



BILLET D'ÉTAT

VI
2001

WEDNESDAY, 28th MARCH, 2001

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B I L L E T D ' É T A T

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY, the 28th MARCH 2001**, immediately after the meetings already convened for that day.

PROJET DE LOI

ENTITLED

THE CRIMINAL JUSTICE (INTERNATIONAL CO-OPERATION) (BAILIWICK OF GUERNSEY) LAW, 2001

The States are asked to decide:—

I.—Whether they are of opinion to approve the Projet de Loi entitled “The Criminal Justice (International Co-operation) (Bailiwick of Guernsey) Law, 2001”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

ENTITLED

THE POST OFFICE (BAILIWICK OF GUERNSEY) LAW, 2001

The States are asked to decide:—

II.—Whether they are of opinion to approve the Projet de Loi entitled “The Post Office (Bailiwick of Guernsey) Law, 2001”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

ENTITLED

THE TELECOMMUNICATIONS (BAILIWICK OF GUERNSEY) LAW, 2001

The States are asked to decide:—

III.—Whether they are of opinion to approve the Projet de Loi entitled “The Telecommunications (Bailiwick of Guernsey) Law, 2001”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

ENTITLED

**THE COMPANY SECURITIES (INSIDER DEALING) (BAILIWICK OF GUERNSEY)
(AMENDMENT) LAW, 2001**

The States are asked to decide:—

IV.—Whether they are of opinion to approve the Projet de Loi entitled “The Company Securities (Insider Dealing) (Bailiwick of Guernsey) (Amendment) Law, 2001”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

ENTITLED

**THE INCOME TAX (RESTRICTION OF TAX RELIEF ON INTEREST) (GUERNSEY)
LAW, 2001**

The States are asked to decide:—

V.—Whether they are of opinion to approve the Projet de Loi entitled “The Income Tax (Restriction of Tax Relief on Interest) (Guernsey) Law, 2001”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI

ENTITLED

THE SOCIAL INSURANCE (GUERNSEY) (AMENDMENT) LAW, 2001

The States are asked to decide:—

VI.—Whether they are of opinion to approve the Projet de Loi entitled “The Social Insurance (Guernsey) (Amendment) Law, 2001”, and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**THE REGULATION OF FIDUCIARIES, ADMINISTRATION BUSINESSES AND
COMPANY DIRECTORS, ETC (BAILIWICK OF GUERNSEY) LAW, 2000
(COMMENCEMENT) ORDINANCE, 2001**

The States are asked to decide:—

VII.—Whether they are of opinion to approve the draft Ordinance of the States entitled “The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2000 (Commencement) Ordinance, 2001”, and to direct that the same shall have effect as an Ordinance of the States.

**THE SOCIAL INSURANCE (RECIPROCAL AGREEMENT WITH AUSTRALIA)
ORDINANCE, 2001**

The States are asked to decide:—

VIII.—Whether they are of opinion to approve the draft Ordinance of the States entitled “The Social Insurance (Reciprocal Agreement with Australia) Ordinance, 2001”, and to direct that the same shall have effect as an Ordinance of the States.

THE PUBLIC TRANSPORT (AMENDMENT) ORDINANCE, 2001

The States are asked to decide:—

IX.—Whether they are of opinion to approve the draft Ordinance of the States entitled “The Public Transport (Amendment) Ordinance, 2001”, and to direct that the same shall have effect as an Ordinance of the States.

**THE FEDERAL REPUBLIC OF YUGOSLAVIA (FREEZING OF FUNDS)
ORDINANCE, 2001**

The States are asked to decide:—

X.—Whether they are of opinion to approve the draft Ordinance of the States entitled “The Federal Republic of Yugoslavia (Freezing of Funds) Ordinance, 2001”, and to direct that the same shall have effect as an Ordinance of the States.

STATES ADVISORY AND FINANCE COMMITTEE

THE FUTURE PROVISION OF TELECOMS, POSTAL AND ELECTRICITY SERVICES AND NETWORKS.

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

23rd February, 2001.

Sir,

THE FUTURE PROVISION OF TELECOMS, POSTAL AND ELECTRICITY SERVICES AND NETWORKS.

1. Introduction

1.1 The purpose of this report is:

- to remind States Members of the original aims of the process to commercialise the Telecommunications, Post and Electricity Boards, and to report on progress with that process;
- to set out how the Advisory and Finance Committee, Board of Industry and the Telecommunications Board propose to bring forward proposals to the States to secure world-class telecoms services and develop e-commerce through the transformation of the structure of the telecommunications sector; and
- to set out proposals on future arrangements for managing the fibre optic capacity in the CIEG electricity cable link to France.

1.2 A detailed history of developments and States decisions on commercialisation and e-commerce is presented at some length in Annex 1. This has been done not only to reflect the magnitude and complexity of the process but also to emphasise how far that process has progressed and how near the States is to achieving a major restructuring and improvement in the provision of a significant proportion of infrastructure services.

