

I just wanted to reflect also that I think the decision that we are going to make on Aurigny will stand or fall on its own merits irrespective of what we agree on this policy letter, and that is sort of cancelling out what I have just said, because actually to a certain extent you can probably retrofit these objectives to whatever outcome you want.

But we have a difficult decision ahead of us on Aurigny and I think if we reach the conclusion that we are not going to fund those planes, we must do that because we have consciously made that choice rather than because we have put ourselves out of time.

So let's move on.

**The Bailiff:** Deputy Meerveld.

**Deputy Meerveld:** Thank you, sir.

First, I would like to commend Economic Development on this report. I think it gives a very good high-level overview of where we need to be going and why. I just hope that they will be able to put meat on the bones relatively quickly.

I would then like to go on to explain why I thought that this debate needed to be had before discussing the acquisition of aircraft for Aurigny and before I do that I will give a little bit of background of why I laid it in the way I did.

The Billet for this meeting was delivered during the last meeting and at some 8 cms thick I did not have time to review it at that time. I was too busy paying attention to the debate we were in on the day. I subsequently identified the, in my view, failure of governance in good governance in debating an acquisition of assets before deciding the overarching strategy. I did approach the relevant committees, Policy & Resources, Economic Development and States' Trading Supervisory Board by email with all Members copied in and raised this issue and requested that the debating order be changed. I was exchanging those emails up to yesterday. Policy & Resources never responded, Deputy Parkinson, on behalf of Economic Development, responded and said that he would prefer to see the order changed on behalf of his committee and Deputy Ferbrache responded resisting the change of order.

But the reason I actually jumped to my feet today was based on the comments made by Deputy Lyndon Trott yesterday on behalf of P&R regarding their review of our transportation links and when we will finally see it. I was particularly alarmed by his comments about the fact that P&R apparently has unilaterally decided that we should not invest any money in reviewing extending the runway. Whilst at the same time, and I quote it exactly, he said: 'It was foolish at least not to contingency plan for sea links.' Whilst I do not necessarily support the idea of extending the runway beyond the 90 m already discussed in this Assembly in the Deputy Kuttelwascher requête, I do believe that we need to do a review of the options of potentially extending the Airport in the future, simply as a contingency if nothing else.

The fact is the world is changing around us and so is technology. As Deputy Ferbrache mentioned earlier in this debate, we may be forced to own jets in the future because airports like Gatwick and Heathrow do not like operators of turbo jets – aircraft that are slower on landing approach and require greater clearance, and slower in take-off and climb out that cause greater gaps in the spacing of the aircraft and therefore less volume of aircraft going through the Airport and are inherently smaller aircraft carrying fewer passengers. Consequently, in the future we may be forced to own jets.

He also mentioned that the dates when lots of other airlines flew to Guernsey are gone, and this is very true. Deputy Dorey mentioned particularly the KLM link to Amsterdam, but if my memory serves correct KLM stopped flying to Guernsey not because of a lack of demand for that route but because they consolidated their fleet of aircraft and decided to no longer own and operate ATRs, therefore they have no aircraft that could land in Guernsey. The reason that the

1125 majority of the world airlines cannot service Guernsey is the fact they cannot land their current fleet of aircraft on our runway.

So circumstances are changing and our primary Gatwick route may be under threat in the future if Gatwick starts making discriminatory decisions against turbo props or smaller, slower aircraft. Therefore I believe it is only prudent that we actually go ahead, and whilst I agree with  
1130 Deputy Inder's comments about a preference for using local experts rather than third party consultants, I believe whoever does it, it is necessary to proceed with the research so that this Assembly and the Island as a whole know what options are on the table in case some phase in future we are forced to extend the runway or decide to choose to do so because a business case has been put. But no business case can be put until you know what the costs and logistics of  
1135 actually doing the project are.

Therefore I hope that Economic Development will come back shortly with a policy letter putting forward the costings for performing that review. Also that review needs to be done, in my opinion, before making a decision on ATRs. The ATR purchase decision, the reason for the choice of aircraft, is predetermined or predicated by the fact that we have a short runway. The fact is if  
1140 there was a runway extension you might end up with a much broader choice of far more economical aircraft to buy and more aircraft, possibly jets, that can service these routes.

Let's look at the cost Deputy Trott mentioned – a potential cost of £500,000 for a review. That represents just over 1% of the cost of purchasing the ATRs.

I give way to Deputy Parkinson –

1145 **Deputy Parkinson:** Just a point of correction. The cost of over £500,000 which Deputy Meerveld refers to, is for the whole of the next phase of the infrastructure review including sea links.

1150 **Deputy Meerveld:** Thank you for that interjection.

Yes, quite right. So in fact the part directly related to the runway extension may be less, but to some extent that does not matter; at the end of the day look at the economics we are talking about in our next item spending £47 million on new aircraft, aircraft that Deputy Ferbrache has pointed out may be redundant well before their 20- or 30-year service life comes out because  
1155 Gatwick, our primary principle route we are trying to protect, might make a decision to stop allowing those aircraft or financially penalising those aircraft going to that airport. Therefore surely we should be proceeding with their reviews and making sure that we have all the information at hand before making those greater decisions. That is why I wanted to have this debate prior to discussing the purchase of the aircraft.

1160 Thank you, sir.

**The Bailiff:** Deputy Fallaize.

**Deputy Fallaize:** Thank you, sir.

1165 I apologise for my unconventional attire, but it is freezing on this side of the Assembly. I understand you have contacted some heating engineers. I hope they are here quickly and are good. (*Interjections*) I hope they are not coming by air!

Deputy Meerveld just told us something about receiving the Billet for this meeting during the last meeting. Actually this policy letter that we are debating was submitted on 9th November  
1170 which is five weeks ago and the Schedule for this meeting was circulated in advance of the previous meeting so all of the information was available to allow him to move the motion he wanted to in good time, which I why I did not vote for all that nonsense that he moved at the start of this debate.

Now, I was going to make a longer speech on this policy letter and Members will be pleased  
1175 with Deputy Yerby because the very short speech she made rather summed up exactly my view of the whole matter.

I was going to say and build on this argument that what disappointed me about this policy letter, though it is well constructed, is that it is not a plan, and I was rather anticipating that we would receive a plan of action rather than something, which it does not quite deserve to be dismissed as a vision, but it is very strategic in nature, and it is not a plan, and I do not think we are going to make material progress on this issue unless we have a plan of action rather than just strategic objectives.

But in fairness I cannot criticise the Committee *for* Economic Development too much for that because the reason I hold a rather sceptical view about all of this, as I say, was summed up Deputy Yerby. It is basically because, like her, I do not believe there is a market-based solution to the most significant air and sea links challenges that we face, and this policy letter is predicated on the assumption there is a market-based solution, and therefore it was always likely that I would not be able to support the investment objectives.

I suppose I could support them if I felt that even though they were based on the wrong premise they were unlikely to be harmful, but I am concerned for the reasons that Deputy Roffey set out that they may be harmful in relation to the Gatwick link.

I understand the point that Deputy Parkinson made when he intervened on Deputy Langlois' speech, but I am not yet persuaded and he may be able to persuade me when he replies to the debate. But I am not yet persuaded that the objectives, if they are approved by the States, will not be harmful to the most fundamental objectives of our air transport links which are related to the Gatwick route, as Deputy Langlois said. But essentially I just do not think there is a market-based solution to the challenges.

The final point I want to make is Deputy Meerveld, I think it was Deputy Meerveld said that the Policy & Resources Committee had made a unilateral decision that the Airport runway did not need to be lengthened. Clearly they have not. What they have said is they are going to bring proposals to the States which recommend not pursuing any further work in relation to the lengthening of the runway. It will be open to the States to reach a different conclusion. I think that will be a timely debate, and I feel a little bit, I do not have any strong views about whether the runway should or should not be lengthened, I think the whole thing should be driven by evidence and not ideology or fantasy which I think is a risk, and I do certainly take the point that evidence is needed in order to make an objective and informed decision.

But I do feel a little bit as if the Members who are most strongly in favour of lengthening the runway are beginning to resemble the sort of hard-line Brexiteers in the UK who criticise absolutely everything that everybody else does in connection with Brexit but no matter how many months go by, how many years go by, they are completely unable to come up with an alternative plan of their own. I just do not quite understand, several of the Members who are most enthusiastic about lengthening the runway did form the Committee *for* Economic Development in the early part of this States' term.

I will give way to one of them now.

**The Bailiff:** Deputy Kuttelwascher.

**Deputy Kuttelwascher:** Sir, I thank Deputy Fallaize for giving way.

He has actually been misconstruing the view of Economic Development.

What was it that we wanted to do more than two years ago which caused this brouhaha was to try and see if there was the evidence to do exactly what is being suggested. The problem we had was, as I said, what was in our section of the Budget then was a particular Proposition to look at a business case, which may have come up with the answer 'do not bother', but there was a move afoot to scupper that; and if we had not accepted the P&R amendment that particular Proposition would have come up and it could have been voted down and we would have been nowhere. Why can't we gather the evidence and accept the result, which is maybe leave things as they are? That is the problem.

1230 **Deputy Fallaize:** Sir, I entirely accept that Deputy Kuttelwascher puts that view very sincerely but I just do not think it stacks up.

1235 This is the easiest Assembly in the whole world for any Member of it to bring a Proposition. There are no parties, we do not have long debates about the business on the agenda. There is time available for any Member ... you can bring an amendment with the support of only one other Member, you can bring a requête with only six other Members. Any committee, irrespective of whether it has the support of P&R or not, can bring a proposal to the States. It is very easy to get proposals to the States. Yes, if you do that there is a risk that a majority of your colleagues may disagree with you and you may lose your proposal, but it is no good blaming the system if that happens, it is just that you have not been able to persuade a majority of the States to support your position.

1240 So I do not understand why – I mean I remember the occasion Deputy Kuttelwascher refers to, the committee on which he was a Member was trying to bring a proposal which might have allowed the States to collect the evidence that he is now –

1245 **Deputy Kuttelwascher:** Sir, slight point of correction.

It was not a proposal in the sense that he is suggesting; this was our format of what it is that we wanted to submit for our Budget to P&R for that particular year, and what we were going to spend the money on. So in that sense, what happened was people objected to us as a committee doing what we wanted to do

1250 It is not quite the same. I could come tomorrow with a requête saying extend the runway, but that is not the intention. I just want to gather the evidence and we were told and there was a move afoot to scupper that, and that is unfortunate. That is all.

I agree with what he says but that is not the way we wanted to do it. Why can't we gather the evidence to which there is a cost, I know?

1255 **Deputy Fallaize:** Sir, Deputy Kuttelwascher –  
I will give way once more to Deputy Oliver.

**The Bailiff:** Deputy Oliver.

1260 **Deputy Oliver:** Thank you, sir.

Just following on from Deputy Kuttelwascher that Deputy Trott actually said when the amendment came forward that it should all be finished by Christmas 2017 and that all the information was actually there, but we have still not actually had anything yet.

1265 **Deputy Fallaize:** Deputy Kuttelwascher has been around long enough, and in the States as long as I have, to know that if a committee wants to bring a set of proposals to the States it can. When he says, 'moves were afoot to resist that', well if the Committee *for* Economic Development at the time felt strongly in what they wanted to do they should have told the Policy & Resources Committee where to go and brought their proposal to the States and tested the opinion of the States. If they just meekly gave in and said to the Policy & Resources Committee, 'Oh, okay, if you are not going to be prepared to support us then we will not bring the matter to the States even though we think this is in the best interest of the Island,' then more fool them.

1270 So there has been ample opportunity. I remember that debate, I was trying to persuade, then the Committee gave in, and conceded and supported the review that was being ... I did not, I said this is another pointless review into air and sea links and we should just back Economic Development if they want to get on with their analysis of whether the Airport runway should be lengthened or not. That was the position I was taking.

1275 Deputy Ferbrache and Deputy Kuttelwascher and others were conceding and saying, 'No, okay, we will not carry out that work. We will have another nebulous vague review carried out,' as  
1280 Deputy Inder calls them, 'by a bunch of accountants into our air and sea links.' Where we end up

is in the kind of place we are today with this policy letter which, well-constructed though it is, repeats what Deputy Parkinson quite neatly calls a trilemma, in a descriptive way sets it out but does not really reach any conclusions about how to resolve it.

But my main point of criticism is not reserved for the Committee *for* Economic Development, it is reserved for those Members who continually argue that either there is merit in extending the merit or that the whole matter ought to be investigated, and yet they never bring a proposal to the States to ask their colleagues to support that investigation. Well, there will now be an opportunity. There will be an opportunity apparently when the Policy & Resources Committee bring a policy letter to the States for them to propose –

I will give way to Deputy Parkinson.

**Deputy Parkinson:** Sir, perhaps Deputy Fallaize would explain to us what the States were doing when they supported P&R's proposal to conduct a review into air and sea links infrastructure and bring it to the Assembly?

**Deputy Fallaize:** Well, you tell me. Those Members –

**Deputy Parkinson:** Well, perhaps they imagined they would get a review and have a debate about it! (*Laughter and applause*)

**Deputy Fallaize:** Applause is always useful but it was by only a very small number of Members, (*Laughter*) which I think demonstrates the problem.

I do not think there is a majority in this States for lengthening the runway. I am not even sure there is a majority in the States for spending hundreds of thousands of pounds investigating the runway. But we would find out if those Members who support that actually brought a Proposition to the Assembly and tested the will of the States rather than simply complaining that other committees or other Members will not bring the proposals on their behalf.

**Deputy Gollop:** Can I ask a little interjection?

**The Bailiff:** Is this a point of order, a point of correction or a give way?

**Deputy Gollop:** It is a give way.

**The Bailiff:** Well, Deputy Fallaize has not given way to you, so will you sit down? Deputy Oliver, is this a point of correction, a point of order or a give way?

**Deputy Oliver:** A give way, sir.  
I was just waiting for Deputy Fallaize to give way.

**The Bailiff:** Well, he has not given way. He is still on his feet.

**Deputy Fallaize:** But I feel I ought to give way to Deputy Gollop

**The Bailiff:** You will give way to Deputy Gollop then.

**Deputy Fallaize:** And then Deputy Oliver.

**Deputy Gollop:** I forget the exact order of every one of these, but we have commissioned umpteen reports about things. We had not one but two Aurigny reports for the price of one, which were different. I remember, I think I remember, Economic Development in the Deputy Ferbrache/Deputy Kuttelwascher era specifically bringing a report to look at lengthening the



runway in the first year of the new States, and it got overturned by more wishy-washy proposal to have a general review into air and sea links which Deputy Trott spoke about yesterday. There have been numerous attempts in the last 20 years, but particularly in the last three, to have a focussed outcome of a debate that actually produces the evidence for the States to make a decision in principle. Therefore I do not quite understand Deputy Fallaize's arguments.

**The Bailiff:** Deputy Oliver.

**Deputy Oliver:** Thank you, sir.

Would Deputy Fallaize not agree with me that if a requête did come to the Assembly that I can imagine he would be the first person to actually say, 'Where is the evidence?' (*Laughter*) So surely we should actually wait for the report that we are waiting for P&R to do.

**The Bailiff:** Just before Deputy Fallaize – can I just remind everybody we are debating the present policy letter on States of Guernsey Air and Sea Route Policy Development and Investment Objectives? We seem to have got side-tracked into debate about all sorts of other things that we may or may not have debated. Can we sort of come back to the actual policy letter that is before us at the moment? Unless you wish to reply very briefly to those last points, but we are getting completely diverted into other matters.

Deputy Fallaize.

**Deputy Fallaize:** But, sir, you have allowed everybody else to. Why do you have to stop me? (*Laughter*)

**The Bailiff:** You have already had about 10 minutes of this, Deputy Fallaize, you cannot say –

**Deputy Fallaize:** Right.

I just do not understand why the Members who want to investigate lengthening the runway do not bring a Proposition to the States recommending whatever work it is they want done on the possibility of lengthening the runway; because they have not put any such Proposition before the States and we were elected two and a half years ago. They do have the opportunity, whether it is by requête ... Deputy Parkinson's Committee could bring it, Deputy Ferbrache's Committee could bring it, any set of Members could bring it. Instead what they did was vote for what was perfectly obviously a nebulous, vague review into air and sea links generally. If they want a review into lengthening the runway then propose that to the States.

In the absence of that, I am left to conclude that they are just concerned that the evidence will not support their prejudice which is to lengthen the runway and therefore it is much easier to continue saying, 'Why don't we just lengthen the runway?' without actually gathering the evidence necessary to make that argument.

Now, I do not think that we are going to make any material progress on air and sea links until the Members who believe the runway should be lengthened are able to bring that debate before the States, because I think that this is, in a sense for them at least, the elephant in the room and I do not think that they are going to allow the States to make any progress in relation to air and sea links – particularly air links, obviously, until we have had this debate about lengthening the runway.

So we clearly need to have that debate, but they cannot expect it to be provoked by those Members who are doubtful, or sceptical, or unconvinced about lengthening the runway. It is a debate they are going to have to provoke themselves, and if the forthcoming policy letter from the Policy & Resources Committee provides those Members with an opportunity they will have to do it through amendment, quite obviously, because P&R is not going to do it itself. If it provides them with an opportunity to ask the States to commission the work they feel is necessary then I urge them please to take that opportunity rather than, frankly, hijacking every debate we ever

1385 have about air and sea links with a plea for somebody else to carry out the work that they believe needs to be undertaken in relation to the length of the runway.

Thank you, sir.

**The Bailiff:** Deputy Trott.

1390

**Deputy Trott:** Thank you, sir.

First of all my apologies. I had to step out a little earlier today to deal with a very significant issue and I can advise Members it was not the unblocking of my outside convenience.

1395 The reason I start my speech like that is because some Members and indeed some that have been listening to this debate have described the behaviour of Deputy Ferbrache in my absence as an act of absolute cowardice. Now I do not share that view (*Laughter*) because my view, sir, let's be clear about this, is that if Deputy Ferbrache wishes to engage in personality politics then I am the man, I am the right person for him to indulge that particular part of his personality in, because of course I am not a shrinking violet.

1400 Now, I was going to say that I have chaired more meetings that Deputy Ferbrache has resigned from committees on, but I must be honest with you, sir, I will need to check my facts before I will be confident making that sort of comment.

1405 What I do know with absolute certainty is that the Aurigny review process that I chaired – and this came after four years of chairing Treasury & Resources and four years of chairing the Policy Council, sir, and various other groups within the States, so I am the first to admit that I do not have a huge amount of experience when it comes to chairing meetings – but the Aurigny review was a challenge for two reasons. The first was that Members will remember that I withdrew from all P&R activities whilst a vexatious complaint against me was being investigated and that did impact on that work.

1410 I am told, sir, that I was accused of attending meetings without others present. Sir, it is absolutely impossible to discharge the duties as the Vice-President of P&R without that happening, particularly when some of the members of a review are based overseas or in this case in Alderney.

1415 But the thing that troubled me the most about an attack on my chairing abilities is the letter, which with the permission of Deputy Ferbrache I will release, that he wrote to me when he resigned once again, this time from the Guernsey Finance Committee, the Guernsey Finance Board, in that letter he said: 'I have thoroughly enjoyed working under you on Guernsey Finance and have been particularly impressed with the quality of the chairmanship.'

1420 So let's stop this personality politics right now and let's work hard together for the benefit of this community.

**Several Members:** Hear, hear.

**Deputy Ferbrache:** Deputy Trott, I thank you for giving way.

1425

**Deputy Trott:** I give way, sir.

**The Bailiff:** You are giving way to Deputy Ferbrache.

1430 **Deputy Ferbrache:** I am grateful for him for giving way, but he must not point at me, and he must not lose his temper.

1435 All I did was report what I had been told, that his chairmanship was poor and I know, as my colleagues who were then on Economic Development know, that we were told by civil servants that the delay in the sea and air review finalising the terms of reference was entirely due to Deputy Trott. That is what we were told on various occasions.

I certainly wrote the letter to Deputy Trott when I resigned from Guernsey Finance, as I had to as I was stepping down from Economic Development, and I said that because it was true. He chaired those meetings very well. Sadly, according to other people in relation to meetings I did not attend but from two sources and there were only six Members of the review Committee, he did not chair the other meetings very well.

**Deputy Trott:** There we are, sir.

As regards the P&R States' report that I addressed yesterday as part of the statement, those that have said that this Assembly will have the opportunity to make some decisions are of course right, but they will not be given a bare States' report. Appended to it will be the significant amount of work that has already been done, the significant amount of work that has been done regarding the extension of the runway, and the significant amount of work that has been done around air links, around sea links. So do not expect something with no evidence. It is there.

The point I made yesterday is that you can lengthen the runway by 100 m or so and there will be potentially some marginal benefits. But the point is, for it to be an absolute game changer – the point I emphasised over and over again yesterday – you have to make very significant changes to the runway, and the consequences of that are, again as I said yesterday, that larger aircraft will be able to use the runway, but of course that will almost certainly impact on frequency.

Now 'frequency' is a word that appears in the States' report that we are debating this morning on a number of occasions because frequency is extremely important, and I can be almost certain that if you put to our community, 'Do you want fares that are £30 or £40 return cheaper but the option of getting into London or another hub will become a daily event rather than one that you can currently enjoy six times a day?' I am as certain as I can be politically what the answer to that question would be, because it comes up time and time again, that frequency is more important than cost, and there is quite a lot of work done around the price elasticity or rather the lack of it.

So there we are, sir, I do hope that Deputy Ferbrache will heed my request. It does him no good behaving like this, it reflects badly on this Assembly, and I know that he has got his eye on a prize in July 2020 but that is a way off and a lot can happen between now and then.