1.3 A detailed history of proposals for the licensing of telecoms services is presented in Annex 2. This has been done to provide the background to the summary of events presented below.

2. Telecoms Services and E-commerce

2.1 The States initially agreed “in principle” to the commercialisation of the trading boards in 1998 following consideration of a policy letter in June of that year. Subsequently, in January 2000 the States agreed to move forward with key building blocks of a competitive telecommunications sector to underpin the Island’s e-commerce objectives. Crucially the States noted the necessity that “priority be given to taking whatever steps are necessary to secure world-class telecommunications services for the Bailiwick” The detailed steps identified by the States included:

- the development of a regulatory regime, including the enactment of relevant legislation, and the engagement of a regulator;
 - the promotion of the Bailiwick as an e-commerce hub;
 - that competition should be introduced into the telecommunications sector by means of licensing new operators “along the lines” described in the Billet report;
 - the detailed implementation of commercialisation including transfer of assets, employment protection etc.;
- 2.2 In May 2000, a shadow regulator was appointed, to take up post in November 2000. In June 2000 the States approved the electronic transactions law and in July 2000 assigned to Advisory and Finance Committee the role of ensuring that the fibre optic capacity to France was connected up. In September of that year the States e-commerce strategy was launched. These are all further building blocks in achieving the States objective of excellence in e-commerce and telecommunications.
- 2.3 Most recently in January 2001, the States approved the Regulation Law and a number of other pieces of legislation underpinning the new regulatory regime. In February the States is considering the draft TUPE type law to safeguard the rights of GT employees and agreed to proposals from the Board of Industry for the release of land at the Airport for a major development of e-commerce facilities.
- 2.4 Before the States at the March 2001 meeting are further building blocks in the commercialisation and telecoms licensing process:
- The draft Sector Laws for Post and Telecoms services
 - Proposals from the Board of Industry for States directions on the scope of the universal service and the competitive regime for the future provision of telecoms services.

3. Proposals for the Licensing of Telecoms Services.

- 3.1 The January 2000 policy letter drew heavily on the conclusions of Analysys, a telecommunications consultancy, and the resolutions which resulted from it confirmed that the development of e-commerce is essential for the future economic wellbeing of the Bailiwick and that securing world-class telecoms services is a prerequisite to the development of e-commerce. In this context world-class refers to the extent and quality of services at competitive prices.
- 3.2 The policy letter went on to consider five critical success factors that must be achieved and then to examine the results of a detailed consultants report offering a range of possible options to meeting the overall objective by satisfying the critical success factors. The States concluded that one particular option in the report, that of “controlled licensing” was the preferred option to deliver the desired objective and that developments should proceed along these lines. The full text of the relevant sections of the report is in Annex 2 along with a more detailed explanation of these developments, but in summary, the approach involved:
- Initially one single network operator licence;
 - Many service provider licences to allow competitors to provide services over the network;
 - A provision enabling the regulator to introduce further licences for both networks and services over time in order to increase competition and thus improve services;
 - Attracting an international player from outside Guernsey to take up at least the network licence;
 - A mechanism to ensure continuity of services to the Bailiwick by providing that the States could re-take the assets and the licence of the network operator and offer them to another operator if the licensee could or would not deliver services.

4. Market Testing of Controlled Licensing

- 4.1 As explained in Annex 1, following the States resolutions of January and March 2000 a contract was let to KPMG to secure expert advice on the drafting of legislation and the bid process for controlled licensing. The work progressed in parallel along the various workstreams as rapidly as possible, having regard to the fact that the telecommunications sector was undergoing change and upheaval at its now usual frantic pace. This made the task particularly urgent.
- 4.2 One element of the work was to ascertain the views and attitude of potential bidders through a limited market testing exercise. Greater detail on this process is provided in Annex 3, but in summary, the testing showed:
 - There was some interest in running telecoms in the Bailiwick of Guernsey but it was not “universal”;
 - Parties who were interested seemed to be put off by aspects of the model of “controlled licensing” as described in January 2000;
 - The lack of certainty on the Bailiwick’s e-commerce plan and the regulatory environment was a negative factor.
- 4.3 Having regard to this outcome and the fact that the market was continuing to change rapidly, a review of the various options was undertaken to consider whether any adjustments to the approach adopted to date, particularly in the light of the greater knowledge now available and the changed market structures globally, might have a better chance of achieving the States’ objectives.