**The Bailiff:** Deputy Laurie Queripel.

**Deputy Laurie Queripel:** Thank you, sir.

I would like to get back to debating this policy letter, if we could. (**Several Members:** Hear, hear.) I think what has been going on has brought the States into some disrepute, as far as I am concerned, and I think we need to put that behind us now and get on with the important business. (**A Member:** Hear, hear.)

Sir, I think debate up until a while ago anyway particularly the contributions of Deputy Roffey and Deputy Kuttelwascher have demonstrated why it was right to take this policy letter first before the policy letter coming forward from the States' Trading Supervisory Board in regard to the potential acquisition of aircraft.

We got there by unconventional means but I think it was the right thing to do, because there are significant potential implications for Aurigny, for example, within this policy letter. They are not explicitly expressed but they are certainly there and present and I think we can actually reference some sections of the policy letter to show that and to back up some of the comments made by Deputy Roffey. If we look on page 8, 4.16:

Guernsey currently serves 16 routes and is relatively well connected for an island of its size. Using currently available connectivity index data, Guernsey scores higher on connectivity than the Isle of Man, but performs lower than Jersey by serving fewer destinations and with less seat capacity. Applications for new route development will continue to be supported by financial support where the routes can be demonstrated to be economic enablers.

Well, if that idea becomes a reality, that perhaps regular subsidies to other airlines flying other routes that surely must have implications for the business model of Aurigny and it surely must have implications for how they operate. Surely if those things come to pass, as well some of the things we see in the next policy letter we are going to debate in regard to the predictions, in regard to how Aurigny will realise efficiencies etc. surely that kind of thing calls those efficiencies, or those predicted efficiencies, into question? Surely that will have an impact on what Aurigny are predicting will happen if these kinds of things come to pass where there are other airlines flying other routes, particularly if it is to Heathrow and there are subsidies being brought forward to enable that to happen, so clearly there must be implications for Aurigny and for our infrastructure and other things in regard to what we are looking at in this policy letter.

Then if we turn to page 10, 4.28 and 4.29, I will not read all of that section but in 4.29 it talks about the ClearView system that Aurigny will have access to if the ATR72-600s are purchased. But it also goes on to say that the ClearView will:

... provide a solution for certain aircraft types ...

So they are the ones that Aurigny are going to buy.

... but these do not present a universal solution for all operators using Guernsey airport. Airfield based systems therefore represent the best opportunity to extend low visibility landing to the greatest number of operators.

Now it is quite clear if we are going to consider work at the Airport, upgrading the Airport and employing these new technologies to allow a greater opportunity for all aircraft to land, that will be a significant project, sir. I am sure it will cost several or many millions of pounds. Now, sir, once again I think there are implications or consequences for Aurigny here. Might it be better if we spent – I think Deputy Meerveld said £40-odd million – that money, make that capital investment in the Airport in upgrading the Airport, and employing the technologies needed at the Airport rather than spending it on planes for Aurigny.

So I think it is right that we debated this policy letter first and I think it is clear that there are references in here. As I said, they are not explicitly expressed but there are references in here that will have an impact upon how Aurigny operate and their business model.

I think also Deputy Roffey said this is a fairly anodyne policy letter but actually, when you really think about it, it is not, because if you think about perhaps by inference the significant potential implications for Aurigny, for taxpayers, and for our infrastructure and so on.

Then we go to, and this is something that Deputy Trott just alluded to when he was speaking about this policy letter, page 15, 6.1:

The work currently being commissioned by the Policy & Resources Committee will result in detailed cost/benefit analysis of the different options for air and sea link infrastructure and future policy development. The Investment Objectives set out in this policy letter will be used as a framework for this analysis in order to assess which options would best meet the Investment Objectives.

Sir, that also just shows that perhaps the timing is not great in regard to the next policy letter we are going to be debating, because we have not got all that information yet that is going to be coming forward from the PwC report and I think once again there are implications in there for our infrastructure for Aurigny and for the taxpayer and for Islanders generally.

So, sir, I think it was right that we debated this policy letter. I think there are a number of things that can be inferred from it and I think we need to think about those things very carefully.

Thank you, sir.

**The Bailiff:** I see no-one else rising – Oh Deputy de Sausmarez.

**Deputy de Sausmarez:** Thank you, sir.

Just following straight on from Deputy Laurie Queripel, I do think it is a slightly false comparison. We are not being asked to make a decision between investing in the technology

1525 which is part of the Aurigny acquisition, aircraft acquisition proposal or the Airport landing systems. That is not the decision in front of us. I do not think it is actually a particularly helpful comparison, and that is before we even mention that actually we are not being asked to invest taxpayer's money directly into that technology for Aurigny, but I am sure that will be covered in more detail in the next debate.

1530 I just wanted to pick up on something that Deputy Langlois raised, which was transparency, and this is the thing that really struck me as a critical part of this policy letter. The definition of affordability hinges, at least in part, on the relative affordability with Jersey pricing, and what really concerns me about that is there is absolutely no transparency whatsoever about the degree to which those prices are subsidised by the Jersey taxpayer.

1535 So again we are in a very difficult position. We are comparing ourselves with Jersey pricing but yet we have no visibility on the real cost to the Jersey taxpayer, and we also have to acknowledge that we do operate in a different fiscal framework as well and this kind of leads me on to my next point, which is one of the core strategic objectives of this is to enable economic growth and Deputy Laurie Queripel also read out I think it is paragraph 4.16 again which is talking about:

Applications for new route development will continue to be supported by financial support where the routes can be demonstrated to be economic enablers.

1540 So we have got talk of economic growth and we have got mention of economic enablers all the way through the objectives, and I would like Deputy Parkinson to clarify how that economic growth and how economic enabling is measured, because if it is just GDP growth that is a very different thing to the impact on our taxpayers, and I think that is an absolutely critical thing that does need to be elaborated upon.

1545 For those reasons, I am actually uncomfortable with the objectives as set out in the policy letter as well as some of the other concerns raised by other Members, but in the spirit of Deputy Yerby I think I will leave it there so that we can push on.

**The Bailiff:** Deputy Tindall.

1550 **Deputy Tindall:** Thank you, sir.

I am very grateful to Deputy Meerveld for enabling the earlier debate of this policy letter. I was the only one who voted against the Schedule at the last meeting. I acknowledge I could have laid an amendment on my own, in fact, to ask for the policy letter to be debated in this order that we found ourselves in today, but at the time there were discussions that I felt that there was not the support with the various committees, or indeed the awareness in this Chamber of, in my view, the importance of the debate in this order, and hence I did not personally put my head above the parapet for that reason.

1560 However, as Deputy Kuttelwascher clearly said, the effect of this policy letter on the STSB's policy letter is there, is there for all of us to feel and consider. For example, I for one, was unable to even decide on whether to agree to a guarantee without this debate. So I hope those in STSB will benefit from this earlier debate, so that Deputies like me can have the direction of the States.

1565 So to the policy letter, the trilemma challenge is very much an issue. Unlike Deputy Trott who said yesterday that frequency for air links, or reliability as it is described in the policy letter, was the overarching priority, there is actually different requirements for different groups to take one group of travellers, the tourists, lower fares will stimulate tourism growth, as with anything that benefits our tourism industry will also benefit Islanders; reliability however is very important also.

1570 Visiting friends and relatives (VFR) would also benefit from access to different routes but frequency could be jeopardised. So for my part as tourism lead I would like to see a reduction in price of travel, but as I am also acutely aware that businesses on this Island would need frequent flights. Connectivity is also important to an international hub. I believe that route to a hub like Heathrow would be a benefit to all.

Taking into account all of these different items to certain conflicting priorities of the groups travellers we need to find a balance which is fair, hence I agree with the investment objectives.

1575 Deputy Gollop talks about the new Logan Air route 800 people a year may not be many but, as Deputy Gollop says, it is a good start. The P2 started with only a few passengers but does benefit Islanders, and continues to increase in numbers, and the new Bournemouth route costs us little in comparison with greater potential financial benefits by leading the way for those tourists visiting the Bailiwick.

1580 Naturally we are also working on making sure this is just a start and a greater number of routes are offered.

Deputy Roffey and others jested about the previous President of the Chamber of Commerce's ideas about air and sea links infrastructure. Personally, when I first heard his ideas and the similar ideas of others I considered them worthy of consideration, and I have heard how that idea has been researched and I hope that such innovative ideas are not dismissed out of hand now or in the future. Indeed I hope such long term possibilities are kept in mind when we debate the P&R policy letter next spring.

1590 Air and sea links has been said to be the top priority for this Government, so when I saw and heard PwC's report on the options available to improve all links I was initially reassured that we have ways of improving aspects without necessarily the expense of extending the runway to 200 m. I should also add that the PwC report in my view is not a nebulous review. The expert information and options suggested are well worthy of debate and consideration.

All cost money. That needs to be considered fully to be able to identify the best combination to benefit the most number of travellers.

1595 I also echo various speakers' disappointment that this policy letter does not contain the action points. As said, this is firmly in P&R's remit. I feel deeply disappointed that the policy letter is not being debated after this policy letter. It is not even a question of lack of resources. I feel even more aggrieved when the work on the Harbour Action Area, for example, was taken on by P&R and not led by the DPA when it is our policy letter. I can honestly say if the DPA had been given the resources needless to say our Committee would have had the energy and enthusiasm and have pushed forward with the work to have that planning inquiry, yet we had to fight for a DPA representative even to be on the Harbour Action Area Working Group. Now we have the most important decisions asked by the electorate delayed. I urge P&R to reassure us that it will be debated in quarter one 2019 and so work can be started.

1605 I apologise to the States for harping on about this – my disappointment – I do not usually do so. I did not, for example, when I pressed for an amendment to be had to the Schedule at the last meeting so that this could be debated first.

1610 So specifically to what we are being asked to agree today, do we agree to the core strategic objectives, the critical success factors and investments objectives in appendix 1, and also to note they will be used to assess the cost benefit evaluation of options that will be put forward for further investments to secure, improve and optimise the Bailiwick's air and sea links?

For me, without any amendments to the Propositions this statement in Proposition 2 will happen and so a vote today for Proposition 2 is a direction to P&R and the States' wish to have that cost benefit evaluation. I therefore urge my colleagues to vote in favour of both Propositions sending a further message to P&R.

1615 Thank you, sir.

**The Bailiff:** Deputy Parkinson.

**Deputy Parkinson:** Thank you, sir.

1620 I thank all Members for their contributions to this debate, and I think the vigour with which the matter has been debated vindicates the decision to deal with this before we go on to look at the ATR decision.

I start with Deputy Inder who is obviously a well-known supporter of the idea of an independent ferry or Guernsey-owned ferry operation and I echo the words of others who said that that needs to be plan B and that is certainly our position and the position also of P&R.

He asked a specific question: is tourism growth part of economic enablement? Yes, it most certainly is, and one of the objectives obviously of this policy is to drive increased visitor numbers. Now I recognise, as subsequent speakers have said, that better air connectivity or better sea connectivity is not a complete solution to growing our tourism market. We need also to address the issue of attractions on the Island and also of course the bed stock on the Island, and my Committee is working hard on all of those areas, but air and sea links is an important part of the solution.

Deputy Gollop said that the trilemma can be resolved by public subsidy and referred back to the old *Sarnia* and *Caesarea* days. Well yes, if the taxpayer's money is thrown at the problem you can have cheaper fares, reliable services and connections to a wide range of destinations. But that is not clearly a universal *panacea*, it comes with a very considerable cost to the taxpayer and any investment in our connectivity has to be carefully assessed. The business case for it has to be carefully assessed, and we will be coming back to the Assembly with proposals for investment in certain routes over the course of time, but we need to agree to start with what 'good' looks like, what we are aiming for, and that is the purpose of this policy letter.

He asked what public subsidy has there been at the Airport. Well, in a way there was quite a significant lump of public subsidy because the runway rehabilitation project was charged to the Capital Reserve and it is not being charged on a user-pays basis in the form of landing fees. So the States has a history of subsidising public transport infrastructure, and we will need to do so again. I make no bones about that.

He said new links rarely last long. Well, that I think is a bit speculative; some of them will last long, some will not. But he speculated that we might have £450 return airfares to Heathrow. We might, but that is in priority a business destination, the purpose of it from our perspective is to allow interlinking onto international carriers to go to other destinations. The reality is as a person who travels on business quite a bit, the alternative is to take a flight to Gatwick which will not be cheap and then a car or some other public transport round to Heathrow and with the time lost involved in doing that and the not inconsiderable costs of taking a car, it may well be worth paying £450 return to Heathrow. Many businesses may be happy to make that choice.

He was disappointed that the new Edinburgh, Glasgow and Bournemouth links are only weekly links. This is a point raised in other speeches so I will spend a few minutes commenting on that. Often when a new route starts you start it small and with a low risk service. So Logan Air, we are very pleased, are offering weekly services to these new airports and bringing customers that probably would not have come to Guernsey before or quite possibly would not have done into Guernsey. If those routes are successful and they find that in the peak season they are able to fill those flights, the natural tendency is they will put on more flights, they will expand the service and we very much hope that that is how they will grow. Others have made analogy with the P2 bus service so these things often start small, you do not on day one put on a weekly schedule twice a day using an airbus.

So he asked, 'Is tourism growth part of –?' I think that covers his comments.

Deputy Ferbrache said Aurigny is a big part of our air connectivity and it is, and its position in that respect is largely entrenched. He says we are going to need subsidies if we want cheaper flights and that is very probably true. I think it is apposite at this point to make some comments about a Heathrow link. Yes, of course when Heathrow builds a third runway perhaps in 10 years' time maybe slots will become available to regional destinations like Guernsey and maybe they will be handed to us for free, but the reality is at the moment Heathrow is full and although there have been some remedial slots available, as Deputy Kuttelwascher referred to, as a result of the merger of British Airways and BMI, the reality is the value of slots at Heathrow is very considerable. Just to give Members an example, about 18 months ago the Airline SAS sold two pairs of slots to American Airlines for \$75 million. Now of course that is an investment for

1675 American Airlines because then in this strange world of slot ownership they effectively acquire an asset which will retain its value and may even appreciate in the future. But there is no question at all that access to an airport like Heathrow could be very expensive, and the States may need to address that issue as some point in the future if the opportunity to acquire slots ever arises.

Deputy Lowe, I give way.

1680 **Deputy Lowe:** Thank you, Deputy Parkinson, for giving way.

I am interested to hear about Heathrow, but equally I am interested to hear if we can do anything about Gatwick, where it is just so expensive to get to Gatwick. I have looked this morning if I wanted to do a day trip on Monday to go to Gatwick it would cost me £307.98, but if I was flying from Jersey it would cost me £125. We are paying an awful lot of money to get to Gatwick.

**Deputy Parkinson:** Well, Deputy Lowe will be familiar that most airlines operate a pricing model that means that airfares go up the closer you get to the date of departure, and I do not believe it is in our Committee's considerations to subsidise routes to Gatwick.

1690 Right, back to Deputy Ferbrache, he thinks we may need to acquire ferries. We may need to acquire ferries – that is another issue that will have to be explored in due course, and basically makes the point that it will cost a lot of money, because, as he said, the days when airlines wanted to come to Guernsey or were rushing to come to Guernsey are gone, and effectively if we want them to come to Guernsey and we do, we will have to persuade them to do so.

1695 Now Deputy Roffey, I have sort of addressed his point in the form of an interjection later on when Deputy Langlois was speaking, but I do need to reiterate this, we are engaged in a process, believe it or not, and Economic Development is not bringing these reports in random sequence for a scattergun set of purposes.

1700 The first report we brought to you was on Air Transport Licensing System when we proposed and the States, by a majority, accepted that we would operate a *quasi* Open Skies policy. Members will be well aware that under that *quasi* Open Skies policy that Air Transport Licensing was retaining for the Gatwick and Alderney links, and that means that any airlines who operate Gatwick to Guernsey need to get a licence and the conditions that the States have imposed around consideration of application of any such licence effectively granting monopoly to Aurigny. 1705 There is no intention in this policy letter or in any aspect of Economic Development's policy to disturb that arrangement. So everything we are considering today is subsidiary to the decisions we have already made.

The priorities at Gatwick – in the letter we say that affordability would be top of many people's lists and this goes to Deputy Lowe's interjection. In fact two thirds of the passengers on Gatwick are leisure passengers. We recognise the supreme importance of Gatwick to the business community and also to the visiting friends and relatives market, but the fact of the matter is two thirds of the passengers on those planes are tourists and so affordability is a prime consideration, but within the context of the Air Transport Licensing System. There is no intention on the part of Economic Development to displace Aurigny off the Gatwick route and substitute easyJet.

1715 Deputy Kuttelwascher reminded us that Heathrow is not pie in the sky. Well no, it is not pie in the sky, it could happen and indeed our Committee, since he resigned from Economic Development, has also received approaches from other airlines to operate Heathrow slots on a babysitting basis, and what happens there is an airline ... for example, Virgin Atlantic will have a gap in its schedule where they do not need to use a slot for perhaps a year and they will offer it round other airlines and say, 'Would you like to use our slot for a year?' because they have to use the slot or lose it. So those opportunities do arise and we have considered some of them, and as Deputy Kuttelwascher rightly says, they are very expensive. We are talking not thousands or even tens of thousands or hundreds of thousands over a period of a few years you would be talking perhaps a million pounds to rent that slot.

1725 Now he spoke of runway options and said they should be properly explored and that is exactly right. The whole thrust of what we are saying is if the States agrees these policy objectives, i.e.



1730 'What would 'good' look like?' then we need to do a proper review of the infrastructure that we would require to deliver that. Because the logical sequence is: define what you want to achieve, consider what carriers you would need to achieve it, and then look at the equipment they are using and say, 'What do they need to be able to operate from Guernsey?' We know, for example, that most of the large international carriers today could not operate off the existing Guernsey runway.

1735 Now he did not know why we cannot see the PwC report, 'Well, I have said already I very much regret that that report is not in front of Members today. I think Members, if they could read that report, would see that actually what we are proposing is very much based on the recommendations and thinking in the PwC report.

1740 Deputy Langlois, again, I have mentioned the discussion about Gatwick and I am afraid a bit of a red herring that has been introduced into this debate about security of the Gatwick slots is he says people are not talking about a Guernsey/Liverpool route. Well actually, you know what, the first air route that easyJet operated to Jersey was Liverpool to Jersey. It was not Gatwick to Jersey, they started small. Like our introduction of Logan Air from Bournemouth. The very first easyJet service to Jersey was from Liverpool and because it was successful they grew that route and then they started introducing others.

1745 I think today there are six or seven routes to Jersey operated by easyJet. One of them of course is Gatwick but they would not be allowed to operate that to Guernsey. But clearly we would like to start a conversation or be able to have a conversation with an airline like easyJet and say, 'Well, come and operate to Guernsey from Liverpool or wherever you like and we will talk to you about route development support and we hope that that will develop into a worthwhile service and that you will find that there is a sustainable market and then move on to introduce other services.'

1750 None of those conversations can happen today because they simply cannot operate off our runway.

Now, he said decisions have to be made by us based on evidence. Well, that is precisely what we are saying. Yes, we need to evaluate the business case for any particular investment, whether it is a revenue investment or a capital investment to decide whether it is a sensible investment to make. He said the business case has to be based on assumptions about demand. Well, they are and that is done all the time by businesses in every field of economic activity.

1755

In the field of air transport there are consultancies that predict the demand for a new service from airport X, let's say Sheffield to Guernsey. There are consultancies out there which would give you an estimate of what they think that market is, and obviously other information about how price sensitive it is and to what extent that would cannibalise custom off other nearby routes, Leeds-Bradford, East Midlands. That advice is available. It is not always going to be right, but obviously in making a business decision in any walk of life you do have to make some assumptions, you do your research and you decide whether the cost that you are being asked to bear is worth the gamble. We do that on Economic Development all the time. We are approached by airlines wanting to operate new routes to Guernsey and asking for financial support and we do evaluations about we think is in it for Guernsey, what we think the benefits to Guernsey's economy would be, and do we think therefore that the investment is justified?

1760

1765

Now Deputy Paint said the critical thing is to look at our infrastructure. Yes, indeed, I totally agree with him.

1770 Deputy Dorey said we need to stimulate demand. Well, yes, and I have explained in my opening remarks that this is only part of a solution. If we want a better tourist market for Guernsey then we have to improve a number of things, of which air connectivity is only one, but we are addressing all of them. This piece needs to be put in place if we are going to arrive at a solution.

1775 He said he thinks we need frequency to an international hub. Well, obviously in an ideal world we would go back to the days of Air UK and have four daily flights to Heathrow. That would be fantastic, but the reality is with the congestion at Heathrow and the potential availability of slots and the very considerable cost of slots when they do become available, there is no way that we

1780 could afford or begin to justify the sort of investment that would give us four slots a day at Heathrow. That is not going to happen. But the reality is for businessmen and women on international travel even being able to get to Heathrow once a day or twice a day would be a huge benefit.

1785 He commented on low visibility landing capability and, yes, of course that would be a huge benefit, but as others have pointed out, what this report is commenting on basically is how would we improve the ILS system at the Airport for all operators, not just Aurigny, if we were going to be doing a runway extension, for example? I do believe that that is an important part of the business case for a runway extension, which is not proven yet, and has not been evaluated, but an important part of that evaluation would be how much could we improve the ILS and what would be the benefit to all operators.

1790 He asked about the timeframe for ILS. Well, again, I think this needs to be considered in the context of any work that may be approved by the States on the runway, we know that that would take at a minimum perhaps three years, depending on what the plan was, and ILS therefore is not likely to happen ... or a big improvement in the land-based ILS system at the Airport is not likely to happen any time soon.