5. Implementation of the Licensing of Telecommunications

- 5.1 This section of the policy letter reviews the implementation plan for telecommunications licensing in the Bailiwick in the context of the current market structures and concludes that the States’ objectives of excellence in e-commerce and telecommunications can be met by an approach which is along the lines of that endorsed to date. However, the policy letter recommends that the States adjust the presentation and operation of the licensing option in a manner that is more in line with international precedent, thus reducing resistance to interest from outside parties and increasing the overall chances of success.
- 5.2 Controlled Licensing as envisaged in the January 2000 report involves the issue of a single licence to operate and develop the existing telecoms network. Additional licences would be available to provide for competition in the provision of services over the network and, over time, additional licences for network operation could be granted. These issues may be considered to be the regulatory element of controlled licensing. Linked to this regulatory element is the transfer of GT to a major telecoms player.
- 5.3 In January 2000 concerns were expressed in some quarters about the “privatisation” of Guernsey Telecoms and “selling off the family silver”. The report referred to Guernsey Telecoms being “passed on” to a licensee who would “take control” with provision for the infrastructure to be valued and “bought back” by the States if the licence was surrendered (the words in quotes are from the January 2000 report).
- 5.4 The Advisory and Finance Committee, Telecoms Board and Board of Industry accept however that most States Members and the community as a whole consider that the January

2000 proposals involved some form of leasing of GT to a major telecoms player. The precise terms under which a licensee would operate GTs infrastructure was a cause of uncertainty in the market testing exercise and that uncertainty moderated interest in the process.

- 5.5 In broad terms, the Guernsey Telecoms undertaking is comprised of 4 elements:
- Its exclusive privilege to provide telecoms services within the Bailiwick.
 - Its customer base (fixed and mobile).
 - Its staff.
 - Its assets principally:
 - Properties and buildings.
 - Technical infrastructure and systems.
- 5.6 The States has agreed that the rights to operate the (fixed and mobile) telecoms network and the rights to provide services over that network will be granted to existing and new operators by the issue of licences on payment of a licence fee.
- 5.7 It follows that the right to service the customer base goes with the granting of those licences.
- 5.8 The States has agreed that staff of Guernsey Telecoms will be transferred to a new operator under the TUPE type protection which was given detailed approval at the February 2001 meeting.
- 5.9 Thus the proposals for controlled licensing agreed by the States in January 2000 would result in the **transfer** from Guernsey Telecoms of the right to operate its network and systems, the **transfer** of its customer base, the **transfer** of its staff and the **lease** of its technical infrastructure and systems with a buy back clause.
- 5.10 A long lease can be almost akin to a sale but with the States retaining ultimate ownership and control over sub-letting or sale. Whether Guernsey Telecoms properties and buildings are leased or sold is not a major commercial issue.
- 5.11 The technical infrastructure and systems of Guernsey Telecoms (the “family silver”) have, and continue to serve the Island well but in the fast moving technological environment of telecoms they are a rapidly depreciating asset. The whole purpose of the proposed licensing process is to secure investment and access to the wide breadth of technical and other expertise needed to maintain and develop the telecoms technical infrastructure and systems.
- 5.12 The telecoms infrastructure and systems in 10 year’s time will be very different to those of today (just as the computer systems of today are very different to those of 10 years ago) and an operator will expect to receive a payment to reflect its investment in, and development of, those systems if it was required to relinquish them. Hence the reference in the January 2000 report to the infrastructure being “bought back” by the States.
- 5.13 The limited market testing exercise confirmed a familiarity with the regulatory element of controlled licensing and resulted in expressions of interest in bidding for licences for various services even though the boundaries of competition on infrastructure and services had yet to be developed.

- 5.14 Whilst politically there may be seen to be advantages in leasing GTs infrastructure and systems, the requirement for a licensee to invest heavily in developing them and the requirement for the States to make a payment to reflect that investment at the end of the lease agreement (the buy back clause) makes such an arrangement the equivalent of a sale.
- 5.15 The commercial world does not necessarily recognise political sensitivities and the market testing exercise showed little interest in taking over GT and being required to invest heavily in the development of its infrastructure and systems under terms whereby the licence holder did not own or at least have a substantial equity stake in the infrastructure and systems.