1795 Deputy Yerby said there is not a market-based solution to connectivity – a comment echoed later on by Deputy Fallaize and clearly for those who do not believe in market-based solutions generally, they will be sceptical about our ability to encourage expansion of Guernsey's air connectivity by those means. I believe that we can solve or improve the problem by market-based solutions and fundamentally this comes down to, I think, a difference of political philosophy.

1800 Deputy Meerveld – I thank him for his support. He reminded us that KLM ceased operating to Guernsey because they no longer had planes that could access Guernsey Airport and this is a general problem. BA – we would love to have services operated by BA but there is no possibility of them flying into the Airport as it now stands.

Yes, I give way to Deputy Trott.

1805 **Deputy Trott:** Is it not true, and indeed one of the conclusions that PwC has advised us is, that there are significantly more aeroplanes currently operating on short haul routes that can land at Guernsey Airport than there are that cannot?

1810 **Deputy Parkinson:** Well, that is certainly true, but that does not negate the point that very few of the international carriers, for example, operate any of those aircraft that can operate off the shorter runway. So if you want to have a service operated by British Airways, for example, the smallest plane they would operate would be an airbus A319 and if you cannot accommodate it then they cannot operate. *(Laughter)* Well, Deputy Trott has a point but it is largely irrelevant. *(Laughter)*

1815 Economic Development, he says – this is still on Deputy Meerveld – should come back with a business case for the runway extension. No, I am sorry, Deputy Meerveld, the runway review is being conducted by my good colleagues on P&R and it will be for them to, at some point – they say February – bring back a report on the infrastructure, and as Deputy Fallaize later said, it will be for us Members who think that the business case should be evaluated to bring an amendment to that P&R policy letter to say let's have an evaluation.

1820 Deputy Fallaize – moving on to him – said it is not a plan. No, it is a policy to agree the objectives, what we are trying to achieve, and so that will inform our decisions when we look at any particular investment, whether that is infrastructure, or subsidy, or whatever, but we need to agree what we are trying to achieve and this is what this policy letter sets out to do.

1825 We have covered the market-based solution thing. Deputy Fallaize has a tendency to launch off into ideology and he thinks Members supporting a runway extension are a bit like supporters of Brexit because they fail to bring a workable plan. Well, actually as someone who, as others have remarked, has remained agnostic on the runway issue and just wants to see the business case

1830 worked up so that we can make a rational decision, I think that is unfair on the supporters of the runway extension.

I think they were reasonably entitled to assume that the Policy & Resources amendment that they would launch a review of air and sea links infrastructure to report back to the States by the end of 2018 would have been carried out and that the States would now be at this meeting  
1835 probably addressing a decision about whether or not to press ahead with further investigation. So personally I thought that that intervention by Deputy Fallaize was itself ideological and it was unfair on those who clearly take a supportive view of the runway extension.

Now I think the runway extension proponents have been entirely consistent and have always said they want this on the table, and I agree with them, I think it should be on the table. Where we  
1840 maybe part company is I do not start with the foregone conclusion that a runway extension would be economically justified.

Deputy Fallaize said we talk about the trilemma but we do not suggest solutions. I think, importantly, what we are saying is the trilemma will be resolved in different ways for different routes and for different user groups. The reality is affordability, connectivity, reliability have  
1845 different priority orders on different routes and for different user groups, and that is what we are saying: that in considering any investment into our air and sea links infrastructure we need to place those desirable qualities in a priority order so that we can make the evaluation.

So I suspect that I am not going to persuade Deputy Fallaize to support us, but I do believe that Members dispassionately should say, 'Yes, we should look at the evidence'.

1850 Deputy Trott said that a longer runway means larger aircraft and therefore lower frequency, which as a general proposition is true but which in the context of Gatwick does not mean that easyJet will displace Aurigny.

Deputy Laurie Queripel said this is important to consider the implications of this policy letter before assessing the impact of these policies on Aurigny; if this policy letter receives the approval  
1855 of the States then clearly there are implications for Aurigny. Deputy Ferbrache referred to a meeting that he and I and Deputy St Pier had with the Board of Directors of Aurigny where I laid out substantially the contents of this policy letter and explained to them what we are trying to achieve. I think actually the clarity that we were bringing to States' policy, or trying to bring to States' policy, was broadly welcomed by the Board of Aurigny. I think they feel that having some  
1860 guidance as to what actually the States wants to get out of all of this is actually really useful for them. We will see whether we agree or disagree with their conclusions on the ATRs later, but they have brought their policy, STSB are bringing a policy letter with those recommendations in the light of what is in this policy letter, the Board of Aurigny know exactly what we have said we want to achieve.

1865 Deputy de Sausmarez made an important point about relative affordability and disguised subsidies with Jersey. Well, of course that is true actually of many destinations. The reality is that airlines like Ryan Air, who incidentally will probably never be able to operate to Guernsey because their Boeing 737 800s need sort of a 2,000 m runway. They do not pay to land at airports, they get paid, and so the reality is it is very hard making any comparison with other jurisdictions to work  
1870 out how much public subsidy has gone into those routes.

So her point is entirely valid, but I think we cannot hope to offer the people of Guernsey, our electors, that they will have cheaper air connectivity than Jersey; it is probably not going to happen. What they dislike is the very big discrepancy between what people from Jersey pay and what people from Guernsey pay, and the thrust of this policy letter is to improve our Air Transport  
1875 Policy to try and reduce that discrepancy.

So I think I have covered everyone's questions –

Oh, Deputy Fallaize has –

**Deputy Fallaize:** I am grateful for Deputy Parkinson and when we go to the vote he will find  
1880 out that actually he has persuaded me.

But the point he is making in reply to Deputy de Sausmarez, I think, is a bit incomplete because: is the issue not that until we understand whether lower fares elsewhere are the result of public subsidy, it is not possible for us to take a view on whether our own population should or should not be paying less or more for its own airfares in and out of Guernsey?

1885      Actually the public of Jersey may not be paying. The passengers are clearly paying less than ours on many routes, but the public, the population of the Island, may not be paying less. But we cannot make that decision without knowing what the level of public subsidy is. So surely there must be some way of us increasing our understanding of that?

1890      **Deputy Parkinson:** I think the answer to Deputy Fallaize is it is very obscure. The Ports of Jersey accounts probably, in my opinion, do contain some element of subsidy to airlines operating to Jersey but you can read those accounts and I do not think the subsidy is very apparent. So the reality is we need to form policy for the Island of Guernsey. We are cognisant of what is happening in other jurisdictions, particularly competitive jurisdictions in the tourism market. So we are aware of that, but what they are doing cannot inform what we decide to do.

1895      Deputy de Sausmarez, I give way.

**Deputy de Sausmarez:** I am grateful to Deputy Parkinson for giving way.

1900      I would just like to remind him of my question about how economic growth and economic enablement will be measured. If he would not mind quickly addressing that I would be grateful.

**Deputy Parkinson:** Yes, indeed. I am sorry I did not cover that earlier.

1905      Just as there are consultants who will estimate what a new route might bring in in terms of passenger numbers and we get an idea of what market that particular airport serves, and we can get estimates of what the impact would be of air services at different price points. We have to form an evaluation about what would be the economic benefit. If a new route was, in our opinion, going to bring in a net extra 20,000 passengers a year that would not otherwise have travelled to Guernsey, then we have to form a view or make assumptions about, 'Well, how much are they going to spend in Guernsey when they are here and therefore what is the value to Guernsey of that route?'

1910      Obviously, we then have commercial discussions which are confidential with the operators proposing to run the route and where they say, 'We are going to try and operate this route, but we think in year one we will only get 40% seat occupancy and we aim to build up in year two and year three to 55% and then 70% seat occupancy.' So they may be saying to us, 'We need support in years one and two to get us through this upcurve.' That is a discussion we have all the time.

1915      They will say, 'For us to operate this route, we need ...' pick a number, '£30,000 of subsidy,' and then it is a matter for the Economic Development Committee – we would be guided obviously by advice – to decide, 'Well, how much is this route worth to Guernsey? Are we willing to put £30,000 of taxpayer's money into stimulating demand on that route?' So there is a process but it is a very objective, if not scientifically precise, process.

1920      Thank you, sir.

1925      **The Bailiff:** We vote then on the two Propositions, and I put both of them to you together because nobody has requested otherwise. I suspect there is about to be a request for a recorded vote.

**Deputy Meerveld:** Yes, sir.

**The Bailiff:** Recorded vote on the two Propositions.

*There was a recorded vote.*

1930 **The Bailiff:** Well, Members, whilst those votes are being counted can I just comment on where we are timing wise.

It is pretty obvious we are now one and a half days into this debate. Advocate Ferbrache ... sorry, *Deputy* Ferbrache! I am used to seeing down – not in the dock perhaps, (*Laughter*) used to seeing him on the advocates' benches. Deputy Ferbrache has already reminded us that Article XVII, the Propositions on the Aurigny Air Services acquisitions, are time critical. Deputy Brehaut has also reminded me that Article XVIII, the Committee *for the* Environment & Infrastructure and the Policy & Resources Committees' report on road transport and driving licence implications for driving in Europe post-Brexit and other related matters, are also time critical because they are Brexit related. I do not know if there are any other things that are time critical. (**A Member:** Lunch.) (*Laughter*) Lunch is!

1940 But seriously there are those two Articles that need to be completed in this meeting. So can Members when they are preparing speeches or thinking about their speeches please keep them focused to the matters that are going to be an issue in debate?

*Carried – Pour 33, Contre 6, Ne vote pas 0, Absent 1*

**POUR**

Deputy Fallaize  
Deputy Inder  
Deputy Lowe  
Deputy Laurie Queripel  
Deputy Smithies  
Deputy Hansmann Rouxel  
Deputy Graham  
Deputy Green  
Deputy Paint  
Deputy Le Tocq  
Deputy Brouard  
Deputy Dudley-Owen  
Deputy Soulsby  
Deputy Prow  
Deputy Oliver  
Alderney Rep. Jean  
Alderney Rep. McKinley  
Deputy Ferbrache  
Deputy Kuttelwascher  
Deputy Tindall  
Deputy Tooley  
Deputy Gollop  
Deputy Parkinson  
Deputy Lester Queripel  
Deputy Le Clerc  
Deputy Leadbeater  
Deputy Mooney  
Deputy Trott  
Deputy Le Pelley  
Deputy Merrett  
Deputy St Pier  
Deputy Stephens  
Deputy Meerveld

**CONTRE**

Deputy Dorey  
Deputy Yerby  
Deputy Langlois  
Deputy de Sausmarez  
Deputy Roffey  
Deputy Brehaut

**NE VOTE PAS**

None

**ABSENT**

Deputy de Lisle

1945 **The Bailiff:** The voting on Article XIX was 33 in favour, with 6 against. I declare it carried. We will rise and resume at 2.30 p.m.

*The Assembly adjourned at 12.39 p.m.  
and resumed its sitting at 2.30 p.m.*

**STATES' TRADING & SUPERVISORY BOARD**

**XVII. Aurigny Air Services –  
Aircraft Acquisitions –  
Debate commenced**

*Article XVII.*

*The States are asked to decide:*

*Whether, after consideration of the policy letter entitled 'Aurigny Air Services – Aircraft Acquisitions', they are of the opinion:*

*(i) To note the decision of the States' Trading Supervisory Board to approve Aurigny Air Services' business case for the replacement of its existing three ATR72-500 aircraft with ATR72-600 aircraft, subject to the considerations set out in section 5.7.2 of the policy letter;*

*(ii) To direct the Policy & Resources Committee to enable the replacement of Aurigny Air Services Limited's existing three ATR72-500 aircraft with ATR72-600 aircraft by providing:*

*(a) The necessary guarantees for borrowing from third parties, including the application of a guarantee fee not exceeding 0.8%, or a loan from the proceeds of the States of Guernsey bond issue; and,*

*(b) Guarantees that may be necessary to enable Aurigny Air Services to enter into such interest rate and/or currency exchange rate swap agreements that may be required, in accordance with the considerations set out in section 5.4 of the policy letter.*

**The Senior Deputy Greffier:** Article XVII, States' Trading Supervisory Board – Aurigny Air Services, Aircraft Acquisitions.

1950

**The Bailiff:** Deputy Ferbrache.

**Deputy Ferbrache:** Thank you very much, sir.

1955

What the States are being asked to do today, tomorrow, whenever this matter concludes, is to approve the purchase of three brand new ATR 600s which will be built by a reputable company at a cost of \$60 million, with delivery in the summer and autumn of next year.

Now the previous debate that we had that concluded at lunchtime was a very useful debate, and that threw up various topics and statements and speeches that may be relevant to what we are talking about today.

1960

But in connection with that the position of the majority of the States' Trading Supervisory Board is that this is a policy letter that should be approved by the States because it is business as usual – business as usual for Aurigny.

1965

Now the statistics show this, that of the 800,000 or so people that travel by air to and from Guernsey, over 60% in fact, it is five hundred and something thousand, travel by Aurigny, travel through Aurigny. So that is a significant number. You have all flown to various airports in the world and if it is certain airports you see Logan Air planes, or you travel to some of the foreign countries you see whatever it is, the state airline or the dominant airline of that particular district or jurisdiction with those particular aircraft.

1970

Now we can like it or lump it, but the reality is that although I and most of the States voted for an Open Skies policy just a few months ago, and we have seen a few crumbs of that or seeds of that which will hopefully germinate and give rise to wider things and bigger things, as Deputy Parkinson said this morning ... but it is a slow burn. It is great that we have got aircraft coming to and from Scotland, it is great that there will be the Bournemouth thing. All of those are fantastic.

1975

As Deputy Parkinson rightly said this morning, when easyJet started up in Jersey it was the occasional service to Liverpool, now they have got five, six or seven different routes. But easyJet were heavily subsidised in going into Jersey when they first went in to Jersey. When you have a cut price airline you pay them initially to come into your jurisdiction, and if it does not work out

then off they go after a few years. If it does work out they stay and the subsidy is either reduced or extinguished. So that is the reality of it.

1980        Also I hope he is not too cold, he has not quite come back this afternoon, but Deputy Fallaize said this morning that the runway issue – and he is probably right, I believe he is right – if we were to debate it today, tomorrow, next week, there would probably be a majority, maybe a significant majority, in favour of not having a runway. But even if it was not, even if we are wrong and there is a business case made out and in a year's time the States decides, following on from that business case, that there should be a runway extension to say *circa* 1,750 m or whatever it may, that is going to take some years to develop. Before an easyJet plane of a certain size or a Virgin Airways plane of a certain size lands on that particular runway we are going to be another seven, eight, nine years down the line.

1985  
1990        The runway issue I can see being an election issue in the next election. It will be a clear issue because there are, we call, the Brexiteers who are in favour of a runway if there is a business case, and, indeed in my own view as a general case, were in favour of it, and there are those who are against it. So it is a clear issue, but that is not an issue for today, because Aurigny still has to operate in the market today. It has to fill its flights today. It has to go to the various jurisdictions, various airports that it does today and tomorrow and the day after.

1995        We talk again about Heathrow, and I have always been in favour of Heathrow. I commend, and I commended this morning, Deputy Parkinson and his team for saying Heathrow should be the hub, but as he said, in reality Heathrow and Guernsey planes, or planes coming to and from Guernsey flying to Heathrow is some time off, and it is still uncertain.

2000        Now again, we have to deal with today, and I commend, and I am very grateful for all those who have contributed – both informed members of the public and States' Members – because it is important because \$60 million is a lot of money. But it is not like putting it into a business where you have got no return, in the sense, let us just say, that in five or six years' time – and I cannot think what would be the circumstances that would give rise to that but let us just say in five or six years' time – it was perceived that the ATRs were no longer required for Guernsey, there would be a market for them. Now I cannot guarantee whether that market would mean that you get back all the money that was owed on them or you would have to take a loss, but they would not be of no value, because they would still be relatively new planes and there is a market for relatively new planes.

2010        Now what the States is being asked to do, it is said and there is a business case and I will come to that again shortly ... There is a business case which says if the States were to approve the Propositions and to allow the purchase of these aircraft to take place then there would be a saving to the Guernsey Exchequer because really the Guernsey Exchequer, it is a state-owned airline – we are not talking about an independent airline in the sense that it is owned by some investors, though anybody who invests in airlines today is a brave person, but we are talking about a state-owned airline – so that £6 million saving is effectively a saving for the taxpayer, however we call it. It would be more than that but £2.2 million or thereabouts is the fee that would be charged by the States for providing a guarantee, because commercial lenders ...

2015  
2020        Aurigny have organised, frankly, a remarkable rate with a commercial bank which they will be able to enter into if these proposals were accepted. But that can only be lent and indeed any commercial lender would only lend if it is guaranteed by the States of Guernsey, and quite reasonably, and I have no objection to it because it featured in all our discussions with P&R, they would charge 0.8% for giving that guarantee which is, I understand, their standard charge if they do these kind of things anyway.

2025        So there is no objection to any of that and it would still give a net saving of just under £4.1 million. You have got the figures in the documents before you, and you can take off the ClearVision perspective, which could be a saving of £1.1 million. You have still got a saving of £3 million. Now I know that is over 10 years and I know there is no guarantee because there cannot be any guarantees, but it is still a significant sum.

Of course although the current planes are only nine years old and planes have a life time and a life expectancy of far greater than nine years, and these planes have been well maintained by Aurigny, as you would expect, the fact is that as they get older they will need increased maintenance and that cut-off date – you have seen the graph – the date the graph shows that it spikes in about five or six years' time.

What we are told is that when you open up a plane well, it can be a new one or an older one but more so with older planes, when you open up that plane you might be doing what you see as a routine service or a service that is required by the age of the plane, sometimes, sadly and more often than not with an older plane rather than a newer plane, you will find that your maintenance requirements and your maintenance costs are far more significant than you otherwise would have envisaged.

Now, I am grateful, we had a presentation last week, which a number of States' Members attended and I said earlier in the day that the clear interest from all the States' Members that attended, and many States' Members that attended asked questions, all of which were pertinent, all of which were perceptive and all of which I think were of value. But I would hope that those States' Members that were there thought that those questions were answered, if not to their satisfaction at least openly and honestly and frankly without any side.

There was a presentation given. Most of the board of Aurigny were there, their Chairman, the Chief Executive and Financial Officer and Financial Director and other members of the board. There were representatives from ATR and there were representatives from PA Nyras; and let me say this, Nyras were appointed by the States' Trading Supervisory Board as a wholly independent expert, and their job was not to come up with an answer that we liked, it was to come up with the right answer, to come up with an answer that was factually accurate, whether the case was a good or a bad case. You saw one of the representatives, sir – not you personally because you were not there, the States' Members who were there saw a representative – from Nyras last week and he was very fulsome in relation to this business case.

Now, I am grateful to people such as Captain Dacey and the other gentlemen, Captains Judith and Holland I think, and lots of other people whose views I respect greatly and they were not amateurs, they are professionals – albeit perhaps retired professionals, but they are still people who have kept an active interest in the flying industry – and if you have been in an industry, and hold the kind of rank and have the kind of experience that those people have you respect their views because they are good, honest people who are doing their best for, they believe, Guernsey, and they take a different view to the view I am putting forward.

There is also and there have been many – I mentioned their names, I am going to mention one other name but there have many – others that have spoken to me, phoned me up; people that I know that say the States should not approve this particular transaction or this particular purchase.

The other name I am going to mention, because he emailed all of you, is Ray Sayer. Now Ray Sayer disclosed his age because he was in the same school year as myself and Stuart Falla, so that tells you where we were at school and when we were at school. So I have known him. He has been a school friend of mine. I have known him since we were 11 years of age, and he is a person who is steeped in the aircraft industry. His father was an engineer, a delightful gentleman, and Ray went off to Gatwick, went off to BOAC and then BA etc. and had a very distinguished career both at Gatwick and other units that he has given his career to.

He says two things: firstly, we should extend the runway, but we are leaving that for now; and secondly, that he has concerns about the ATR purchases, because Gatwick in due course may take some action, no doubt pecuniary action, in some which discourages ATRs – well, discourages prop planes not ATRs, discourages prop planes – going into and out of Gatwick. Well, he may be right, but that is some years off and we have got to get from now till then and that is the point we have got to do in relation to it.

I think because of my professional experience, my day job, I can tell a good expert from a bad expert, because being a litigation lawyer of now a reasonable number of years' experience, you have got a particular case, you need to establish negligence or you need to defend negligence, so



you approach experts that you think of course wholly independent. They give their statements to the court, their duty is to the court and not to the party, but you go to experts that you think might favour the viewpoint that you are putting forward. Nothing wrong with that because they still owe a duty to the court.

2085 So I believe, because I have dealt with experts over many years of just about every discipline that you can think of, dealing with Nyra, it was a different perspective there; they were asked to give their independent view – their independent view, the good, the bad and the ugly, in relation to the proposals and the business case put forward by Aurigny. They came up and said – I am going to take you through part of what they said in due course, but they said – this was good.  
2090 They said that this was also a particularly good time for these types of aircraft to be purchased. I am not going to do the 72 bit because that takes ... what is proposed is you go from an ATR500 to an ATR600. It has got extra bits, it is a better plane, it is a more modern plane, and it is a plane that would well serve Guernsey over the next X number of years.

Also what ATR ... because clearly ATR want to sell their planes, and one of the questions asked  
2095 by one of my colleagues in the States last week at the presentation was how many of these planes have they sold, how many ATRs have they sold, and I think the answer was 1,500. So they are versed in selling aircraft and they want to sell aircraft because that is their business, but what we were told by Nyra is: because Guernsey has these two 2009 ATRs which are perfectly good aircraft and would serve Guernsey – because Aurigny has got a very good safety record and does  
2100 maintain them very well – for the next 9, 10 years or so, at the end of that 9 or 10 years they would be worth – because they would be 20 years old then or thereabouts – they would be worth next to nothing if anything.