6 The Equity Partner Approach

- 6.1 Over the last few months however, major players have shown positive interest in providing world-class telecoms services in the Bailiwick by implementing controlled licencing through a well understood and tested model. This would involve a major telecoms player (or a consortium including a major telecoms player) becoming an “equity partner” in Guernsey Telecoms.
- 6.2 In broad terms a new company would be formed (say) Guernsey Telecoms Limited with the States putting into the company the current technical infrastructure and systems, the right to operate the infrastructure and systems (through the granting of appropriate licenses) and (under the appropriate terms) property, buildings and other assets. The major player would put in a commitment to investment in and development of the infrastructure, systems and activities of the company. The staff of GT with their skills and experience would be transferred to Guernsey Telecoms Limited under the terms of the TUPE type legislation.
- 6.3 The transfer of contractual obligations etc. from GT would need to be effected under the provisions of appropriate legislation. The States Trading Companies (Bailiwick of Guernsey) Law, 2001 would provide a vehicle for such a transfer.
- 6.4 The major player would have a controlling interest in Guernsey Telecoms Limited but with the States retaining an equity holding which will almost certainly be less than 50%.
- 6.5 The States might have a preference to retain as high an equity stake as possible but this will need to be balanced against how bidders propose to meet the criteria for investing in and developing services and the payment made to the States.
- 6.6 A view would also need to be taken on the circumstances in which the States might reduce or increase its equity stake and on how the States would ensure the continued provision of telecoms services should the company cease trading for any reason.
- 6.7 The shareholder agreement would need to cover such issues and also a requirement that the States has first refusal on the equity shares of the major player should Guernsey Telecoms Limited’s licence ever be surrendered or if the major player wished to dispose of its holding. This provides the security offered by “controlled licensing” in that the network and assets remain available for re-purchase, and through a shareholder agreement, could have the potential to provide greater security, as the States would be taking back equity in the entire business, including management systems and structures, staff etc.
- 6.8 The bidding process would invite bidders to put together the most attractive commercial package encompassing the above points and the regulatory regime would ensure that the network and services were world class in terms of extent and quality at competitive prices.

- 6.9 The end point of the bidding process for an equity partner would be the equivalent in terms of “ownership” issues as would result from the States decisions of January 2000 but would be arrived at in a way that was familiar to the commercial world and which would attract potential bidders.
- 6.10 The concept of pursuing an equity partnership approach to implement controlled licensing was put to a joint meeting of the Advisory and Finance Committee, Board of Industry and Telecoms Board on 18 December 2000. There was a general recognition at the meeting that the equity partner approach to implementing controlled licensing offered the best chance of attracting a major player but there was also concern that such an approach would not be seen as being within the spirit of what the States agreed to in January 2000.
- 6.11 **The Advisory and Finance Committee is therefore recommending the States to agree to the implementation of the controlled licensing of telecoms services through seeking an equity partner for Guernsey Telecoms along the lines described above.**
- 6.12 Whilst the process for defining the terms for an equity partnership is well understood in commerce, it is complex. As is described above, the shareholder agreement is central in defining not only initial arrangements but also future arrangements for investment, profit sharing, share transfers etc. With a business of the current size of Guernsey Telecoms, the sums involved are tens of millions of pounds and if the right equity partner is chosen this could increase through the growth of e-commerce and other telecoms activities.
- 6.13 The process for developing an equity partnership is therefore crucial but it is not an area in which the States has experience or expertise. The Advisory and Finance Committee therefore proposes to commission “corporate finance” expertise in the area of international telecoms business.
- 6.14 The fees for such advice are usually directly related to the value of the transaction being negotiated and in this instance could be of the order of £1m to £2m. On completion of the process therefore the States would receive the value of the equity transferred as determined under the shareholder agreement less the fees incurred. Should the States not go forward with the equity transfer however, it could incur a penalty payment in lieu of fee.
- 6.15 **The Advisory and Finance Committee is therefore recommending the States to approve the commissioning by the Advisory and Finance Committee of specialist advice including corporate finance and related services, the costs of which will be recovered from the sum paid for the equity transferred or from the Committee’s Strategic and Corporate Measures budget which would need to be increased to cover such sum.**
- 6.16 The Advisory and Finance has begun preliminary work on securing such advice and, if the States agrees to the proposals in this report it will be able to give a firmer indication of possible costs in the July 2001 Policy and Resource Planning report. In practice, staged payments for advice will need to be made and **the Committee is recommending that its Strategic and Corporate Measures budget is immediately increased by £200,000 to cover initial costs.**
- 6.17 The process for seeking an equity partner is described in broad terms in Annex 4. It can be seen that it is not akin to inviting bids against a tightly specified tender document but involves a negotiating process with a limited number of bidders each of which will make a unique submission to be judged against the sort of criteria described in the January 2000 report.

- 6.18 The Advisory and Finance Committee, Board of Industry and Telecoms Board do not believe therefore that the selection of the equity partner can be undertaken using the same procedures as those for ordinary major States contracts. The bidders in what will be a complex and highly technical process will need to be confident that the body with which they are negotiating detailed terms, have the authority to close the deal in an expedient way.
- 6.19 The Advisory and Finance Committee is therefore recommending that the States delegates to it responsibility for committing to an agreement with an equity partner for Guernsey Telecoms.
- 6.20 The Committee will consider a recommendation from the Project Team referred to in Annex 4 and will consult with the Board of Industry and Telecoms Board (whose Presidents sit on the Advisory and Finance Committee) but the Committee should have the ultimate authority to make the decision.
- 6.21 The Committee will submit to the States a report on the equity partner which has been chosen and the terms agreed as soon as possible after completion of the process.
- 6.22 It goes without saying that if the Advisory and Finance Committee did not feel that it could secure an equity partner on acceptable terms it would not conclude an agreement and would return to the States with alternative proposals as soon as was practicable.
- 6.23 **The Advisory and Finance Committee is therefore recommending that the States agree to delegate to it the choice of equity partner and the terms for the partnership under the process described above.**