Now they have got a book value in the books, in the Aurigny books, and the figure that has been offered for these aircraft as a 'trade-in' – my phrase and nobody else's – is \$8 million per  
2105 aircraft, so \$16 million for the two. The reason it is dollars is because apparently in the air industry just like in the old days when it was diplomacy, the language was French and now it is English, these transactions are dealt with in dollars.

So Guernsey, Aurigny I should say, in February in just two months' time has what is called a balloon payment to make in connections with these two aircraft, that is very common in any kind  
2110 commercial transaction, that happens a great deal and £8 million because the loan I think was taken out well before my time as a Member of the States' Trading Supervisory Board was taken out in sterling so that has to be paid. Now that is not unusual and indeed it is common and would happen in this transaction, should the States approve it, but that £8 million has to be paid or refinanced. So if the States decided that it is not going to approve these transactions then Aurigny will have to refinance it. I anticipate they will be able to do that but obviously there will be a cost to it. The \$8 million per aircraft i.e. \$16 million will more than offset that, that would pay off that debt and leave a balance toward the loan which would be taken out to finance these purchases, if the States approve it.

But let me say this, the decision that was made by the States' Trading Supervisory Board was  
2120 not unanimous. We thought about it very long and very hard and I know because he has told me it is either going to last 30 minutes or 42 minutes, or somewhere in between, but Deputy Kuttelwascher this afternoon will make a speech. Now Deputy Kuttelwascher is a person I have known well now for the last two and a half years and I respect very much his judgement and his particular expertise in the field that he worked in for many years. So we will hear that, and I think  
2125 the States ... No, I do not *think*, I *believe* that the States is entitled to take a *[inaudible]* from anybody presenting a policy letter.

My initial view was that we should not approve this purchase. I initially voted against approving this purchase. There was therefore a majority against approving this purchase, but we had further meetings and we had a further discussion with Nyra and I and others asked them  
2130 particular questions. What both of them said – and it was a gentleman, who actually was there last week, but his colleague who would have been there last week but because of a family commitment could not be there – they were both of the same view, but one of them actually

uttered the words, 'This is a very, very good deal. Look at the overall transaction for Aurigny'. We then asked them to put that in writing, which they did. Of course they took out the word 'very',  
2135 but they said it was a good deal, and it should therefore go forward.

Now let me just say, when I am speaking to a body of people as intelligent as this they would know that none of these figures could be guaranteed. Clearly the purchase price could be guaranteed, the trade-in price could be guaranteed, but the savings are estimated, they cannot be guaranteed.

2140 But Nyra have looked at them from four different views, because Deputy Merrett last week asked a question. She said none of this is predicated on the basis that there is going to be a large maintenance saving. 'How do you know that?' she said to the gentleman from Nyra, and he said, 'Well, I have looked at four different sources. I have looked at what Aurigny say, I have looked at what ATR say, we ourselves have clients who own and/or operate these type of planes, and also  
2145 we buy in periodically, regularly, industry information. So I have checked these maintenance costs from those four different sources, and,' he said, 'undoubtedly and unreservedly they are as accurate as they can be. We believe that Aurigny have given a realistic estimate of the maintenance costs and that they have not over egged it, they have not under egged it, they have done something that we believe is balanced and reasonable and more likely than not – and in the  
2150 world of commerce you can only deal with things that are more likely than not – because they could be macro-economic things that Aurigny have got no control.'

If we go back to 1973 when oil prices went up by three or four times in a matter of a couple of weeks and people were going to be given ration cards for their motor cars if they were going to drive round – bit of a difficulty because I was still driving a Guernsey registered car in London at  
2155 the time, but never mind, I never got round to re-registering it, but that was the kind of crisis that we could face. Or we could face all of a sudden the world comes to an end in relation to air travel and all the projections going forward are proved to be inaccurate. Well, that is going to happen whether you have got these planes that Aurigny currently own and/or operate or whether you have got the new planes, that would undoubtedly be the case.

2160 Now it is not just argued by a majority. I have got to say we have had considerable support from P&R in relation to this and indeed at appendix 4 to the policy letter is Deputy St Pier's letter to me of 8th November and I will read that to you. I will read the material parts to you. It said:

It is noted that, until such time as a contract is entered into, there is exchange and interest rate risk but the Committee notes that the replacement aircraft are projected to have a positive cumulative financial effect of over £4million for the company. In addition, there are wider benefits, particularly the potential for the ClearVision system to reduce weather related disruption for passengers.

Therefore, the Policy & Resources Committee is pleased to advise that it unanimously fully supports the proposal to replace the existing three ATR72-500 aircraft with ATR72-600 aircraft and, subject to States' approval, will facilitate the purchase by either making a loan available from the proceeds of the States of Guernsey bond issue or by guaranteeing borrowing from a third party.

They added this paragraph and very reasonably so. They said:

The Committee would like to take this opportunity to reiterate the importance of measuring the benefits realised and judging the success of these acquisitions by assessing the extent to which the investment objectives and desired outcomes are realised.

2165 In my own mind I have translated that as meaning take away the jargon that we expect Aurigny to deliver on these particular points, and I think that is a very fair point for them to make. But they have said unanimously, five experienced politicians, that they backed these proposals.

They, I know, gave very serious and detailed consideration to it, as did we. We did not have one meeting over this, or two meetings, we had a succession of meetings. We wanted to ensure that we were going to come to the States if we were, and we now have, with a policy which we  
2170 genuinely believed in and thought was well evidenced, because there is evidence, there is also opinion. There has got to be opinion, and the evidence has come from other sources and the opinion has come from Nyra.

We have also got to face the fact that if Guernsey was a pure commercial place and Aurigny was a pure commercial airline, it would not operate, because we are a sub-optimal place, we are asking it to do – and this is appendix 1 to the policy letter – a whole variety of jobs. It has got – if you recall – the schedule of aircraft it owns and leases; it has got the Embraer which was purchased four years ago; it has got the two ATR 500s which were purchased nine years ago; it has got a leased ATR which was leased in 2009 where the lease ends in November 2021; and it has got the ATR42 500 which has a seat capacity of 48 which is 19 years old and where the lease ended in April 2020.

If you remember Aurigny was asked – it was almost prodded, and one of the speakers said that this morning, prodded – to open up or to enter into the City of London Airport and to go into that because the finance community were going to flock there in their thousands and we were going to have 80%, 90% occupancy. And what happened? We were lucky to get 40% occupancy on that particular flight. So that lease has another 15 or 16 months to run and if it cannot be sub-leased or got rid of in the interim at least it will expire in a relatively short period of time.

Now in the policy letter all the arguments about whether we should lease; whether we should rent; whether we should do this; whether we should get another type of aircraft; whether another type of aircraft other than an ATR was more suitable; and we asked Nyras to look at that, and the answer in each case was, 'This is the right type of aircraft for Guernsey, this is the right type of approach for Guernsey and this is what you should be doing.'

Let me add a few comments of my own. I am very concerned with what has happened to Flybe, very concerned, and none of us know – none of us know and they do not know, the management of Flybe do not know – what is going to happen to that particular company. That provides a significant number and services a significant number of our routes.

Now if Flybe under a new management, new ownership, decide – I am not saying they will come to this decision – they do not want to operate in the Guernsey sections anymore, it is too minimal for them, they can use their resources elsewhere. Would we not want aircraft to fly to Southampton? Would we not want aircraft to fly to Birmingham? Would we not want them involved with Blue Island in the Jersey, those kinds of routes? Would we not want them? Aurigny might have to step into the breach.

I commend those Members of the States – and there are still some of them here from 2003; my good friend Deputy Trott, my good friend Deputy Lowe and others – who had the good sense in 2003 to say, 'We are buying Aurigny. We are buying Aurigny.' Wouldn't we be in a blinking mess if we did not have Aurigny? (**A Member:** Yes.)

Let me just say this also in connection with that: think of all the airlines that do not exist, remember Lockerbie, Pan Am does not exist. I can remember when I was at A&F in 1997-2000. We were worried because we had heard rumours that Air UK were going to pull out of Guernsey and get rid of their Heathrow slots. We got them in, we called them in and they looked us in the eye and said, 'Absolutely no way. We can give you our absolute assurance we are going to stay in Guernsey. We are here for the long term. You have got nothing to fear.' Within two months they were gone. Fair enough, they got oodles of millions from, I think, American Airlines to sell those particular units, those particular slots I should say.

But here Aurigny – which is mandated by the States to break even at last; that is the test, the requirement that is made of them – is saying we can do that because there is the contract with Aurigny, with Alderney – Auregny too of course, giving it its proper name – it is serviced by the Dorniers, if the contract is given to Aurigny and therefore they have got these other aircraft to service these other routes.

I actually think it is not beyond the bounds of possibility, it perhaps goes outside of this policy letter today, that we will be asking Aurigny very soon to service some of these other routes, to bring in aircraft to service those routes. I hope in a way I am wrong, but Aurigny is our airline and I would hope whether we have a long runway or not, whether we stick with what we have got, whatever the developments, that we have still got Aurigny in 10 or 15 years and it is a better and

stronger airline than it is now, because it is the airline that services the Bailiwick of Guernsey, and it is the airline that will continue to service the Bailiwick of Guernsey.

Now that is the non-written scrip, but let me just say this, the States are not being asked to fund the actual acquisition of the planes; what they are being asked to do is to note that we as a board having responsibility acting on behalf of the shareholder, the States, approve the business case.

Now I have rarely in my political life, six years before and the two and a half years or so since, scrutinised a business case as thoroughly as I scrutinised this particular one, because we know what the perception is in Aurigny – it loses money, we could do better, we could do better than this – and Deputy Lowe said I have looked up and if I want to fly to Gatwick, return on Monday with Aurigny it is going to cost over £300 but I could do it with easyJet for £150. I think, those kind of figures – (*Interjection*) or perhaps a bit less, she is saying with a down sign. I assume that means less. But that is fine. That is fine.

I said it in a different context in connection with Deputy Le Clerc's very pertinent question last week, where she said, 'Hang on. We have heard all this about cost saving but what about actual cheaper flights?' That can only be done at a considerable cost to the States of Guernsey, because easyJet – if it ever came here, and it will not come here with the current length of the runway, or any of these other commercial aircraft companies, they will not come here unless they can make money – they will not be able to make money if they cannot charge a reasonable fare.

If Deputy Lowe had looked at some figures for September of this year, August, September, she could have compared the cost of Aurigny and the cost of easyJet, and on certain of those flights Aurigny is cheaper. But generally easyJet is a cut price airline, but to think that easyJet or any of its ... Ryan Air is never going to come here because they need a 2,000 m runway. We are never going to have that, quite rightly so. That would be digging up most of St Peter's and some of St Martin's somewhere else. So we are not going to have that, nobody is ever suggesting that. But they show no loyalty at all, they are in and out, they are only going to be here while it makes money.

Aurigny has a different perspective. It has a different legal basis. It is our airline, we own it, aren't we lucky to own it. Again, I go back to those Members of the States who are still here and their colleagues from 2003 when it was, and thank them for that, because we would have no link to Gatwick, those slots would have gone, and we would now be flying to Luton or Stansted or somewhere like that. What would our finance sector be saying? They would be saying, 'We are not going to go there.' We would lose, or we would have lost I should say, a significant chunk, a significant amount of our finance business.

I know if we did not have the finance sector we would not have the social benefits, the schools, the hospitals that we have currently got, we can be as sanctimonious as we like and as puritanical as we like but that is the truth of the position. (**A Member:** Hear, hear.) So in connection with that – I am grateful he is being nice to me, (*Interjection*) I did not hear what he said so never mind – the States are being asked to facilitate the acquisition of the planes, as we say, either by providing a privately sourced loan or by providing access through the bond.

Now the main driver, I have already mentioned, is the saving of over £4 million including the ClearVision over the 10 years or £3 million if you take that off, reducing delay and associated costs with ageing aircraft. Now we have talked about ClearVision has not been approved yet, but again one of the States' Members, I cannot remember who, asked when that would be approved and the French-speaking gentleman said it would be approved in the earlyish part of next year, so not that long. But if it is not approved in time and the planes come along in August, October and November, the planes will still be new planes, they will still be able to be operated, they will still be able to fly between Gatwick and wherever else they are going to fly, they will still be able to do all of that. They just will not be able to use the ClearVision. So when that is approved then they will be able to use it. The likelihood is it is more likely than not that it will be approved in time before the planes come, but there is always the chance that that could be delayed. There is also the fact that there could be instances where it fails. There is a liquidated damages provision for

that in the contract between, well, the draft contract between, Aurigny and ATR. So that is provided for. So Aurigny have been looking as far as commercial as they possibly can be in connection with considering this particular purchase.

Now what are the observations that Nyra's have made? Nyra's were appointed by the board to look independently at the business case and the documents. They concluded unreservedly that the ATR – and you can see it in the policy letter because you have got both the policy letter where those paragraphs are dealt with and you have also got Nyra's' report which is appendix 3 to the policy letter – they concluded that the ATR72 is the right type of aircraft in terms of size and operating economics for Aurigny Services. Nyra's believes that the terms offered by ATR represent a good offer in current market circumstances and supports the business case for the acquisition of the new aircraft, including one to provide spare capacity, because as you know currently what happens is the jet goes backwards and forwards, there are two ATRs, one operates in the middle of the day and there is a spare. But that spare does not sit on the runway, it is used for other services, and obviously steps in when it needs to.

At the meeting that Deputy Parkinson and I both referred to in September when he and I and Deputy St Pier were present as President of our respective committees with Mr Derby and certain of his officers, one of the members of our board, Mr Falla, formerly Deputy Falla, said, 'Look, originally can you manage with two new aircraft rather than three?' and that is fair enough, because that is \$20 million dollars saving a mere bagatelle but they said, 'Well, look, we are charged by you,' i.e. the States of Guernsey, 'to balance our books. We can use this third ATR to do these routes and we can make a profit from it and service the whole schedule,' and they gave facts and figures for that, we looked at it. I think the three of us – well I can only speak for myself, I certainly was convinced that that was a good argument. I went back to my colleagues and a majority of my colleagues also believed that that was a good argument. So there is a need, it makes sense to acquire three aircraft.

Now Nyra's commented that they believed this offer was particularly favourable and they did not recommend deferring acquisition because certain views – and Deputy Kuttelwascher will no doubt eloquently express his own view, and he was not the only one that had this view – that we should defer making this kind of consideration for four or five years, see what happens, defer it for four or five years, because we might get just as good a deal, the world might change, and these planes were still going to be in the sky, well serviced etc. for the next four or five years.

All of that is true of course, they will be serviced, they will be in the sky, and they will be perfectly safe aircraft for people to travel in because there are many airline companies that operate many aircraft every day that are far older than nine or 10 years, or even 12 or 14 years, but that is not the view that Nyra's took. They took the view that in these particular circumstances this was a good offer and should be followed.

There was a general view and again the States decided this morning that it was going to debate the Economic Development policy letter first before it considered this one. Well, it has done that. But the point I made, I think in my opening, and I repeat now, is that this is a routine replacement of assets. The proposals allow Aurigny flexibility to adjust and adapt to changes in the market environment, and in the aircraft industry and particularly with us, our small community where air links are so vital, we have to be adept and fleet of foot.

Another question that people have asked: why is Aurigny purchasing aircraft not leasing? Now we are told this, and again we have asked our experts to look at it and they say it is correct. With the terms of the offer that are currently being made, leasing would have been more expensive. A lease rate – and listen to these figures – of \$90,000 a month per aircraft would be needed to be more cost effective than the purchase. However, again we are advised that the lowest lease rate charges offered during acquisition process i.e. now was \$130,000 a month. So therefore at \$40,000 a month and rising because that was the cheapest.

Ownership gives Aurigny the flexibility and leasing does not provide the flexibility, because again leasing companies are there to make money. How terrible. In a capitalist world, people want to make money, my goodness me! And therefore they want to tie aircraft companies up in leasing

arrangements for as long as they possibly can and you cannot break them. I mean there is the example of the one that there is another 15 or 16 months to run.

2330 Aurigny would have loved to have got rid of that as soon as the London City closed. They could not do it, they tried their best but they could not do it; they were stuck in with this contract. They took the contract for a relatively short period of time. Normally you have got to take it for a longer period of time because it was an older plane, but they are stuck with it. Now if anybody thinks that when you are a lessee and you are trying to do a deal with a lessor of a plane that you  
2335 hold the whip hand, the answer is no. You have got to keep paying it and this is a state-owned airline, it has got to keep its bills. It cannot do a Flybe, it cannot do a Pan Am, it cannot do like many of the other aircraft companies in the world: just pull the plug, go bust and leave it. We could not allow Aurigny to do that as the States of Guernsey. So what we are told is that lessors of aircraft usually look for terms of between eight and 10 years for a new plane.

2340 Now what are we doing to address Aurigny's financial performance, because it is always easy when you are outside and you do not really know all the facts, even if you read everything you say, 'Oh, that is terrible. What on earth are the States doing capitalising that loan and writing it off?' Again I was not there. I could have criticised but now I am here I do not criticise. I think the States did the right thing in capitalising Aurigny's losses and effectively writing them off. My  
2345 phrase nobody else's, but that in reality is what it is doing. Because what were the States going to do? Were they going to let Aurigny go to the wall? What they want, and what we clearly want as the States' Trading Supervisory Board and what Policy & Resources want as the financiers, the treasurers of the States, is to have an efficient airline but run on a commercial basis as far as it can be. I say 'as far as it can be' because we are a small jurisdiction and there is the Alderney  
2350 connection anyway which will require a significant degree of subsidy because that is really what it is, and I still hope Aurigny –

I give way to Mr Jean.

**Alderney Representative Jean:** Point of correction, sir, through you.

2355 I do not believe that we have seen the management accounts yet, and those that have say that they are a fairly manicured version.

Thank you.

**Deputy Ferbrache:** Okay. I know that. I fully understand the comment made by Alderney  
2360 Representative Jean.

But anyway what have we done and what are the States doing generally through the committees mandated to look after it to address Aurigny's financial performance? Now following last year's strategic review of the airline, STSB has established a clear objective for Aurigny that it needs to break even excluding the Alderney services and I do not want to cause Alderney  
2365 Representative Jean to jump to his feet again.

With the support of Aurigny, STSB has agreed with the Scrutiny Management Committee to conduct an efficiency and benchmarking review of the airline this coming year, 2019, and the purpose of the review includes the following:

To provide assurance that the airline is efficiently well managed; to provide an understanding of the underlying drivers of the airline's current financial performance; to identify opportunities to improve efficiencies, achieve savings and increase revenues in support of a break even position; and to provided evidence –

– and that is what we talked about this morning in relation to the runway –

to provide evidence to support long term improved business planning by the airline.

2370 What about the risks? Now there is a particular paragraph in the policy letter, because although we are pretty confident about the interest rates, and Aurigny as I say have negotiated a very good deal with a financial provider, that is unlikely to change, we are unlikely to get a spike in interest rates in the next week or two, but who knows what is going to happen with exchange

rates. They have been very volatile and they could be a concern. There is no point entering into this arrangement unless it is going to provide better aircraft, which it would do; more modern aircraft, which it would do; but also some savings to the exchequer in real terms.

So paragraph 5.7.2 on page 23 of the policy letter says this:

The business case and the P&L projections included therein make a number of assumptions around both interest rates and exchange rates (aircraft transactions are conducted in US dollars). It will not be possible to mitigate these risks until Aurigny is in a position to sign a contract for the acquisition of the aircraft, at which point both a fixed rate swap arrangement and a currency swap arrangement can be put in place. Whilst the STSB has approved the business case, this is subject to an ongoing review of the interest and exchange rates applicable at the point when Aurigny is in a position to sign the contract and associated financial instruments that confirms that the projected financial benefits of proceeding with the replacements have not been entirely eroded by any movement in those rates in the interim.

So if all of a sudden it went pear shaped financially in the next ... if the States were to approve it today, tomorrow, whenever, before the signing of the contract, (a) that is unlikely I think bearing in mind the short-term time between now and then, but (b) if that happened the purchase would not take place, we would report instantly to P&R we would make a general statement and we would report back to the States. I know there would not be a States' meeting until the end of January but we would report back to the States.

So it is not going to happen, we are not going to suddenly find that those £3 million or £4 million, whatever the exact figure is, is washed away by exchange rate exchanges, that would not be a point. We would liaise, we would speak instantly. If all of a sudden that happened I would be picking up the phone to Deputy St Pier straight away and speaking to him saying, 'I think we ought to pull out of this.' He would no doubt, after speaking with his colleagues, say the same.

So there is that uncertainty but I think it is more of a contingency rather than an actuality, but there is built in to that policy letter. So I would not want anybody thinking that if this was approved today, tomorrow and all of sudden the currency went the wrong way and it washed out all the benefits, that we would be stuck. We would not be stuck. We are not stuck until the contract is signed, the letters of intent. The money is returnable until that contract is signed, and that contract would not be signed until both exchange rates and interest rates are bottomed out and there is a legally binding agreement covering those. So there is that protection.

Now what I have been told and what we have had checked is that Aurigny is negotiating an extended warranty period with ATR providing greater certainty over future maintenance costs projections.

When we talk about ClearVision let's talk about, 'Well, what if it does not work?' Not, 'It is designed for certification in a few months' time.' Aurigny could refuse to accept delivery of the aircraft until they are fitted with a certified and functioning ClearView clear vision system, but if it becomes unserviceable following delivery, Aurigny has agreed a schedule of liquidated damages payable by ATR in circumstances where its use would have been required.

Let's talk about a virtual airline that consistent advice that has been given legally is that the slots in Gatwick can only be held by an airline holding an air operator's certificate (AOC), and the only way that an airline can be issued with an air operator's certificate is if it actually operates the airline itself. A virtual airline that contracts out all the flying and therefore could not hold an AOC would therefore prejudice this Island's ability, this Bailiwick's ability to retain control of slots. Those slots, those Gatwick slots, are our golden egg, they are absolutely crucial to the financial wellbeing of this Island and this Bailiwick going forward.

Again, the next heading 'ATR data' in Aurigny's business case shows that technical despatch reliability – and I had to find out what this meant – will only shift by 0.5% over the next 10 years with retention of the existing fleet. The answer to that is, yes, but this movement still equates – I was only ever good at mental arithmetic not any other kind of arithmetic, but this movement still equates – to a doubling in the number of technical delays that would be experienced.

Based on 2017 experience, a doubling in the number of cancellations or delays of more than three hours would affect around 5,500 passengers per year. The business case shows that the projected technical delay and disruptions costs could be reduced by £1.6 million over the forecast

2420 period as a result of the improved reliability that the new aircraft would bring. Now we say that other operators may well operate older aircraft. Well, no, I take out the word 'may' because they *do* operate older aircraft, but the small scale of Aurigny's fleet – you have seen it, you can see it in appendix 1 – means it has less resilience to the technical delays than those operating larger fleets.

2425 So we have got to factor that into the equation as well. I have already said it is a misconception that Aurigny has a spare aircraft that sits idle in the event of a technical problem. It has not rusted; it uses them, it has that ability and that need to protect itself, and to protect the clients. Because wouldn't we hear, quite right, from tourists, from residents from people travelling for financial business or business generally, an outcry if there was no backup and we had to leave people stranded for a period of time?

2430 Frustrations grow. I can remember trying to travel back having been for a business meeting in London travelling back from Gatwick a few months ago when because there had been a delay the previous day there was catch-up time and the aircraft could not land because there were problems with the aircraft runway lights, if you remember that there was a period of time.

2435 Whether it was a Ports and Harbours' responsibility or Aurigny's responsibility, it did not matter; the fact is there was a delay and that cost money. We all had to be shipped off to a hotel. It was quite a pleasant hotel; it was not the best I have ever stayed in but it was free so I was grateful for that, it also gave a meal which again was free, and I was grateful for that, but it was still an inconvenience. You planned to do things the next day, you had to – I think I was actually in court, somebody else did it, that was probably a benefit for them and a benefit for the court – but there were those kind of arrangements and dislocations that do Guernsey no good at all, because

2440 we have all been frustrated travellers.  
Now I said I would talk about the balloon payment and the balloon payment for the new ATRs, should this be approved, will have to be paid in quarter three 2029 and would be £20 million. So it would be a sizeable sum that would have to be paid in – what are we now? – 10½, 10¾ years' time as a balloon payment. But I have explained how balloon payments work: we are talking about three aircraft, currently we have got two aircraft that are owned, two ATRs that are owned, but that is the reality of it, and the reality of it is that in 10 years' time that will either be refinanced as will happen in February if this approval is not made, or there will be sales or something would happen, because that happens all the time commercially.

2450 Now everything else is set out in the policy letter in the Aurigny business case which you have before you, where only bits have been redacted for commercial sensitivity and in the Nyras report.

So I conclude – I have been speaking for a long time – by asking the States to approve the Propositions.

2455 **The Bailiff:** Members, you have had circulated, and there should be on your desks, a motion to suspend the Rules of Procedure to enable an amendment to be laid, following the procedure of earlier this morning. I just ask Deputy Dorey if he wishes to lay the motion to suspend the Rules?

**Deputy Dorey:** Yes, I do, sir.

2460 **The Bailiff:** Deputy Laurie Queripel, you second that?

**Deputy Laurie Queripel:** I do, sir, thank you.

2465 **The Bailiff:** We will go straight to the vote on the motion to suspend the Rules. Those in favour; those against.

*Members voted Pour.*

**The Bailiff:** That is carried, so Deputy Dorey can now lay the amendment.



Amendment 1

For Proposition (ii) substitute:

*"(ii)A To direct the Policy & Resources Committee to enable the replacement of Aurigny Air Services Limited's existing three ATR72-500 aircraft with ATR72-600 aircraft by providing:*

*(a) The necessary guarantees for borrowing from third parties, without the application of any guarantee fee, or a loan from the proceeds of the States of Guernsey bond issue; and,*

*(b) Guarantees that may be necessary to enable Aurigny Air Services to enter into such interest rate and/or currency exchange rate swap agreements that may be required, in accordance with the considerations set out in section 5.4 of the policy letter, except insofar as they relate to the charging of a guarantee fee.*

*Or, ONLY IF Proposition (ii)A is defeated –*

*(ii)B To direct the Policy & Resources Committee to enable the replacement of Aurigny Air Services Limited's existing three ATR72-500 aircraft with ATR72-600 aircraft by providing:*

*(a) The necessary guarantees for borrowing from third parties, including the application of a guarantee fee not exceeding 0.8%, or a loan from the proceeds of the States of Guernsey bond issue; and,*

*(b) Guarantees that may be necessary to enable Aurigny Air Services to enter into such interest rate and/or currency exchange rate swap agreements that may be required, in accordance with the considerations set out in section 5.4 of the policy letter."*

**Deputy Dorey:** Firstly, I wish to thank Deputy Laurie Queripel for seconding the amendment and I thank the Assembly for agreeing to suspend the Rules.

I feel, firstly, I need to apologise for the lateness of the amendment. I originally asked P&R staff the question on 26th November about the guarantee fee which was over a week before the cut-off date for lodging amendments. I did not have a reply until the day before the cut-off date for amendments. I then needed further information and I also wanted to hear the presentation from the States' Trading Supervisory Board which was last Thursday before making a decision to propose the amendment.

Then knowing that I would have to suspend the Rules, I asked STSB if they would present the amendment because obviously they would not need to suspend the Rules. I did get a very prompt reply from them, so thank you to Deputy Ferbrache, and they said they were not willing to change it. So that is why I have asked to suspend the Rules and it is relatively late. So I do apologise but I did have this idea a significant time before that.

This is just a technical amendment which will allow the States to make a decision at the end of the debate on whether they want the States to charge Aurigny a guaranteed fee. It has two parts, option (ii)A which is the same as the original Proposition (ii) except that the States cannot charge Aurigny a guarantee fee of up to 0.8% if they borrow from a third party. Or if that is defeated there is option (ii)B which is the same as the original proposals in the original Proposition (ii) and will enable the States to charge Aurigny a fee of up to 0.8% if they borrow from a third party. There is no guarantee fee if they borrow from the bond, but of course the risk is the same.

The fee is quite considerable; it amounts to just over £2.2 million over the 10 years of the financial projection. It has been confirmed with the Treasurer – that was the second question I asked – that there is no actual cost to the States in giving the guarantee.

Whilst now is not the time to go into the detail, into the pros and cons, of the guarantee fee, because all we are doing is giving the option to vote at the end, I would like to point out that under the current Memorandum of Understanding and the updated guidance to the airline issued by the States' Trading Supervisory Board, which is referred to in paragraph 3.1.4. that Aurigny's focus must be developing a business plan that takes them to a break-even position. Therefore the guarantee fee will add to their costs and presumably result in increased airfares.

Unless the Propositions are separated the States will not be able to make a decision on the charging of the fee as currently it is not possible if they approve the purchases.

So I ask Members to support this amendment as it just unbundles the Propositions to separate out giving a guarantee and the charging of a fee for the guarantee.

2500 Thank you.

**The Bailiff:** Deputy Laurie Queripel, do you formally second the amendment?

2505 **Deputy Laurie Queripel:** I do, sir, thank you.

**The Bailiff:** It has been suggested to me that given the volume of business, maybe we take this amendment together with the main Propositions, but could I just have an indication of how many people would want to speak on the amendment if we were to take it separately?

2510 **Deputy Dorey:** I think it should be taken separately because I think we can just make a decision, we can debate whether we charge the guarantee fee at the end. I think that is a sensible way to do it because it is just amending the Propositions and giving the option.

2515 **The Bailiff:** Yes. What I was going to suggest is if nobody wants to speak on it we then go straight to the vote so then it comes into play and we do exactly as you suggest, which will be debate at the end. So Deputy Ferbrache, do you –?

2520 **Deputy Ferbrache:** Yes, sir. Yes, I think the suggestion made by Deputy Dorey that it is considered at the end is a very sensible one, because I do not know what is going to happen during the debate. There may be something that is said usefully, constructively in relation to that, and I think more time would be spent unnecessarily debating that as a separate issue now than leaving it.

2525 **The Bailiff:** So we will go straight to the vote on the amendment then. Those in favour; those against.

*Members voted Pour.*

**The Bailiff:** I declare it carried.  
So does anybody wish to speak? Deputy Inder.

2530 **Deputy Inder:** Ah, well, I may as well start.  
Sir, I think where Deputy Ferbrache got this completely wrong is he said that if the finance industry left the Island we would not have any schools or hospitals. I think if 20% of the finance industry left the Island we would not have any schools and hospitals.

But I will move to the main part of my speech. I will try and be calmer than I was when we all met in a room last week.

2535 For me, sir, this is about confidence in Aurigny and its management. It is about trust and whether, on behalf of the tax paying public, this is a policy letter that I can give my vote to, and to be perfectly frank with you, I am not going to say absolutely no, but my cup does run dry somewhat.

2540 If Members will bear with me, I will go through some of the promises and assurances and the disappointments that we have had over the years and all related to purchasing of aircraft. I am not going to talk about why we have the jet; that was well understood. I am not going to talk about why we have the Dorniers. It is more about the PR – and I do not mean PRC the Policy & Resources Committee I mean the general PR wrapped around the sell to the public and the sell to us as people as the elected representatives that have to make the decision, and a lot of times, as I  
2545 have read back over through the *Hansard*, I have seen stuff in the *Press*. I just do not like it. I am uncomfortable with it and, as often is the case, it just looks like spin.

In fact I will go through number one, and I think I will prove it to you. There are three headlines here back from August 2013 and this is related to the purchase of the jet. Now, bear in mind I am not arguing whether we should have had a jet, I am talking about the message that goes around this.

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Aurigny hopes new jet will put airline into profit – Aurigny's new jet will help the taxpayer-owned airline get back into profit by 2015, the Chief Financial Officer has predicted.

Whoa! Well, by 2015 the losses were £3.1 million. So you see what happens, what we get told. We got given basically a fleet renewal and there is always something extra to help us along our way in the voting process and you are seeing elements of this in the current ATR re-fleeting. He also said, I think it was: '... but in 2015 we expect a marked improvement. Not a large profit, but all of our projections are showing we will be in the black.'

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So this was said in 2013. Nothing of the sort actually happened and in there you have got a Bible-thick report of all the predictions. There are £400,000 savings on maintenance, you have got, I am sure ultimately decent, professionals telling us what they are going to do, but you are here again, you are in exactly the same place you were in 2013, being told, 'Trust, trust, trust in the structure of the management. Everything will be okay tomorrow.' It was not okay tomorrow. The promise from the management at the time was to go into profit by 2015 and it posted losses of – remind myself again – £3.1 million and got substantially worse. So there is number one.

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There is a bit on *The Guernsey Press* as well – very similar line and this is actually in 2014, I think it was somewhere around when the jet was delivered, and it says again:

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The purchase made to cover Flybe's withdrawal from Gatwick route is expected to see the airline which last year suffered as £3.5 million loss break even by 2015.

It posted a loss of £5.1 million. I am here again – well, not here again, I am here for the first time – being asked to make similar decisions, take out the name of the aircraft types, take out, 'You are in exactly the same position that you were.'

Let me just move on to some of the *Hansard* about the Dorniers, a very similar position as well, if I can find the *Hansard*. I think it is the Deputy Soulsby part of it. That is probably one of the most interesting ones, I get that but that was in her role at PAC at the time, and she gave fair warning of some of the processes in the purchase of the Dornier, but I will flick through it. I do not want to particularly pick on any particular Members so I am not going to, but there were not many speeches, and mainly they came from Treasury & Resources.

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Effectively picking through this, I think for those of you that were there at the time they was a group, I think they were called the Alderney Group, and the Alderney Group had submitted a fairly substantial letter. They were making arguments and most of the debate was a rebut of what the Alderney Group were saying. I am not going to go into the detail of that because I did not read it, but I think it was fair for, I think, it was Treasury & Resources at the time to rebut some of the Alderney Group assertions. But again, and this was from Deputy St Pier and he says:

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Overall it is estimated that this will improve the operating financial position of Aurigny by £100,000 a year.

In this report we are told £400,000. I do not know if it actually happened but again more promises, more promises, more promises. Further on in the *Hansard*, it actually talks about the PSO and I think this was from – oh, yes, sorry, it is Deputy St Pier again. So in 2014 there was a promise of a Public Service Obligation. Is it going to be ready in 2018 or 2019? That is five years, almost five years from talking about a PSO to actually working on it in any way. I just generally get the impression that there has either been a lack of scrutiny – and I am not picking on the Scrutiny Management Committee, I think the fact that we do not appear to have a Public Accounts Committee anymore has not really helped the situation – there is no real financial scrutiny and this behemoth seems to have been left just to carry on post-debt. No-one seems to care. We

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2590 recapitalise. There is another promise. We are back here again. 'Do not worry, everything is going to be okay tomorrow.'

It seems to be peppered through the whole of the Dornier and possibly this one as well. I will just go on to one ... Deputy Soulsby at the time, and this is the interesting one actually and it is kind of related to this but it may be not and – sir, through you or to you, Mr Bailiff, and if you think I am *off-piste* I am happy to be told off – but what Deputy Soulsby says – well, not happy to be told off; I just probably will be –

From a Public Accounts Committee perspective the major areas of concern relate to the financial information being considered.

Think of the redactions that you are seeing and the lack of information you are allowed to see from Aurigny. You are here again – she did not say that; this is me saying that. I will leave a gap in between my quotes of Deputy Soulsby:

The data supplied by Aurigny on Monday to substantiate the proposed loss of £900,000 on the Alderney routes leans heavily on the apportionment of somewhat opaque central costs, and at the time that supplied by the Alderney group could be seen as being overly optimistic.

2600 Well, that is interesting in itself, because that is the first time I read this figure of £900,000 and that is 28th May 2014. Now at the end of this debate the States of the day decided, and I suppose rightly so because the Trislanders' frames were in a bit of a mess, I think they came in last time, and they decided to re-fleet the Trislanders. That is the first time I have seen £900,000. I can actually see it in evidence.

2605 Now within this year when we are using Aurigny to beat the hell out of Alderney, it is £3 million. Now what happened between the £900,000 losses in 2014 and currently the £3 million losses which are being used as a weapon to beat that Island up? What happened? Because it does not make any sense, because in 2015 it was £3.1 million losses; 2016 it was £5.1 million; and 2017 £3.2 million. So there are a couple of problems here. Either the previous Assembly was misled and it was not £900,000, or something has happened to a factor of £2.1 million between then and 2016; because you cannot have it both ways. Something is just not right about the information that is passed from that company to States' Members via STSB or what was then Treasury. I am just not in a comfortable position to give this company my vote, I am afraid.

2610 I just want to go on to one other piece. This was Deputy Dorey. There we are, I do not know if this happened, I think I have written down the side of here, it is a paragraph from Deputy Dorey at the time and I have written on the side 'fair warning'. I think what Deputy Dorey does, he gives fair warning, and this is about the purchase of the Dorniers, 'I will support these proposals' – and I am going to precis here – 'but I say with a note of caution I am happy that they are buying two planes but I think they have to look very seriously at the financial situation before they decide to buy a third plane.'

2620 Do not forget in 2014 this was on the promise of it wiping its face by 2015. That is how bad it was. So Deputy Dorey had problems – he has probably got a number of problems, (*Laughter*) as we all – he had issues with the financial position when the company was saying that it was going to wipe its face by 2015, but it actually posted at £5.1 million loss. There does not appear to me ... 2625 something strange has happened, I do not actually know why we do not have a PAC anymore, but I am sure Deputy Soulsby, I am sure I am going to give her some inspiration to speak at some point through this. It seems to me, Aurigny seems – for all the good things that it does, all the social work, actually the economic enabling it does – as a functioning airline, it just seems like an errant teenager. It goes off, goes out, runs around the Island, comes home, says, 'I have lost my money, Mum. Can I have some more money?' and we just hand it out all the time without any real scrutiny. We go and ask them where they spent it and they will not tell us, but we go and give them another 20 quid.

2630 So I do not know. At the end of the day, Members, this is really up to you what you do, because ultimately it is your vote, and it is your name that will go against this vote.

2635 I am going to finish off with the meeting that we had last week with the NVQ, whatever the name of the company was. I find this odd as well. Deputy Ferbrache mentioned the Deputy Merrett sensible question and I think there were four areas, I cannot remember: manufacturer costs, manufacturer benchmarking, industry benchmarking and, I think, work that they had seen from their other clients, plus figures from Aurigny itself. It basically said that the maintenance cost  
2640 on the current ATR fleet were fairly solid, but again how many times have you heard Aurigny say, 'Oh, it is the marine environment that is the problem with the planes. This is why we have got to spend more money.' They cannot have it both ways.

I just feel that we are in a position where it is a groundhog day – not for me because this is my first groundhog day, possibly my last, but it is certainly a groundhog day for many Members – and  
2645 I feel we have got a deeper problem here than we really think.

Deputy Dorey remarked when he thought it was going to wipe its face by 2015 there were problems, there has been no scrutiny, and again I do not mean that unkindly for Scrutiny Management Committee's point of view. There seems to be no real sight on this. We have just allowed this to go on and on and on, we recapitalised two years ago for, I think it was, 22 million  
2650 quid; they placed another £5 million; there will be £5 million tomorrow, and right now I am not convinced I can give this my vote, and that is a visceral response from me.

Actually I have not really touched on the documents here. Right now I would not trust them to go up the road for a pint of milk.

Thank you.

2655 **The Bailiff:** Deputy Dudley-Owen, then Deputy Lester Queripel.

**Deputy Dudley-Owen:** Thank you, sir.

I have rather gone over my self-imposed 10-minute limit here. I did not quite realise how passionately potentially I felt about this matter until I started to write it all down.  
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We are being asked to support the purchase of three new aircraft for Aurigny with the lure of an upgraded synthetic vision system, which we are told will help enhance our connectivity specifically on foggy days. I am afraid, sir, that I am unconvinced by the Proposition and think that the headline sales line of ClearVision is actually a red herring, despite it being an exciting, though  
2665 not particularly new, advancement in landing technology.

The Proposition asks us effectively to support the increase in size of the airline and consolidates the current model. I think we should be looking at restructuring the airline and possibly its operating capacity, rather than going down the route of what is actually being proposed today.

With the exception of Deputy Kuttelwascher, none of us here, sir, have the expertise to assess this complex technical matter for ourselves. We have had the benefit of a presentation by Aurigny last week where representatives of ATR who wish to sell us their new aircraft equipped with the ClearVision technology and the aviation consultants Nyra were both on hand to answer questions.  
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We have also had representations from locally based aviation specialists, for which I am grateful. I have also spent time speaking not only to members of the community about their experience of using the airline, their feelings about the purchase of the new aircraft, but I have also sought out other specialists who have not made representations to States' Members. I thank them all for their valuable opinion, not least of all to my Dad, who is a retired senior airline pilot, who has had no less than two stints working for Aurigny during quieter moments in his successful global career.  
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Retired Captain Dacey has also set out very clearly to all of us a well-researched piece of work which was easy to read and digest. I have sought a form of peer review on his report from an aviation consultant who works from Guernsey and has 32 years' of global experience with a particular interest in ATRs.  
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He has applauded Mr Dacey's report for its factual content and its practical recommendations. A thorough reading of the Dacey report has, in my view, been essential to get a good understanding of what we are being asked to decide upon. The technical parts of what I will talk about today I attribute to the experts to whom I have spoken.

2690 I will concentrate really on a few areas where I think the policy proposal falls down, and I begin with the lack of disclosure which has already been mentioned on pertinent information. We, as States' Members, are being asked to make a decision in our role as shareholder, but here we come across our first fatal flaw. We are not privy to the information and detail that STSB Members have had. The business case supporting the policy letter has even had information redacted and I ask why.

2695 The existing Memorandum of Understanding dated 2015 states that the company will, amongst other things, provide an annual confidential shareholder report, a remuneration report, a transparency report, a business plan and quarterly financial performance reports. Why, I wonder, sir, have States' Members not been provided with the same information?

2700 We are being asked to support the purchase of aircraft to the value of US\$60 million and to fulfil our duty as shareholder in this Chamber rather than have STSB act *in loco*, as we ordinarily task it to do on our behalf, due to the value of the acquisition.

2705 Despite regular and constant requests over the last 18 months – and in actual fact Deputy Inder has evidence it goes back further – the answer from Aurigny has been consistently and resolutely, no. There is enough information in the audited accounts for you to make your judgement. Well, I do not think there is. Clearly, other Members who are also on record as having asked for the same level of disclosure do not think there is enough detailed information forthcoming either.

2710 Yes, I understand the concerns from Aurigny about commercial sensitivity or possible leaks from sharing detailed information with us unruly bunch of 40 States' Members, but this is about trust, and it is apparent that trust is sadly lacking now on both sides.