7 Long Term Arrangements to Oversee and Manage the States Interests in the Fibre Optic Capacity of the CIEG electricity link to France

- 7.1 Annex 5 contains in full the sections of the July 2000 Policy and Resource Planning Report which relate to the fibre optic capacity associated with the CEG electricity cable to France. Following consideration of the report, and amendment of the original propositions put forward by the Advisory and Finance Committee, the State resolved as set out in paragraph 6 of Annex 1 to this policy letter.
- 7.2 Following the July Policy and Resource Planning debate, the Advisory and Finance Committee directed its staff to form a project team, including staff from the States Electricity Board and States Telecommunications Board, to undertake a feasibility study into the best way of connecting the capacity to the international telecoms network.
- 7.3 As an extension to the main contract for the development of legislation and the bid process for telecoms, KPMG was commissioned by the Advisory and Finance Committee to provide technical and regulatory advice to the project team.
- 7.4 The results of the feasibility study were reported to a joint meeting of the Advisory and Finance Committee, Telecoms Board, Electricity Board and shadow Electricity Board held on 8th December. Participants were asked to provide the Advisory and Finance Committee with written comments on the results of the study for subsequent consideration by the Committee.
- 7.5 Both the 8 December joint meeting, and the subsequent Advisory and Finance Committee meeting benefited from the attendance and comments of the Shadow Regulator on important regulatory and telecoms strategy issues arising from the future connection of the capacity.

- 7.6 In July 2000 the States gave the Advisory and Finance Committee responsibility for connecting the capacity to the international telecoms network and the Advisory and Finance Committee has identified how this can be achieved at minimum delay and cost. The chosen approach allows for the capacity available through the link to be increased incrementally to meet requirements but does not preclude an alternative high capacity connection being made at any time in the future should increased capacity demands require it or to provide a marketing advantage when promoting the Bailiwick as a centre for e-commerce. The Telecoms Board supported this approach whereas the Electricity Board favoured making an immediate high capacity connection.
- 7.7 It is anticipated that by the time of publication of this policy letter contracts will have been signed for connecting the capacity and a public announcement will be made by the parties involved. Discussions are also being held with the Jersey partners in the CIEG to coordinate and where practicable act jointly on securing the connection. The purpose of this report is to enable the States to take decisions about long term arrangements to oversee and manage the States' interests in the fibre optic capacity.
- 7.8 It is quite clear that, whilst the fibre optic capacity has been provided as a "bonus" to the contract for the provision of the electricity cable link, (and the Electricity Board is to be complimented on its foresight in seizing this opportunity), the availability of the capacity itself will have a major influence on the telecoms strategy for the Bailiwick and on the attraction of an equity partner to deliver world-class telecoms services.
- 7.9 The policy letter from the Board of Industry on States Directions for the Regulation of the Telecoms Sector recommends that "competition is introduced into all parts of the market at the earliest possible time, and in any case within three years". The Advisory and Finance Committee wholly endorses this recommendation and supports its application to off Island telecoms links.
- 7.10 Competition in off Island links through the link to France can be achieved irrespective of who owns or is responsible for managing the link. The use of the link will be governed by the terms of a licence granted by the Regulator and the terms of that licence will require that access to the capacity must be granted on a "level playing field basis" to any other party who holds the appropriate category of licence to provide services, that is to be a "carrier" of telecoms services. The management of the capacity therefore fulfils a "carriers carrier" role.
- 7.11 The terms carrier and carriers carriers are well understood in the telecoms world.
- 7.12 These requirements would apply equally to the portion of the capacity under the control of Jersey interests as to that controlled by Guernsey interests. It is anticipated that the Regulatory regime to be implemented in Jersey will mirror this arrangement.
- 7.13 Whilst it could be considered that Guernsey Telecoms acts as both a carriers carrier and as a carrier of services over the existing links to the UK and France this is for historical reasons and matters are complicated by the joint ownership and contractual arrangements with British Telecom and/or Jersey Telecom. The Advisory and Finance Committee and the Board of Industry believe that with this new and strategically important asset the roles of carriers carrier and that of carrier should be kept completely separate and that a body acting in a corporate capacity should undertake the carriers carrier role of managing the link.
- 7.14 This will ensure that there are no perceived or hidden impediments to competition which might arise if the manager of the capacity (the carriers carrier) was also providing telecoms services (ie was also a carrier) but was also responsible for providing access to competing telecoms service providers (ie other carriers).