2715 A solution to this would have been to ask Members who wanted access to sign a non-disclosure agreement. I would have had no problem with this; I am sure other Members may not have either. It is little wonder that the level of trust has been affected by the lack of disclosure of important information, that in any other circumstances would be viewed as not only reasonable to provide but actually necessary to provide to those being asked to decide on such an important acquisition.

2720 Another matter I view as a fatal flaw is noting the policy letter and this is that the ClearView ... Vision, sorry, not ClearView. That was our mistake, I think, in the Economic Development Committee policy paper just before we called it ClearView and actually it is ClearVision. The ClearVision technology has not been certified by the CAA. The aviation expert that I have spoken to focused in on this immediately and verbatim his challenge to this critical issue is 'for Aurigny to show written confirmation from the specific UK CAA Flight Ops Surveyor that they have the approval to use this equipment to quoted minima by the manufacturer immediately on entry into service of these aircraft.'

2725 My simple interpretation of this question to the President of STSB is this: will the UK CAA sign off on this? If not then this whole exercise is academic because we will not be able to use the technology that we have been sold as being one of the key factors in this policy.

2730 The President has already told us that there is no current approval for the use of ClearVision so presumably there is no confirmation in a written form of approval from the CAA Flight Operations Surveyor, so we have no comfort that this landing system technology may actually end up in fact as useless, but it does form a significant part of the business case.

2735 Separation of the Island's interests versus the airline's interest is key in this matter. Let's be clear that the airline is in the Island's interests, but that the Island is not necessarily in the airline's interest, which is where we are led down a cul-de-sac in respect of the strategic review that P&R held of the airline earlier last year.

It is relevant here to quickly revisit the recommendations that were drawn from that work undertaken by the review panel, that Aurigny should remain in States' ownership for the foreseeable future given the importance of retaining the Gatwick Airport slots. We must be very careful not to view someone else as a shareholder. The Island owns Aurigny through the States of Guernsey. It was purchased with public funds, taxpayers' money, to secure the Gatwick slots, no other reason.

The shareholder is represented by delegated authority via the STSB. As the States of Guernsey we have to have the interest of the Island at heart of our decision making, not just the interest of a business that we own for the Island. I think this is a really important point and why I have been very receptive to listen to the views of all of those who have current and legacy experience in aviation, because the proposal from Aurigny is not about airlinks policy, it is about future growth, sustainability and consolidation of a business that we happen to own.

In stating my views about the current structure of the airline, I have effectively stated that I do not see the future growth of the business as being compatible with the interests of our Island's connectivity policy in the future, and it is in this regard that I am confused about the P&R recommendations from its own strategic review of the airline putting certain priorities and objectives before STSB to achieve before consideration of risk to public finance. One example is noted in item 3.1.2 of the policy letter to:

... monitor and analyse opportunities for the application of new landing system technologies to improve the ability to land in adverse weather conditions.

Well, that is one of the reasons why we have this policy letter in front of us today.

In my view the nub of the problem is that Aurigny operates well beyond its capability and is as a result of another recommendation from the review and that is for the airline to break even. It is facilitated by constant bank rolling of the company losses by the States with public funds. Those losses, which Deputy Trott has earlier in this debate already confirmed, are considerable.

Rather than looking at restructuring the airline now, which I think would be in line with the newly approved restructured licencing regime for airlines wanting to operate into Guernsey and the, just this morning approved, air and sea route policy objectives we are looking at expanding the business and cementing in the current operating model.

Things have been done in a reactionary almost haphazard way without looking at the whole picture, and for me this proposal is good evidence of that.

I am pleased to hear about the work with scrutiny in the future to look at the business, but I am not sure that it will go far enough, and I am sceptical that nothing will happen other than tweaks of the current model as opposed to the prune and reshape which I suspect the business requires.

Whilst our airline has won accolades and undoubtedly provides a good air service, I do not believe that the taxpayer receives value for money on routes outside of Gatwick. This is a moot point, as I have already alluded to, as I cannot prove this hunch because we have not been able to see any of the financials.

The landing system technology, which I have already stated I believe is a red herring, is not the *panacea* and will not answer sufficient of our connectivity issues, which is why we bought Aurigny in the first place.

The Dacey report suggested it may only bring an improvement of 14% for landings in fog and if I had dug down deeper into that point it becomes apparent that ClearVision is not of significant benefit to Gatwick passengers. I feel that this proposal leads us into endorsing an empire build which is at odds with the policy direction that the Committee for Economic Development has now secured via the core strategic objectives, which we have just approved, and has given us more opportunities now to seek out further solutions to deal with connectivity issues.

I am very pleased that Deputy Meerveld's intervention this morning gave us a chance to discuss and agree on that first as it puts this proposal from STSB into context.

2785 Arguments have clearly been stated that we need to look bigger, wider, broader, bolder perhaps at the airport infrastructure rather than the capital spend proposed on assets where the case has not, I feel, been adequately made.

I am not a runway extension supporter at all, many will know that. I do believe, however, that there is much scope for enhancing what we have now in perimeter. We must look at the runway upgrade modernisation. There is strong sentiment amongst experts that it is essential to install the equipment and runway improvements needed. We should have a modern airport that can take the small passenger jets now in service. I am told that installation of a CAT III instrument landing system or even a CAT II will allow many more aircraft to use the Airport even during periods of fog. There are many things that we can do concurrently to improve our air and sea links but at the least we should be researching the feasibility of installing an up-to-date ILS system that will satisfy most requirements and give Guernsey an opportunity to have a modern airport ready to face the future.

In conclusion, supporting the purchase of three new aircraft via loan capital, aircraft that are not needed and fitted with the ClearVision technology, I do not believe provides value for money for the taxpayer. We need to be exploring a solution which benefits all aircraft using the Airport and enable those aircraft which currently cannot use the airfield because of the current limits of the Category I system that we currently have.

Thank you, sir. (*Applause*)

**The Bailiff:** Deputy Lester Queripel.

**Deputy Lester Queripel:** Sir, I cannot possibly support these Propositions before us, on the grounds that enough is enough as far as I am concerned, and as far as many of my fellow Islanders are also concerned.

Over the years Aurigny has cost the taxpayers of the Bailiwick tens of millions of pounds. They have never been able to repay their debts and the previous Assembly, as Deputy Inder referred to earlier, wrote off over £20 million worth of Aurigny debt, at one stage and then went on to give them, I think I am right in saying, £30 million to go out and buy new planes. Now of course as a Member of the previous Assembly I am partly responsible for that. But in my defence the first issue was very much a gone-to-the-head situation that happens in politics from time to time, and the second issue was an issue of need rather than an issue of want, and I will focus on needs and wants a bit more in a moment or two. But just getting back to the reasons why I cannot support these Propositions. The taxpayer has funded every single loss every single year that Aurigny has made to the tune of several millions of pounds every year. On top of that, 28 Members of this Assembly voted in favour of a £15 million overdraft facility being made available to Aurigny in 2019 during the recent Budget debate. I was one of the 10 Deputies who saw sense and voted against that Proposition, sir, I hasten to add.

Here we are today being asked to agree to a loan of approximately, I believe, £47 million for Aurigny to go out and buy even more planes when they have only recently had two new planes delivered, one in 2015 and one in September this year. How many more planes do Aurigny need to operate a –?

I give way to Deputy Trott, sir.

**Deputy Trott:** I am grateful to you.

Those two recent acquisitions were Dorniers for the primary purpose of serving the Guernsey-Alderney link. What we are talking about here are ATRs for the primary purpose of serving Gatwick. The two things are completely different.

Does that help?

**Deputy Smithies:** Sir, point of correction.

This is not expanding their fleet, this is replacing three aircraft with three aircraft.



**Deputy Lester Queripel:** Sir, it does not change my view.

How many more planes do Aurigny need to operate a route to Gatwick which is the only route that makes Aurigny a profit and a route between Guernsey and Alderney?

We are told in paragraph 3.2.1 on page 11 that:

A new 3 aircraft model, based on the operation its existing Embraer jet ...

2840 I presume there is a word missing there somewhere, but that is what it says:

... but only two of the ATR72 turboprops. This is the minimum complement of aircraft required ...

We are told on page 29 that Aurigny own seven aircraft and they lease two. So they already have nine aircraft in their fleet, and they are asking for £47 million to buy more aircraft.

2845 Now, sir, I very much appreciate this is the pantomime season, but this pantomime goes on every day of the week, every week of the year, year after year, after year, after year, after year. (**A Member:** Oh, no, it doesn't!) (*Laughter*) Oh, yes, it does! So it is time somebody said enough is enough.

2850 Now if the argument is that Aurigny want more aircraft to carry on with loss making routes and establish new routes then surely the question must be asked why would they want to do that? Why would they want to continue with loss making routes and why would they want to gamble and experiment with taxpayers' money? I guess the answer to that question, sir, is that the management team and the board of directors have an aspiration. I am sure they aspire to that aspiration with the best of intentions but it is us who are the custodians of the public purse, not them. I am not prepared to gamble with taxpayers' money any more. My message to Aurigny is to cut the cloth to suit. Dispense with loss making routes, forget about establishing new routes –  
2855 other airlines can do that in the light of our voting in favour of a quasi-Open Skies policy recently – and just concentrate on the routes that make a profit.

As I have said in speeches in this Chamber when discussing issues relating to Aurigny, running an airline is not rocket science. Running an airline surely should be done on a basic approach to any business. You dispense with areas where you lose money and you continue with areas where  
2860 you make money. I have also said on more than one occasion in my speeches in this Chamber that I am an optimistic realist. I am forever hopeful that things are going to work out but at the same time I am rooted in reality. Aurigny have never been in a position where they can afford to repay their debts and loans, so what is going to change to enable them to repay this loan, especially when there are so many risks attached to it, as laid out on pages 22 and 23 of this  
2865 policy letter?

I will not focus on all of those risks but I want to focus on one of those risks for the benefit of my fellow Islanders out in the community who may not be aware of this risk. The second to last sentence of paragraph 5.6.3 on page 22 reads as follows:

As a launch customer for ClearVision, Aurigny was offered generous discounts by ATR for the equipment as part of the overall aircraft prices.

2870 So what that really means is we are a guinea pig, we are an experiment, we are a gamble. As with any gamble, this may or may not pay off. The irony is we have systems and procedures in place to support and care for people who are addicted to gambling here in the Bailiwick and here we are, the politicians who are responsible for those systems and procedures, being asked to take a gamble. Yet another pantomime to add to the pantomime season, and like a lot of things in politics, sir, it makes no sense at all.

2875 Actually some years ago I wrote a poem entitled 'Have we all got the word idiot written on our forehead?' It was one of my best, sir. It will be in my next poetry book. I am beginning to wonder, sir, if that applies to this whole Aurigny issue of loans and subsidies. Have we all got the word 'idiot' written on our forehead? (*Interjection*) Deputy Kuttelwascher says he hasn't. I am glad to hear that, sir. Because how on earth can a company pay off a loan now when they have never

2880 been able to pay off a loan in the past? I just cannot see how Aurigny are going to be able to do that, even with the best of intentions of the management team. Where is the evidence? Well, there is certainly no evidence to convince me in this business case.

Sir, Deputy St Pier once said in one of his speeches that he felt that I was beyond redemption on a certain issue. Sir, he was wrong on that occasion, but he would not be wrong if he were to get up and say that on this occasion. There is absolutely no way I am going to agree to this Proposition and gamble with millions of pounds of taxpayers' money. But in anticipation of one of my colleagues saying in response to what I am saying here now that the money is coming from a business loan from a finance company, there will not actually be any taxpayers' money involved in this loan. I would ask those colleagues to ask themselves this question. Who do you think is going to take the financial hit if Aurigny are not able to repay the loan? Once again, sir, it is not rocket science: the taxpayer will take the hit.

Now, sir, the States are ultimately responsible for Aurigny being where no-one wants them to be, because it is the States who have allowed Aurigny to fall into the position they are currently in. It is the States who have allowed Aurigny to have these unattainable aspirations and when these aspirations prove to be unattainable it is the States who pump more and more and more taxpayers' money into Aurigny.

Now, as a taxpayer, sir, I would not mind if, as a result of that, fares to and from the Island were a lot cheaper, and I am not talking about £5 or £10 cheaper I am talking about £60, £70, £80 cheaper, but the reality is they are never going to be. How can they be when Aurigny will not only have a £47 million loan to repay but several other debts and loans to repay at the same time? Surely, sir, that is the reality my colleagues need to take into consideration.

As we hear so many Members of the Assembly say in their speeches, sir, we all know the problems but we need the solutions. Well, sir, I have just come up with a solution, the obvious thing to do in my view, seeing as how the Gatwick route is a profitable route, is focus on trying to improve that service because nothing is ever perfect and everything can be improved, and at the same time, in tandem operate an Alderney-Guernsey route that at least breaks even and satisfies the needs of the people of Alderney and the tourists who want to travel to Alderney by plane, and forget the rest, cut the cloth to suit. It is not rocket science.

I am reminded of the time I was talking to our former Lieutenant Governor the Late Peter Walker and I asked him if he ever felt like standing up in this Chamber and saying anything as opposed to just having to sit and listen to debate, and he said he often felt like standing up and shouting out 'You are all missing the point!' (*Laughter*) Sir, I feel that the proposers and the Aurigny management team are certainly missing the point in this one, because why on earth do they even want to go to the enormous expense of buying planes when those planes could be leased? Yes, I have read the case – the case against leasing planes in this policy letter – but obviously I do not agree with it, or else I would not be saying what I am saying.

On more than one occasion in his speeches in this Chamber, Deputy Ferbrache has referred to a song entitled 'Yesterday is Gone' which was recorded by a group called Cupid's Inspiration and was a big international hit and actually reached No. 4 in the British Pop Charts in 1968. Well in this case, sir, as far as I am concerned, yesterday has certainly gone. Aurigny have had their chance, they have had several chances actually, and each time it has cost the taxpayer of the Bailiwick millions of pounds. And every single time Aurigny have come back and asked for more money.

As I say, they have an aspiration and I applaud the aspiration, but it is not realistic, it is totally unrealistic. They hope they are going to get to a point one day where they can pay the money back, and the reality is they have never once been able to do that. So I ask the question again: what is going to change to enable them to pay this loan back?

Sir, I would ask Deputy Ferbrache to take heed of what he often tells us in this Chamber, because surely yesterday is most certainly gone where Aurigny are concerned. It seems to me as though this Assembly has the same scenario here as the previous Assembly had with the Guernsey Financial Services Commission, because at that time the GFSC were out of control, and it was down to the previous Assembly to send a warning shot across their bows and bring them

back under control. I am delighted to say it worked, because the GFSC responded positively to that warning shot across the bows and amended their procedures accordingly from thereon. We now have the same situation and scenario in front us today, because this Assembly really does need, in my view, to help Aurigny fire a warning shot across their bows. I see that, sir, as the duty of this Assembly to do just that, as I saw it as the duty of the previous Assembly to bring the GFSC back into line, which is why I was more than willing to lead the charge on that occasion.

So in closing, my message to Aurigny in the form of a plea is, please, cut the cloth to suit because the position in my opinion as custodian of the public purse is most certainly not a sound business case, and in fact a vote in favour of this Proposition in my view is to vote in favour of perpetuating a legacy of debt, and I think that is a really extremely serious issue.

Aurigny do not need any more planes, what they need to do is cut the cloth to suit. I say that because even the experts get it wrong occasionally and when they do get it wrong it has a devastating effect on the public. The experts said the Titanic was unsinkable and it sank on its maiden voyage. If that does not prove the point ... That of course, sir, had a devastating effect on the company that built the ship and the families who lost their loved ones. Financial institutions and well established banks collapse with experts at the helm, and that has a devastating effect on the customers of those businesses and the people who work for those businesses, as well as their family members of course. So whenever the experts get it wrong, as they have in this case as far as I am concerned, it has a devastating effect on thousands of people out in the community.

In fact I am reminded of the time when my brother, Deputy Laurie Queripel, and I tried to alert the financial experts here in the Island to the financial crisis which hit the world in 2008 because we were telling them here in Guernsey in 2005 that we were heading for disaster, because banks were lending money they did not have to people who could not afford to pay it back.

It is not rocket science, sir, it is also fairly obvious, but those experts laughed at us, and ridiculed us, just as I suspect some of my colleagues are doing to me now as I stand here making this speech, but this is a genuine attempt on my part to rally my colleagues. Those experts told us to mind our own business. They said we were merely laymen with no financial experience whatsoever, and they laughed at us then, but three years later no one was laughing – quite the opposite in fact, hundreds of thousands of people were crying due to the fact that they had lost their job or they had lost a fortune in that financial disaster. Several people even committed suicide actually because they had lost so much in that financial crash – and I do not know why my colleagues are laughing, sir. Is committing suicide a laughing matter?

**The Bailiff:** No, but I think it is straying off the point.

**Deputy Lester Queripel:** I am not, sir, this is all because I am trying to get across to my colleagues that this policy letter, these Propositions have been written apparently by experts in their field and I do not doubt that they are not experts in their field, but – (*Interjections*)

Sir, they have laid this Proposition before us with the best of intentions because they genuinely believe it, and I respect them for that, but I do not believe it, because experts get it wrong from time to time, so I ask them to respect my views as I respect theirs.

I do not need to hear the views of experts whether in favour of an issue or whether they are opposed to it, because I am quite capable of working things out for myself. As I have said on more than one occasion in this speech, it is not rocket science. I am just conscious of Deputy Inder crunching sweets in my ear, sir. (*Laughter*) I wonder if he could move away a little bit, give me a bit of space here. It is just a constant pantomime isn't it. He's behind you.

Sir, I will end with a paraprosookian by saying that if I were to agree with the proposers then we would all be wrong.

Thank you, sir.

**The Bailiff:** Deputy Roffey.

**Deputy Roffey:** Thank you, sir.

2985 Deputy Lester Queripel wants us to fire a warning shot across Aurigny's bows, but I am slightly worried that we are going to fire a warning shot into our own feet.

The opposition so far has been along the lines that we are all fed up of Aurigny losing money. Yes, we are all fed up with Aurigny losing money, of course we are. Insurance policies do tend to be quite expensive, but this one has proved to be more expensive than we had all hoped or  
2990 bargained for some years ago.

The other opposition is Aurigny have over promised in the past and under delivered. They have talked about break-even here, break-even there, all sorts of things and it has not necessarily come about. Yes, there was a sort of Trott-esque theme to the Aurigny sort of gung-ho approach to life saying that we are going to get back into profit. I accept that, but to me that is not the  
2995 point.

What I have to ask myself today on behalf of the taxpayers of Guernsey is: is their bottom line likely to be better or worse if we vote for these proposals today. Now I do not know if that will be the golden uplands of them being back in a surplus in which case they might make half a million pounds a year more than they would have done if we voted for this or more likely whether we will  
3000 still be alas still having to carry a deficit and recapitalise every number of years in order to address that. The question is then will those losses be higher or lower if we actually agree to guarantee the loan for the purchase of these new aircraft.

Deputy Laurie Queripel actually speaking this morning in another debate where it is relevant to this debate said we have to make up our minds whether we spend our money on a land-based  
3005 sort of landing system to help all aircraft land in low visibility or whether or not we spend our money on aircraft based. I think that was missing the point in a number of ways. First of all, there is no proposal here for us to spend our money. There is a proposal for us to guarantee something, but that is an entirely different thing. It may actually gain the taxpayer £2 million, it depends really how we vote when we come to address Deputy Dorey's amendment later on.

3010 All right I will give way.

**Deputy Laurie Queripel:** Thank you, sir.

I am very grateful to Deputy Roffey for giving way.

But, does he not agree with me that it all depends on whether the predictions from Aurigny in regard to their improved financial position and the efficiencies and savings they are predicting will  
3015 take place actually? If that does not happen it will still be taxpayers' money because the company, Aurigny, will be getting bailed out again and being recapitalised again because they do not make sufficient money to run their business, they run at a loss. So does Deputy Roffey agree with me in regard to that wider point?

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**Deputy Roffey:** I do, which is why I just said before, the judgement is whether those losses are likely to be higher or lower if we vote for this today. I do not think it is, and we can castigate Aurigny all we like, we can sit here, wear hair shirts, and say how we have done dreadful things to the population of Guernsey, 'Yesterday is Gone'. What we are talking about now – (**A Member:**  
3025 Hear, hear.) I think there is another song that is 'It is Yesterday Once More', so I do not know who you believe, but the point is going forward which route, say yes or no today, is likely to be most beneficial to the people of Guernsey?

Now another thing I heard from Deputy Lester Queripel was that we are addicted to gambling. Actually what was the alternative of running Aurigny in the way we have done over the last 10 or  
3030 15 years? That gamble, that white knuckle ride of not having that insurance, well that would have been a real addiction to gambling, that would have been a real difficulty.

**Deputy Lester Queripel:** Point of correction, sir.

3035 **Deputy Roffey:** Point of correction. Okay, I am not giving way again but –

**Deputy Lester Queripel:** Sir, I did not say we are addicted to gambling, I said we had got procedures and systems in place to care for Islanders who are addicted to gambling and here we are, the politicians who are responsible for those systems and procedures, being asked to gamble. I did not say once in my speech that the States were addicted to gambling.

3040 Thank you, sir.

**Deputy Roffey:** My point is a life without Aurigny and all of its losses over the years would have been a heck of a bigger gamble for the whole of our economy and our community and our population than what we have actually done. (**A Member:** Hear, hear.)

3045 Now Deputy Dudley-Owen said that she was no advocate of extending the runway. I am not surprised. She will not be surprised that my default position, although I wait to be persuaded either way in February, is very much with her – I am not convinced of it either. Yet she went on to argue very much that the answer was a ground based system to help aircraft land in low visibility. My understanding is – and I am not an expert, I stand to be corrected – in order for those really to  
3050 be installed the valley to the east of the runway, running down towards the Blicqs would basically have to be filled in order to provide a level approach. Now Deputy Kuttelwascher may be able to correct me, but that is certainly what the experts at the Airport have told me. So I am not sure it stacks up.

No, I am not going to give way.

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**Deputy Kuttelwascher:** Point of correction.

**The Bailiff:** Point of correction then.

3060 **Deputy Kuttelwascher:** He did ask to be corrected.

**The Bailiff:** Point of correction, Deputy Kuttelwascher.

3065 **Deputy Kuttelwascher:** The only issue with the valley is the functioning of a thing called a radar altimeter. That could be mitigated nowadays by things called radar reflectors, they can be installed in the same places that the approach lines are installed and you would not have to fill in the valley and it is exactly what they have done at Geneva Airport. So there is an alternative.

Thank you.

3070 **Deputy Roffey:** A number of alternatives because Deputy Kuttelwascher sent us all a very nice video of the aircraft used by Flybe showing that there is another system being developed. So it may well be that the ground based one is not the actual route to go down depending on the cost.

I actually do not think this question of low visibility landing is – taking the point that Aurigny perhaps have over hyped things in the past: I do not know if it is their fault or the media's fault,  
3075 but I think it has been over hyped here ... If I was buying a new car – and this is a hypothetical because I do not own a car, but if I was buying a new car – and I had owned the old one for a few years and I was told by the supplier, 'We will give you a really good deal on a new car. We will give you a decent trade in value,' the killer thing to me would not be that the new car had one of these devices that allowed me to reverse park without using my hands. I would be really pleased  
3080 to have it because sometimes I embarrass myself when I am trying to do that and people are waiting to drive past, but it would not be the killer thing. Now I know that is slightly trivialising it because it is part of the financial case that is made, but it is by far the smaller part of the financial case that is made and so I do not think we should obsess during this debate on whether or not that ClearView is the way forward.

3085 Sir, as I say we are not being asked to spend \$60 million of taxpayers' money, but we are being asked to guarantee a commercial loan to be taken out by a company that we own. Now of course that guarantee does, and Deputy Queripel is quite right, technically put at risk that sum of public

money; of course it does, that is what a guarantee means. But on the other side of the coin the loan provides new assets for the company and possibly, depending on how we vote later, in return for the risk involved the guarantee will result in a £2 million payment into general revenue over the years ahead.

Now if we expect to operate in a commercial world like aviation without taking any risks at all then we are being naïve; the commercial world involves risks. That said, I think the risk of Aurigny defaulting on the loan is actually very low. They certainly have not defaulted on the commercial loan they took out 10 years ago to buy their current ATRs, and I doubt they will default on this loan either. What they admittedly have done over those years is to lose money. I think we are conflating two different things here. They have been losing money. That is a different matter. There is no guarantee they will not lose more money in future either, which might require fresh injections of cash from the Exchequer, but if that is the concern today I would say two things to Members.

The first is that conservative estimates by disinterested outside experts – not from Aurigny management, from disinterested outside experts with far more knowledge of the aviation industry than anyone in this Assembly – suggest that if Aurigny does continue to lose money those losses will be the best part of half a million pounds a year less if this deal goes ahead than if it does not. If it goes ahead with the Dorey amendment or part one of the Dorey amendment it would actually be well over half a million pounds a year.

The second thing I would say is – where I do come together with Deputy Queripel – if we really are all fed up with Aurigny losing money we can probably stop it next year, we probably can just tell it to start to operate like a private airline, a commercial airline and put its own balance sheet ahead of the broader interests and the connectivity of this Island and Bob's your uncle. It might mean it only flies to Gatwick and possibly one rotation a day to Manchester, dropping all of the more marginal routes. I think many of our constituents will be on the phone complaining to us like billy-oh but they could break even, and they might even be able to shave a bit off the Gatwick fares as a result.

But I would think that Members should think big, if all we care about is ensuring we do not lose money in the airline business then, frankly, we could guarantee that now by just dumping Aurigny; let's just flog it off, that way we cannot lose any more money. If that was our driving imperative that would be our logical step. I will tell you what though, as I said this morning, with Flybe putting itself up for sale what would that do to our nerves just now? What would the lack of the level of certainty do to the business confidence in this Island? I think we are being pound wise and million pound foolish here.

Frankly, if our policy was driven by Aurigny not losing money then I do agree with Deputy Inder: a previous Assembly, I was not in it either, should not have agreed to buy the jet. Now when Flybe pulled out of Gatwick the commercial decision would just be to carry on operating ATRs on six rotations a day. They could not increase the six rotations a day because that is the number of pairs of slots they have. Unfortunately with –

**Deputy Inder:** Point of correction, sir.

I cannot see how Deputy Roffey can agree with me about Aurigny, that I said they never should have bought a jet, because that is not what I said. I said I understood why they agreed the purchase of the jet. What I questioned was the spin related around it telling us that they were going to be in profit by 2015. That is exactly what I said.

**Deputy Roffey:** I do agree that over optimism can be a problem, and I am sure it was said with best intentions and then events came along which blew that off course.

But nevertheless Aurigny as a company would have had a far better chance of getting back into profit actually if they said, 'To heck with the capacity on that route. We have got these ATRs, they use a lot less fuel, they are less expensive to buy, we will carry on doing six rotations a day,' they would have been jam packed full, they would have had great pay loads. But unfortunately

3140 not everybody that wanted to fly from Guernsey to Gatwick could because with the Flybe capacity taken out that would not have been enough, so they went out and bought a jet, to protect Guernsey's position to increase the capacity to make sure that with only six pairs of slots they had enough seats in the course of a day to serve the Guernsey market.

3145 Now it meant that they reduced their chances of breaking even, but I think we just have to look at this strategically and not just as if it is another company that we want to see go back into the black. But if we do, if that is the driving thing, then actually I think running an airline is close to rocket science, because very few people seem to do it successfully. Most of them seem to disappear and very few actually make profit of it, but it would be less like rocket science if all they were trying to do was look at their bottom line instead of Guernsey as a whole.

3150 But we are the States of Guernsey and we have to look at what is in Guernsey's best interest and in that context, as I have said, Aurigny is not only an insurance policy but going back to what we were saying this morning it is a tremendous economic enabler, a great creator of connectivity.

3155 Sir, I am so glad that I voted to buy Aurigny and now I think we simply have to let it have the tools to do the job. On the table is a very good deal. Clearly a very keen purchase price, a reasonable trade-in value, and a remarkably competitive loan if we are willing to guarantee it.

3160 Now I have heard some Members of the States say, 'Why should we guarantee a private loan? We have got bond money that we could lend out, we have commercialised various organisations' – not Aurigny because it was never internal to start off with – 'We have set up boards, we have made sure we did not interfere with the running of Aurigny because it is commercial board.' Why? Because we want them to be commercial. Then people are turning around and saying well we think you should be borrowing from a more expensive source than the one you can go out and source. What nonsense. If we want them to be commercial, they have to be commercial, and this is a very good loan indeed that they have managed to source. I do not know quite how they managed to do it.

3165 Sir, I think we are getting obsessed on, as I say, Aurigny's profitability. I want to see it make a profit, but we are hearing, 'Do that while shaving off not just £10, £20 a ticket but huge amounts of money per ticket.' It ain't going to happen. I do not care if our runway stretches from the Doyle Monument to the Cup and Saucer there are just not enough bums to put on enough seats to create frequent low cost flights in larger aircraft. So the ATR are always going to be an important part of the Aurigny offer, and even if we do just retrench to Gatwick actually that is the main route for which these ATRs are going to be used in supplement of our single jet, because the single jet cannot rotate. It is newer aircraft, lesser costs.

3175 Now of course experts are not always right, of course experts are sometimes wrong. That is not a reason for not listening to them, because experts tend to be right slightly more often than people with no expertise.

3180 So if you are playing the odds – going back to gambling – I tend to take the view of experts and sometimes they are wrong. In this case we have employed, I do not know how much we have paid, but it is not just the ATR that is trying to flog the things or Aurigny that have got a track record of being perhaps a bit too gung-ho. We have employed disinterested outside experts at a cost to appraise whether this is a good deal. They have come back and said it is a very good deal. Now we can turn it down, but if we think that is playing safe, it is not playing safe. The best estimates by experts is that will cost the taxpayer of this Island roughly £600,000 a year more than if we do this. So we can walk away feeling virtuous we have protected the taxpayer money. We will have not. We will have cost Mr and Mrs Ordinary Guernsey man – and woman, sorry, you have got to be so careful these days, haven't you – an extra £600,000 a year than if we had done this, and that is the best estimate. It may prove to be wrong. This is not about whether Aurigny gets back in profit or loses money, it is whether their bottom line would be better or worse off. I am going to take the expert advice. I do not know that it is right but I think it is a lot more likely to be right than it is to be wrong.

3190 **The Bailiff:** Deputy Le Clerc.

**Deputy Le Clerc:** Thank you, sir.

I really do not know whether I am coming or going on this. I came in here today thinking I do not know how I am going to vote. I have sat here for the last, I do not know, hour or two and I still

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Listening to Deputy Roffey just then, I think I am more persuaded with his argument. I think it comes down to trust and I think that those of us that were in the Assembly last term there is probably doubt because we have a lack of trust because I think some of us are jaded by the fact that we went to an Aurigny presentation at Candie Museum and really it was just the poorest presentation I think I have ever been to as a Deputy. The people in front of us had absolutely no idea of the financials, and they relied totally on, 'That is confidential', all sorts of reasons; and I think really that is why I have got this huge difficulty today and again I can see some nods around the Assembly, it is because a lot of us remember that presentation.

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I listened to Deputy Lester Queripel and I hear what he is saying. I think the underlying theme coming through from his speech is the trust on this.

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I think the numbers stack up if we take on trust and the advice that has been given to us and those savings are there, but they are really thin savings, it is only going to take one or two things to go wrong for the ClearVision not to get the licence, so that is another £1.1 million lost, so that takes the profit down. We just need another bird strike again and again that eats into our profitability –

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I will give way.

**The Bailiff:** Deputy Lester Queripel.

**Deputy Lester Queripel:** Sir, I thank Deputy Le Clerc for giving way.

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Would she not agree with me that the best thing for any Deputy who is unsure of which way to vote would be to abstain from the vote?

**Deputy Le Clerc:** Sir, through you, I disagree with Deputy Lester Queripel because actually I think this is the airline of last resort. We have to provide this airline to the people of Guernsey and that is why I think we are between a rock and a hard place with the decision that we have got today, because we could find ourselves with absolutely nothing at all, and that would be a terrible situation. I do not know, I still do not know how I am going to vote. That gut feeling is that even though it goes against the grain I am feeling I am going to have to vote for this because I am backed into a corner.

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What I would like to see going forward is a lot more transparency on the management accounts – (*Interjections*) Well, I hear Deputy Inder with an aside there. This is naive of me to say this but if that Gatwick route is protected – and that is what the bulk of the information in those management accounts is about – that Gatwick route ... if for the next five years because we have changed the policy on that Gatwick route and there can be no competition on that, what is the point of hiding those figures away, because actually no-one can set up in competition?

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I know there are the ancillary routes going to East Midlands etc. and perhaps there is some potential competition on the Manchester route, but we have seen, we have had the Open Skies policy, people are not flooding to provide an airline service to Guernsey on these routes. So what is the big danger in disclosing those management accounts, and giving the people in this Assembly the confidence going forward year on year, rather than just having these total lump sum savings with what is happening in Alderney sort of, are they or aren't they making a loss? I think we will get some clearer vision – sorry for the pun on that – (*Interjections*) when we go through the bid for that Alderney route.

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So I think I am talking myself round to saying I have got to vote for this, but I am backed into a corner. But I think what I really also would like is for us to be really clear and honest with the people of Guernsey and just saying to them that there are not going to be any reductions in ticket

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prices if we go down this route, unless, as Deputy Ferbrache has said, we are willing to put a lot more money into this.

3245 So I think there needs to be a proper PR exercise to the people of Guernsey and to the businesses of Guernsey who should understand that we are not going to make ticket saving costs, this is preserving that lifeline route, and anything else that we get on top of that is just jam.

Thank you, sir.

3250 **The Bailiff:** Deputy Tooley and then Deputy Smithies.

**Deputy Tooley:** Thank you, sir.

Like Deputy Le Clerc, I have to say that I am not absolutely decided on this, although, as I think my speech will make very clear, I am definitely leaning I think the opposite way to Deputy Le Clerc.  
3255 If I can, however, be convinced otherwise during debate, thus far I have not been, I will reconsider.

This is a large investment, it is the equivalent of almost £1,000 for every man, woman and child in these Islands. It is \$60 million in order to improve Aurigny's profits by a relatively modest sum, even on a best case scenario, and I accept that we are not being asked to put that money up but we are being asked effectively to set that money aside as a protection in case Aurigny finds  
3260 themselves unable to pay. Under this arrangement the States will be carrying that enormous guarantee with no certainty that at the end of the period the aircraft will be worth enough to repay that balloon payment, as indicated by the consultants.

The business case is based on a large number of uncertain assumptions. In fact it seems to me, reading the paper that Aurigny's own paper suggests, there is a better option for financial stability  
3265 but a choice has been made not to recommend that option. Instead, there is a proposal that we look at the purchase of three new all-singing, all-dancing fog defeating planes, and they sound great, they really do. If Aurigny had the money in the bank or the means of simply obtaining a loan which could stand alone financially I do not think I would have a major issue, although I would still question the wisdom of replacing all the planes in one fell swoop – perhaps that is an  
3270 unfortunate turn of phrase – and shoring up the need to do the same in the future when a good deal might not be so readily available. Still if Aurigny had the money in the bank or could access it in their own right then fair enough, perhaps.

But that is not what is before us. We are asked to approve the providing of guarantees on that loan. Doing so removes some of the flexibility that might be available to the States of Guernsey in  
3275 the future, because we will be lumbered with the guarantor status on a \$60 million loan. Even if circumstances outside anyone's control – as the last couple of years should absolutely show us – affect Aurigny's ability to operate in the future.

The policy letter notes and Deputy Ferbrache's speech in opposing Deputy Meerveld's motion to alter the order of debate earlier on today highlights for me that this purchase is only really a  
3280 good deal because of the finance terms and the current time sensitive price. Now that feels to me more like a clamour to take up a 'Black Friday' deal than a good governance decision. (*Interjections*) I was reminded at a carol service earlier this week of the John Betjeman poem Advent 1955 and this section really made me think of these proposals:

We raise the price of things in shops,  
[and] give plain boxes fancy tops  
And lines which traders cannot sell  
Thus parcell'd go extremely well ...

Just because the price looks good does not mean the purchase is wise. It is surely unwise to  
3285 make this commitment in advance of us reviewing the P&R detailed cost benefit analysis of different options for air and sea links. It is surely unwise to do this in advance of being able to properly judge the effect of the changes to our policies on Open Skies.

The jury is clearly also still out on ClearView's usefulness and Guernsey appears likely under this deal to become a test bed for ATR, and we are asked to underwrite a very large fixed

3290 investment. It does not stand up alone. If it did there would be no need for guarantors. No, this loan relies on the ordinary taxpayer being willing to underwrite the risk and being willing to pay up if it all goes wrong in an uncertain and potentially turbulent future.

Let's not forget that that is in addition to the debt we have already saddled our future selves and our children with in the form of the bond. I accept that the bond is doing well now but it is doing well in an uncertain world. Were it not so, adverts for mortgages and loans would not need to carry disclaimers and for what? A very small and uncertain benefit.

3295 Actually over the first few years of the loan the financial position could well be worse. Aurigny's own consultants seem to be suggesting alternative methods of presenting accounts in order to present a rosier picture. That is really worrying because it suggests that a straight analysis of this deal would not be good. This may well be a great deal for Aurigny, although on Black Friday I would always advise looking not at what you are saving, but how much you are pulling out of your wallet that you would not otherwise have moved. Still this might be a great deal for Aurigny, but I remain to be convinced that it is a good financial decision for the States of Guernsey, because we have to consider the financial reputation of our States.

3300 I have not definitely decided to vote Contre, although you can tell from my speech that I am almost at that point. But those who would like to hear me say Pour have really got their work cut out to hear that, and they need to be a lot more convincing than any of the speeches so far, including that of the President who has laid this before us, who to be honest did not sound terribly convinced himself! *(Laughter)*

3310 Thank you.

**The Bailiff:** Deputy Smithies.

**Deputy Smithies:** Thank you very much, sir.

3315 The business case being discussed now is sound regardless of any arguments for or against the review of the air links.

Aurigny have been presented with an opportunity to save money through acquiring a new fleet of three ATR aircraft which will result in savings on maintenance.

3320 Section 2 of the policy letter covers the fleet review process and lays out the reasons here and now for arriving at the conclusion to replace the ATR fleet with new ATR aircraft. And 3.2 in the policy letter covers the extra work requested by STSB as shareholder representative.

When Aurigny first presented their business case to STSB I questioned them closely on their assumptions and calculations about the maintenance cost. My eventual decision to support the case was informed by several years spent in the aircraft gas turbo manufacturing business. STSB is fortunate that we not only have the benefit of a senior pilot to offer his opinion but you do also have the benefit of a chartered aeronautical engineer on the board.

3330 A background in stress analysis life cycle costing and profit planning is not strictly necessary to grasp the principles but it does help. A number of submissions have been made which concentrate on air frame life, but far more of the operating maintenance costs relate to engines, propellers and undercarriages. For short-haul operators, the aircraft engines are subjected to higher stresses than for medium or long haul, as the maximum forces are imposed at take-off and landing, that is when the engines are run up from low to high revolutions. To make comparisons with long haul aircraft operations is misleading.

3335 The business plan shows clear savings on maintenance and remember these numbers are based on the worst possible predictions. I draw Members' attention to page 12 of the Aurigny business plan appended to the policy letter which highlights the cost saving arguments.

This policy letter is based on future saving forecasts and is commercially based. Taxpayers' money is not requested, the States' guarantee is required to ensure a better interest rate, but finance could be available without that guarantee.

3340 **The Bailiff:** Deputy Oliver.

**Deputy Oliver:** Thank you, sir.

First of all, I would just like to say I looked at this sort of risk versus savings so the \$60 million versus the £40,000 per year which is going to be potential savings. I have got a few questions for Deputy Ferbrache with the policy letter.

On 3.2.2. it speaks about if Aurigny loses one of the planes it will result in the withdrawal of Manchester, Leeds, Bristol, East Midlands, Norwich and Grenoble, i.e. they can really only maintain Gatwick and Southampton. However, within the policy letter there is nowhere that I can see actually justifying this within the report. So if he could help me out on that.

The other thing that I am not seeing in the report or business model: is it like for like? Currently one plane is leased, normally a lease will include the repairs or a new engine which is included in the price, which is why they are higher. However, this is unclear and we have not been provided with the lease agreement, so going forward are we actually increasing our liability from two planes maintaining the engines, props, paintwork, to three? If that could be explained to me please.

In 5.5.4. I understand that Deputy Ferbrache said that this was a good deal and that the interest rates were favourable, but what I do not quite understand is how is it cheaper for Aurigny to borrow from the private sector than from our bond that we just have sitting there? In table 2 on 5.5.4. it is costing £343,000 before they even start paying back the interest. Our bond money lending must be awful considering that it cannot compete with this.

On page 42 I am assuming that the sensitivity analysis that we have before us, that this is actually done over 10 years and it is not one year, because the whole report throughout is on a 10-year basis not one-year, so I am assuming it is 10 years as well. I have got a few more questions on this, sorry Deputy Ferbrache. Why is there such a difference in the spare parts? It is £69,000 between the two aircraft. I just do not quite understand that, if someone could explain that to me please.

Also the big thing is under the maintenance of the ATR72-600 there is no money accounted for on a schedule of events or refurbishments. Have they predicted that within the next 10 years there is definitely not going to be a bird fly into the engine and therefore there will not be any additional costs? I just do not know why we have no money for that in here.

As of yesterday, the dollar was 1.25. So as Deputy Ferbrache says, the figure changes. This figure as of yesterday would be half a million rather than the £254,000. I just want to know that. I do not want the figure to go so low that there is actually only going to be £100,000 profit at the end of four years. I want to make sure that there is a big buffer and better buffer than that, so if you could just give me assurance on that, please, I would be grateful.

Also I do not understand why we have only applied 0.15% for the increase in interest rates or margins. The current base rate is 0.75%. If it goes up it is bound to go up by 0.25% at the very least and, to be honest, because it is a 10-year analysis I would have expected it go up probably 1%. So this will change that figure to £2.67 million rather than the £400. So we have immediately lost half the profits that we were planning on making.

Going back to the renewal of the lease plane, I have had a quick look and I know it is only on the internet and a few pilots have told me that I do not understand why we have applied 5% because the market rate is normally 25% therefore this would remove some more of the benefit.

While on leasing the planes, Aurigny has assumed that we will need to contribute a further £25,000 a month to subsidise the lease rate. This is a huge amount of money and I know it has been accounted for but it just seems to me that it goes against the idea of not buying a new plane and subsidising that lease.

Moving on, the cost of the hot section inspection (HIS) is an entry fee of £500,000 which has been accounted for, but what about the works that need to be done that fall out from that HIS? I do understand these reports are a bit like a surveyor surveying an old house; some work is always found and needs to be done. We all know that plane parts seem to be very expensive, so this could completely again blow out the budget for making it profitable.