- 7.15 The role of carriers carrier need not be an onerous one. At its most simple it merely involves having stewardship over the capacity, ensuring that adequate arrangements are in place for maintenance and repair and granting access to the capacity to anyone who has been granted an appropriate category of licence by the Regulator and under terms in compliance with those set by the Regulator.
- 7.16 Under the terms of the July 2000 resolutions, the Advisory and Finance Committee is currently undertaking the role of carriers carrier but is entering into a contract to secure a connection right through from Guernsey to the international network hub in Paris. Access to that connection will initially be limited to only one carrier GT (and its successor) but can be widened as and when the Regulator grants additional carriers licenses. The Telecoms Board has agreed to provide expertise to assist in making the initial connection and managing that connection until alternative arrangements are made.
- 7.17 When the Advisory and Finance Committee brings forward proposals to the States for the setting up of Guernsey Electricity Limited (the States Trading Company which will be responsible for providing electricity services), it will include proposals to vest responsibility for managing and overseeing the States' interests in the fibre optic capacity in the CIEG cable to a new entity, most probably a separate States Trading Company.
- 7.18 The value of the States' interest in the fibre optic capacity transferred to the new entity will be taken into account in the proposals for the setting up of Guernsey Electricity Limited.
- 7.19 The Advisory and Finance Committee has informed the Shadow Electricity Board that it should progress developing its business planning on the basis that it will not have responsibility for operating the fibre optic capacity in the cable for telecoms purposes, that is as a carriers carrier.
- 7.20 Presentations by the Electricity Board to interested parties and to the Advisory and Finance Committee on its possible future involvement in telecoms encompassed two elements. These were the operation and management of the fibre optic capacity in the CIEG cable and the development of a data-centre in partnership with a company with expertise in this area.
- 7.21 The business case put forward by the Board suggested that the operation and management of the fibre optic capacity was at best marginal in commercial terms whereas the development of a data centre provided the potential for good commercial returns. The Board was proposing that combining the two elements would give an acceptable commercial return.
- 7.22 Whilst it has resisted involvement in the fibre optic capacity, the Advisory and Finance Committee has consistently encouraged the Board to progress proposals for the development of a data centre. Siting a data centre adjacent to the electricity generation and switching facilities has some practical advantages.
- 7.23 When bringing forward proposals for States guidance on the extent of the activities of Guernsey Electricity Limited therefore, the Committee will be recommending that it not be precluded from involvement in a data centre subject to the submission of a valid business plan.
- 7.24 **The Advisory and Finance Committee is recommending the States to endorse the approach set out above for the future operation and management of its interests in the fibre optic capacity in the CIEG cable link to France and to the future involvement of the Electricity undertaking in the provision of telecoms services.**

8. Minority Report from Deputy W M Bell

- 8.1 One member of the Committee, Deputy W M Bell, feels unable to endorse the contents of this report and has submitted a minority report attached as Annex 8. The Committee believes that Deputy Bell's concerns relate mainly to his wish for the States Electricity Board (and its successor following commercialisation) to have responsibility for overseeing and managing the States' interest in the fibre optic capacity of the CIEG electricity link to France. Some of the comments on this issue in the minority report are misleading or factually incorrect.
- 8.2 The minority report questions the method of connection of the fibre optic capacity selected by the Committee after carrying out a comprehensive feasibility study and after full consultation with the interested parties. It implies that the method selected will not give access to "almost unlimited bandwidth for off-Island traffic which would have been to our long term strategic benefit".
- 8.3 Paragraph 7.6 above confirms that the method selected will give instant access to more than enough bandwidth than is currently required, this access can be increased incrementally as required and an additional high capacity connection of the type referred to in the minority report can be made at any time in the future "should increased capacity demands require it or to provide a marketing advantage".
- 8.4 It is totally misleading to suggest in the minority report that any views the Telecoms Board may have on competition issues have influenced the Committee in its attitude to the future of the fibre optic capacity. It is also factually incorrect to say that "responsibility for making the connection to France has been given to the States Telecommunications Board".
- 8.5 The approach taken by the Advisory and Finance Committee has been entirely consistent with the approach agreed by the States in July 2000 (see paragraph 6 of Annex 1) and is entirely in accord with the current proposals from the Board of Industry on regulation issues. At an Advisory and Finance Committee meeting attended by Deputy Bell and as confirmed by letter to him as President of the Electricity Board, the Committee agreed that "the offer from the Telecommunications Board to make available staff expertise to help achieve the connection should be accepted". The Advisory and Finance Committee remains responsible for making the connection.
- 8.6 The minority report suggests that setting up a States Trading Company (STC) would "take time and cost a considerable sum of money". This is not necessarily the case and it misconstrues the purpose and benefits of a body with Bailiwick objectives undertaking the role of overseeing and managing the allocation of capacity in the link.
- 8.7 The minority report states that a business plan produced for the Electricity Board concludes that "the financial case for a "carriers carrier" is at best only marginal" and goes on to say that "the fibre optic cables can be used for commercial benefit, when operated in conjunction with a data centre". The Committee advisors, KPMG, endorse these comments but the minority report presents the situation from a very narrow commercial perspective whereby control of the capacity with a data centre attached gives a commercial return to the States Electricity Board and its successor.

- 8.8 The Advisory and Finance Committee takes a far wider perspective with an STC being responsible for allocating access to the cable to anyone granted a licence by the Regulator to encourage competition on the “carrier” role and a multitude of data centres being connected and operated by different companies all in competition with each other and other jurisdictions and all generating an economic benefit to the Bailiwick.
- 8.9 In this model the STC is only responsible for allocating access, not providing access or services over the capacity. Apart from a need to ensure that contracts for adequate maintenance and repair arrangements are in place, it will not have particularly onerous technical or administrative responsibilities and would require only minimal and almost certainly part time resources. Subject to the requirements of the Regulator, the commercial return required by the States from its strategic investment in the fibre optic capacity through the STC would depend on the States’ view on how competitively it wished to pitch bandwidth prices.
- 8.10 The Appendix to the minority report states that a draft agreement for the development of a data centre at the Electricity Board premises was not approved by the Committee. This is incorrect and, as is stated in 7.22 “the Advisory and Finance Committee has consistently encouraged the Board to progress proposals for the development of a data centre”. In a letter dated 28 December, the Committee invited the Shadow Electricity Board to include such a development in its Business Plan.
- 8.11 The minority report contains no new arguments that would lead the Committee to change its proposals on the fibre optic capacity in the CIEG electricity link to France. Indeed, the submission of the minority report may lead the Committee to consider amending these proposals to ask the States to make a definitive and final decision to vest future responsibility for the capacity in an STC.
- 8.12 The remainder of the minority report suggests that the Committee is misleading the States over the adoption of an equity partner approach to achieving the controlled licensing of telecoms services. Naturally, the Committee disputes this and believes that the fact that it is submitting this full report on progress to date and seeking States endorsement for the approach confirms that it is being open and honest. Although it is not apparent from the minority report, Deputy Bell has confirmed his view to the Committee that the Island has little option but to pursue the equity partner approach to securing world-class telecoms services.
- 8.13 Whilst it may be considered that the recommendations in the minority report on issues other than the fibre optic capacity do not appear to conflict with those of the Advisory and Finance Committee, the Committee will oppose all of the recommendations if they are brought forward in the form of amendments.

9. Recommendations

- 9.1 The Committee has consulted with the Telecoms Board and the Board of Industry on these proposals and letters of support are attached as Annexes 6 and 7.

9.2 By a majority therefore the Advisory and Finance Committee recommends the States to agree that:

i) the implementation of the controlled licensing of telecoms services by way of seeking an equity partner for Guernsey Telecoms along the lines described in this report.

ii) a) the Advisory and Finance Committee shall commission specialist advice including corporate finance and related services.

ii) b) the Strategic and Corporate Measures budget of the Advisory and Finance Committee for 2001 shall be increased by £200,000 such sum to be taken from the General Revenue account.

iii) the Advisory and Finance Committee be delegated to choose the equity partner and the terms for the partnership under the process described in this report.

iv) it endorses the approach set out in this report for the future operation and management of States interests in the fibre optic capacity in the CIEG cable link to France and to the future involvement of the Electricity undertaking in the provision of telecoms services.

I am, Sir,

Your obedient Servant,

L. C. MORGAN,

President,

States Advisory and Finance Committee.

ANNEX 1: Detailed History of Developments and States Decisions/resolutions on Commercialisation and E-commerce

1. In May 1998 (Billet X), the Advisory and Finance Committee submitted a policy letter on the Review of the Status of the Trading Boards which enclosed a joint report From the Committee, the Post Office Board, the Telecommunications Board and the Electricity Board. The joint report commented:

“To varying degrees, each of the Boards is facing major changes in the technological and commercial environments in which they operate and, in some cases, increased competition in their markets from both on and off the Island. As States committees the Boards are subject to constraints at an operational level on their activities which sometimes makes it difficult for them to react quickly to changing circumstances and to pursue the opportunities for improved performance which they believe exist within the environment in which they operate but which may not be a feature of non trading committees activities. The manpower arrangements in terms of limits on numbers and centrally negotiated pay and conditions which do not always provide for the flexibility in the use of staff required in a commercial environment is a significant constraint but it is not by any means the only one. If the services currently provided by the Boards can be delivered in a more efficient and effective manner it would bring benefits to the community as a whole including the States and consumers.”

After consideration the States agreed “in principle” to the commercialisation of the three Trading Boards along the lines set out in the report and directed that detailed proposals for each Board should be brought forward.

2. In January 2000 (Billet II) the States considered three associated policy letters and (paraphrased, where appropriate) resolved as follows:

Board of Industry - Regulation of Undertakings.

“1. To note that irrespective of whether the States Electricity Board, the States Post Office Board or the States Telecommunications Board are commercialised, liberalised, subject to some other process or continue to operate as at present, there is a need for independent regulation.