On page 76 it says there are 50 ATRs just sitting around waiting to find new owners. Now I just do not understand how we can sell ours above market rate, apparently, and others cannot. My

3395 general mathematics, I just cannot work that out so I would like to know about that. It might be that it is a whole package tied in but I just do not understand it.

3400 Moving on to the PA consulting report, it does raise quite a few questions that are not actually within the report itself. How much is training going to cost to get the pilots able to fly ClearVision? It does not actually have any costs in that. Every pilot, I believe, has a licence to fly that certain plane. The ClearVision will add specs or something to that plane so therefore they will need a new licence for that.

3405 The other thing that is said within the report is on page 14, it says that at the moment we have come to the end and we need this balloon payment or bullet repayment which is going to be £8 million. In 10 years' time we still have 30 million to repay. Now I know that we have assets, the planes are assets and we will be able to get some money for that but with the additional of the 50 ATRs sitting around, by 10 years' time – I know we cannot predict it – are they going to be more just sitting around because aircraft tend to be getting bigger and bigger, so therefore there is going to be less demand for the ATRs.

3410 It even says in the report there is a risk that the residual value of the aircraft will be less than the bullet repayment amount, but I think this risk is actually quite large and I think it is going to probably be about maybe £14 million or £13 million which we are going to have to then find refinance.

My final point, and I think it sums it up actually quite well, is what PA consulting have actually said. It is on page 17, number 4:

Whilst the fleet replacement does deliver an average annual profit improvement of £0.4m (£0.6m excluding the cost of the States loan guarantee), it doesn't deliver [a] big breakeven gains needed to put Aurigny on a path where it can grow and have... greater impact as an economic enabler. We strongly recommend that Aurigny goes through a profit improvement programme to then enable the traffic decline to be reversed and either stay static or ideally start growing again for the benefit of [Guernsey people].

3415 So even he is not convinced that this is actually going to make a big difference. I just feel with all of these variables that the profit is just being eaten away and this £400,000 a year, I can just see history has kind of told us that from the other speeches that in 10 years' time it is going to come back saying actually it has not made the profits as much, 'We have had some really unforeseeable things happen to us that we did not realise' – Brexit might be one of them – 'and therefore we have not made the profits we have meant to' and we have to bail them out yet again.

3420 Thank you, sir.

**The Bailiff:** Deputy Fallaize has stood a few times, and then Deputy Dorey.

**Deputy Fallaize:** Thank you, sir.

3425 I just have a couple of brief points. I think what is very clear from the debate is that there is a lot of uncertainty in the States about the merit of the proposals, and there is nervousness based partly on Aurigny's historic performance.

3430 Now I think my instinctive view is to support the proposals, partly because I am not convinced that this is the best forum in which to make these sorts of decisions. This is a commercial decision, we are not debating anything here which is close to policy. It is very expensive operational detail but it is operational detail nevertheless. We do have a board in place of Aurigny and we do have a States' Trading Supervisory Board in place which has responsibility for leading the work of the States in this area, and I am slightly nervous about second guessing their work. I mean I do not mind doing it where policy is concerned, but on this sort of matter I assume that the States' Trading Supervisory Board have spent very many hours scrutinising this proposal. In fact I think 3435 Deputy Ferbrache when he opened debate told us that he had never – I presume he was meaning in his capacity as a committee member in the States – had never previously scrutinised a proposal as much as this one. I am nervous about the States – because what is happening – the Propositions here are to note that the States' Trading Supervisory Board approves the business

3440 case from Aurigny. Now what follows automatically from that is that the States have to provide the endorsement necessary, which does not include any provision of financial resources, the endorsement necessary for the purchases to take place.

So I sort of have a slight governance concern, I suppose it is. I just do not think that this Assembly can provide the kind of scrutiny of commercial decisions which the States' Trading Supervisory Board has been set up to provide.

The other reason why my instinct is to support the proposals is because all of the disquiet is around – or 99% of it – Aurigny's management. I am not sure that voting against this sort of proposal is the best way of trying to address concerns about the management of Aurigny. I am not sure that if these proposals are lost and therefore the purchases cannot proceed that what then follows automatically is that there is a major review of the management of Aurigny or its financial performance.

It is possible that rejecting these proposals may provoke that, but it is certainly not definite, so it could be that some relatively sensible proposals are lost around the purchase of aircraft on the grounds that States' Members have lost patience with aspects of Aurigny's performance, but casting votes in that way may not necessarily result in an improvement in Aurigny's performance. So I think this debate has really, with the exception of a few speeches, become a debate about Aurigny's management and financial performance rather than the rather narrower issues that are before the States.

The problem I think, however, and why I am not yet fully certain how I will vote, and I would be grateful if Deputy Ferbrache could address this when he sums up, the problem I think is that the proposal which has been laid before the States seems to me to be based almost entirely, very largely, on what is a business case, and by that I do not mean the full justification, I mean the commercial case for improving Aurigny's financial position. That seems to be overwhelmingly the reason for the proposals.

Now that of course is what provokes the concern in the States because there is so much disquiet about Aurigny's financial performance. If the proposal was based more on the essential need to replace some of the fleet because it is ageing and this is going to be the very best time to make those replacements, I think that this would be a slightly different debate.

But what I feel when I read the policy letter is essentially I am being asked to trust the judgements made by the management of Aurigny that the purchase of these aircraft will in due course slightly improve Aurigny's financial performance, that seem to me what the case is based on. That is bound to engage all the disquiet and anxiety there is in the States about Aurigny's financial performance.

So what I am really asking Deputy Ferbrache to do when he sums up is to speak to the States about the other reasons for these purchases. Because I think if this rests entirely on the States being asked to back the judgement of Aurigny's management that these purchases will improve the company's financial position, then there is a strong possibility the proposals will be lost, for many of the reasons that Deputy Inder set out, because we have been here many times before.

But can Deputy Ferbrache tell the States if there was no prospect of these proposals improving the financial performance of Aurigny would he and his board still be standing before the States and making the case in favour of the purchases? Because if the answer is no then I think I may very well fall down on the side of voting against the proposals. If, however, the answer is yes and that there are a wider range of reasons for making these purchases and that we are not entirely relying on the judgement of Aurigny that these purchases will improve their financial performance then my instinct is to back not so much Aurigny's judgement but the judgement of the States' Trading Supervisory Board that this is a reasonable course of action.

But for me that is the issue on which this debate hinges and I would be grateful for some further reassurances from Deputy Ferbrache along those lines when he sums up.

Thank you, sir.

**The Bailiff:** Deputy Dorey.

**Deputy Dorey:** Thank you, Mr Bailiff.

There are many advantages and disadvantages of being in the public sector, or being publicly owned for Aurigny. One disadvantage is the fact that, as Deputy Fallaize said, for essentially a commercial transaction we are as a parliament debating it, it is not an appropriate decision for a parliament, but that is where we are because obviously it involves public money.

One advantage is the access to finance at a lower cost. I do not understand why P&R want to remove one of those advantages by charging the guarantee fee that would add £2.2 million to their costs over 10 years when we should be trying to maximise the advantages of being in the public sector knowing there are disadvantages.

Some of the debate has focussed on ClearVision which will make an improvement to P&L over 10 years of £1.1 million, but we have an opportunity by not charging the guarantee fee of making double that improvement to P&L of £2.2 million because that is the cost of the guarantee fee. Twice the cost of ClearVision. The purchase of three ATRs and not charging a fee gives us a chance of making that improvement of £6.3 million over 10 years.

I think the difference to 2014, as Deputy Inder said of my comments, is that these figures have been independently checked. I think what we have learned from them is that we cannot just take the figures given by the management, not just the figures which have been looked at by the States' Trading Supervisory Board. We need an independent view on it, and I for one when I attended the presentation was happy that the independent person actually spoke quite at length at that meeting to explain how they have looked at the figures from different ways and to give me the confidence that actually there is a financial improvement in the airline over that period, and that is why I will be supporting the proposals.

I understand Deputy Fallaize's point but I think that is the key point: it makes a financial improvement to an airline that is making significant losses. We all accept that the airline needs to continue in the public sector, therefore we should make decisions which help to improve its financial situation.

I have tried in the past for the States to resolve to increase their fares so that they can break even or be closer to breaking even. But I was unsuccessful; the Assembly then did not want to do that. But essentially this is a better way of reducing their costs by the purchase of ATRs and not charge the guarantee fee.

I understand P&R charging the fee, but it is not even consistent with their own fees policy. I have got a copy of their fees policy and it says that:

Fees and charges should not be seen as a replacement for direct or indirect taxation but may be levied following approval by a committee or the States as an alternative funding method in order to and essentially to recover costs for the provision of specific goods or services to identifiable customers.

But as I said, one of my questions was: does this giving a guarantee increase costs? The answer was, no, it does not. So how can they say that they are trying to recover costs when there is no increase in costs. If they charge the fee for a loan from a third party they should also charge the fee for a loan from the bond, because the risk is the same if they default and the taxpayer will have to fund the bond costs or they have to fund the loan from a third party. You could say there is a slight advantage with a commercial loan because it is a lower interest rate, but I will not go into the mistakes about the bond – that is for another day.

I think this is a special case and in some ways in the report, in paragraph 3.1.2, they talk about:

The recommendations arising from the strategic review [including] the following  
Aurigny is to be considered and treated as an economic enabler for the Bailiwick through focusing on essential economic enablement routes.

So we have made that decision, or P&R have made that decision from their strategic review and I think most people accept that it is an economic enabler. So this has got to be a special case and I think that P&R should look at it as a special case in relation to their policy of applying a guarantee fee.

It also says:

The shareholder objectives for Aurigny should include requirements for it to move to a sustainable operating surplus year-on-year and to increase the number of passengers carried by the airline.

To burden it with a fee where we know there are actually no costs in it does not make any sense. All we will do is increase fares. So I urge you to support (ii)A. I want to reduce their costs so they are more likely to break even. The figures have been independently checked, that is what gives me the confidence.

Obviously there is still a risk but at least we have had the Aurigny Board, we have had STSB and we have had an independent expert check them.

This is predicted to improve P&L by £6.3 million over 10 years. I would rather support this than increase fares because if they are going to break even they are going to have to find the money somehow and if they do not reduce their costs they are going to have to increase fares.

So I urge Members to actually support (ii)A.

Thank you.

**The Bailiff:** Alderney Representative Jean.

**Alderney Representative Jean:** Thank you, sir.

I note with disappointment the redaction of items which is not helpful in trying to make an informed decision and I query whether STSB have the full information to make their decision before putting this item on the Billet.

First of all, the ClearView system; when exactly will be the certification date? I note it is targeting March and April 2019; are they currently on target for this?

The business case was approved by STSB by a majority. I would specifically like to hear the concerns of the other Members of STSB who did not approve the business case. What data was used to show and quantify the £1.1 million reduced delay and disruption costs? Why is the company not being given access to the bond? A point already raised by Deputy Oliver and a very good one.

**Deputy Ferbrache:** Point of correction.

**The Bailiff:** Point of correction Deputy Ferbrache.

**Deputy Ferbrache:** The company has been, or could have used the bond, but it is a fact – and it deals with Deputy Oliver's question as well – the bond is more expensive than the rate they could get from a commercial bank. Whether we like it or not that is the truth of it, so that answers her question, I believe, and answers Mr Jean's point. Aurigny have been able to negotiate with a very reputable financial institution a much cheaper rate than they could borrow from the bond. That is the situation.

**Alderney Representative Jean:** Thank you very much, Deputy Ferbrache.

Page 6 implies and I quote:

The need to provide some spare resilience within the fleet to provide cover for planned aircraft maintenance and to recover operations following any periods of either weather or technical disruptions; and ...

If the old planes are traded or sold how will these be achievable taking the jet out of the equation. Currently you have three plus seven 72 ATRs and an ATR42. A total seating capacity of 258 seats. By purchasing three new ATRs a total seating capacity of 216, so in fact less capacity.

Again on page 7, 2.2.3, the quoted losses again on the Alderney routes. I am so pleased today to hear somebody helping us to fight our corner. I am grateful to you, Deputy Inder, and also to one other Deputy – and I cannot remember her name – who spoke. I implore my fellow

colleagues – (*Interjection*) Sorry? Yes, Deputy Dudley-Owen, I am so sorry. Where was I now? Yes, I implore my fellow colleagues of this Assembly to get a handle on this company and demand a full audit of the company and publications of the accounts to all Deputies, so that we as a States ...  
3585 and there has been a lot of concern expressed about that today, and I am grateful. The company is run efficiently and effectively and losses are kept to a minimum. Using Alderney as a scapegoat just will not do and it has to stop.

Currently what is the ATR42 used for? On page 7 it is stated there is no need to replace this aircraft. Why is there no comparison for wet leases on the new ATR 72s? As the company currently  
3590 owns two ATR72s and leases I would like the financials against owning and leasing.

The subject of the Letter of Intent regarding the reservation fee should have come to this Chamber much earlier in the year to be debated.

I thank you, sir. Thank you very much.

3595 **The Bailiff:** Deputy de Lisle.

**Deputy de Lisle:** Sir, I recognise the business case put forward by experts for Aurigny, PA Nyras being one of them, but one has to consider also the public view of cost and risk with respect to running an airline.

3600 The current ATRs, sir, are only nine years old and serviceable, as we have heard in this debate, for quite some years yet without committing additional resources.

Secondly, the new enhanced flight vision system known as ClearVision to reduce disruption in foggy conditions is subject to certification, and that will be in vogue next year but we do not really know for sure whether in fact there is a guarantee that certification will be available next year.

3605 The other point is that, in all, the new aircraft would improve Aurigny's future profit and loss performance by £4.1 million over 10 years. That is £400,000 a year and these are projected benefits only which are dependent on interest and exchange rates. So I do not think it is enough to justify the capital investment of \$60 million in my estimation on new aircraft.

3610 So in conclusion I do not think there is a necessity at the present time to encumber Aurigny with a further amount of debt. In fact, key to Aurigny currently, is really filling the planes with passengers through more competition, more competitive pricing on seats, to get more people using the airline, which could in future improve significantly the bottom line of the airline to break even or even move into a profitable position.

3615 So I would be very hesitant in purchasing new aircraft when the existing aircraft are fairly young and serviceable for perhaps another five or 10 years.

Thank you, sir.

**The Bailiff:** Deputy Lowe.

3620 **Deputy Lowe:** Thank you, sir.

Just listening to the debate, it is quite interesting really because there appears to be quite a lot of criticism of Aurigny management, and indeed the financial performance, and it is being said that, I think Deputy Smithies said, Aurigny had been presented with this to save money. That is fine, I say that to my husband when I have come back from the shop from buying something  
3625 because I think I am saving money and he says, 'Did you need it in the first place?' (*Laughter*) So I am quite pleased to hear now that I can actually say with backing and the States is actually saying, 'It is okay. You can go out and buy something because you are going to save some money.' So on that angle, thank you everybody.

3630 But for me, and I agree with Deputy Fallaize, this is not really the right forum to be debating whether we have got a good buy or not. I was unable to go to the whole of the presentation because I was at a meeting beforehand but I was pleased to be able to make part of the presentation at Beau Séjour the other night.



What concerned me was that ATR were present for the whole time which surprised me really because normally when you have got a presentation for States' Members, especially one that is commercially sensitive, the States should be able to have a presentation from STSB, bring in ATR who could actually then answer the questions that have been raised on the actual company and indeed the aircraft, and then they should have left the room, in my opinion. So Members were not in the position to be answering possibly commercially sensitive questions when the company are there who are the salesmen. They want you to buy those aircraft, and you can understand that. So I was a bit surprised it was sort of handled like that. There may have been good reasons but I found that very unusual and felt a bit uncomfortable with that approach.

But all of that said, I am not totally convinced yet that is the route to go. I would have preferred probably that they were leased for this period of time or for a period of time. Yes, it can be more expensive but equally everything is usually included. Everything is included when you lease a plane, and equally we would not be having to necessarily have the same movement of staff as well as the expenditure. Now I had an answer given to me at the presentation on that and of course it is in the report as well.

So at the moment I am going to need some persuasion to vote for it, because currently I am not convinced that, okay it might be a bargain but it is not a bargain that I feel – I now know how my husband feels. I am not saying it is a bargain because I am not sure it is a bargain, so I have got a bit of sympathy for him in future.

So I will wait and hear the rest of the debate.

**The Bailiff:** Deputy Paint.

**Deputy Paint:** Sir, in the term 2008-12 the general public appeared not to want this Government to borrow any money at all. So what did we do 2012-16? We borrowed £335 million in the form of a bond. Now we appear to be borrowing money for everything. This means that the future taxpayer will have to somehow pay this back which worries me.

We were left with no debt at all and now we seem to be accumulating debt for just about everything. We should be trying to make do with what we have got and only do things when necessary. That is not happening. Debt is a very bad thing for the individual person and for government. All you have got to do is look round Europe, including the UK, and you can see what is happening.

Thank you, sir.

**The Bailiff:** Deputy Soulsby.

**Deputy Soulsby:** It is funny, Deputy Inder brought up the Dornier debate and said it demonstrated similarities that were being claimed now and then. I actually do recall saying that whilst it was claimed that the Dorniers would be suitable for Medevac there was no information to back it up and I said that at the time and, now I am in this job, I am actually realising and it is very apparent, that the Dorniers were not exactly the best planes for Medevac.

But going back to this report, I am really torn on how to vote here for, very much like Deputy Le Clerc, on the one hand I am cynical given the previous promises made that have not been fulfilled and very much feel like Deputy Le Clerc on that, I did attend that presentation at the time and it was quite worrying actually from that not being able to give us the assurances that we needed.

Like Deputy Tooley, I do not understand why three planes should be purchased at once. Is this a BOGOF offer we are getting here – buy one get one free plus another one at half price? Possible it is but we do not know because otherwise I would have expected to buy planes in a staggered way so we could have a rolling replacement programme and smooth out the maintenance costs over time.

3685 On maintenance costs, you see I do not know because I am not an expert on this, it is all about trust, again as Deputy Le Clerc said, but I would have thought the CAA would be stipulating various parts of a plane that have to be replaced every year and we only see the average over 10 years and the costs presumably are going to get higher and higher over the 10 years, so that makes it hard to work out.

3690 The last time the planes we have got now were bought it was said, 'Well, this is a really good time to buy because of the exchange rate,' and it was, back then it was \$2 to the £1 and today for various reasons, and Brexit being a major one, it is \$1.2 to the £1. So it is completely different.

I think we heard earlier from –

I will give way to Deputy Trott.

3695 **Deputy Trott:** I am very grateful because I was rather hoping someone would bring this up, Deputy Soulsby, because my colleagues Deputy Dorey and Deputy Le Tocq will recall that we actually bought for \$38 million the two ATRs that are now approaching a decade old at 207.10 which means that in the market five minutes ago there is a £11.6 million unrealised gain.

3700 **Deputy Soulsby:** And we will see if that becomes a realised gain shortly – *(Laughter)*

**Deputy Kuttelwascher:** Point of correction.

3705 **The Bailiff:** Deputy Kuttelwascher, point of correction.

**Deputy Kuttelwascher:** I think the gain he is referring to is what the gain would be if you could sell the plane for the price you bought it, which is complete nonsense, isn't it? *(Interjections and laughter)*

3710 **Deputy Soulsby:** Deputy Trott, please sit.

We heard earlier from Deputy Parkinson in the previous debate saying that these planes would not be any good for Heathrow. Now I do not know if he would like to stand up later or even interrupt me now to say that I am wrong in what I have said there – thank you, Deputy Parkinson – that is not in this report. So is that then going to restrict what we can do in the future? When we  
3715 heard Deputy Ferbrache say, yes, we would really like to see what we could do about using Heathrow.

But on the other hand, despite not having any information ourselves, we have to make the judgement and we have got lots and lots of pages with lots and lots of black ink on but we have got expert assurances over the figures and are told it is a great deal. Basically that is it, isn't it, really?  
3720

This issue is giving me another sense of *déjà vu* not just over the previous debate on the Dorniers and before but it was not about planes but it was about a boat, or I suspect Deputy Paint will say it is a ship, and that is the *Leopardess* we were told then although she was still within her useful life that the engines were on their last legs and would fail imminently and that was three  
3725 years ago, but there was a good deal that would make everything better. Now I did not believe that and I did make myself quite unpopular then, it is true, but I do not think I got that one wrong.

But Deputy Le Clerc is right, it is about trust, but then again trust works –

I will give way.

3730 **The Bailiff:** Deputy Inder.

**Deputy Inder:** Thank you for giving way.

But Deputy Soulsby, I would like to remind her also about the *Sarnia* workboat as well that needed replacing and was off the Platte this morning.

3735 **Deputy Soulsby:** Well, this is about planes and not boats and I know very little about both. But it is about trust, but I think trust also works both ways, so we are asked to trust Aurigny but we cannot be trusted to see the information and that has bothered me because I thought surely as elected representatives we could be trusted to be provided with information that was confidential. I do not know, it raises questions for me under certain circumstances.

3740 So I am, even at this late stage, sure I have not heard anything to sway me one way or the other today.

Deputy Fallaize was right: this really is not the forum to have for this debate actually so really it is down to Deputy Ferbrache here in his summing up, I am afraid, *(Interjections)* and P&R. Because I need to know. They are the guys who have seen most of the information here but ultimately I need to know from P&R, 'Yes, you can trust this report. It works.'

3745 As President of STSB, I would like Deputy Ferbrache to be able to tell me he 100% stands by the figures in this report and is convinced from all the information he has received and assurances given, that we can trust what is before us today. On that basis and from what I hear from P&R, I will support this report.

3750 **The Bailiff:** Members, we will rise now and resume at 9.30 a.m.

*The Assembly adjourned at 5.33 p.m.*