2. To approve the system of regulation as set out in that Report.

3. To approve the creation of an independent panel of experts to hear appeals and complaints as set out in section 4 of that Report.

4. That a single regulatory law shall be prepared to give effect to the system set out in that Report.

5. That appropriate operational legislation shall be prepared providing licensed operators with the powers necessary for them to function.

6. To agree the appointment by the States Board of Industry of a Director General of Regulation on a shadow basis prior to a permanent appointment when legislation is introduced as set out in that Report.

7. To note the intention to outsource the initial drafting of legislation and licences to appropriate specialists, funding for which will be met by the States Advisory and Finance Committee.”

Civil Service Board - Delivery of Telecommunications Services for the Bailiwick - Impact on Current States Employees.

- “1. That appropriate legislation shall be enacted based on the principles set out within the United Kingdom Transfer of Undertakings (Protection of Employment) Regulations, 1981, to safeguard the employment and contractual rights and obligations of current employees of the States Telecommunications Board should it be decided to change the way in which telecommunications services are provided for the Bailiwick of Guernsey.”*

Advisory and Finance Committee - The Future Provision of Telecoms Services for the Bailiwick.

- “1. To note the progress made to date in promoting the exploitation of the benefits of IT in Society and the enactment of legislation to make the Bailiwick an attractive location for the establishment of electronic business activities.*
- 2. That the development, implementation and marketing of a detailed e-commerce strategy and creating the conditions for the development of e-commerce is essential for the future economic wellbeing of the Bailiwick.*
- 3. That a pre-requisite to the development of e-commerce in the Bailiwick is the availability of world-class telecommunications services.*
- 4. That priority be given to taking whatever steps are necessary to secure world-class telecommunications services for the Bailiwick.*
- 5. That the future provision of telecommunications services for the Bailiwick shall be by way of the controlled licensing of new operators along the lines described in sub-section 3.5.5 and section 3.6 of that Report.*
- 6. To authorise the States Advisory and Finance Committee, the States Telecommunications Board and the States Board of Industry to implement the transition to the arrangements referred to in 5 above and to refer to the States only those matters which require a formal resolution of the States.*
- 7. To note the undertaking given by the States Advisory and Finance Committee to keep the States advised on progress with the transition process as appropriate.*
- 8. To amend the constitution of the States Telecommunications Board to include two additional members from the Advisory and Finance Committee and two additional members from the Board of Industry.*
- 9. To direct the States Telecommunications Board to form an Advisory Panel consisting of representatives of that Board, other interested parties and experts who can contribute to the implementation of the new arrangements for the provision of telecommunications services as proposed in 5 above.*
- 10. That the Strategic and Corporate Measures budget of the States Advisory and Finance Committee for 2000 shall be increased to cover the costs of implementing the above resolutions and those on the Board of Industry report.*

11. Subject to the approval of 5 above to agree that:

- (a) *with immediate effect the States Telecommunications Board shall be excluded from the provisions of the States Staff Number Limitation Policy;*
 - (b) *subject to resolution of contract of employment and other associated issues, the States Telecommunications Board shall assume responsibility for matters relating to the pay and conditions of its staff;*
 - (c) *the States Advisory and Finance Committee shall oversee the exercise of the responsibilities of the States Telecommunications Board for staff matters.”*
3. In February 2000 the roles of each of the committees involved in progressing telecoms issues (the Advisory and Finance Committee, Board of Industry and Telecoms Board) was agreed and the Presidents of those committees formed a Co-ordinating Group to oversee developments.
4. In March 2000 (Billet VIII) the States, after consideration of a policy letter from the Advisory and Finance Committee on Future Arrangements for the Provision of Postal and Electricity Services, resolved (paraphrased where appropriate):
- 1. (1) *That electricity services shall in future be provided by a States Trading Company set up and structured as described in that Report.*
 - (2) *That postal services shall in future be provided by a States Trading Company set up and structured as described in that Report.*
 - 2. *That the legislation to safeguard the employment and contractual rights and obligations of current employees of the States Telecommunications Board which, at its January 2000 meeting, the States directed shall be prepared shall be extended to cover employees affected by any other future transfer of functions, in particular the delivery of electricity and postal services.*
 - 3. *To direct the States Civil Service Board to bring forward proposals for the revision of the rules of the Public Servants Pension Scheme which would enable employees of States Trading Companies to become members of that Scheme.*
 - 4. *To note the intention of the States Advisory and Finance Committee to bring forward proposals for the transfer of assets from the States to the States Trading Companies formed for the future delivery of electricity and postal services.*
 - 5. *That legislation shall be prepared which would enable entities licensed under the system of regulation approved by the States in January 2000 to be granted the statutory rights necessary for them to be able to provide the services covered by such licences.*
 - 6. *and onwards*
- To approve specific arrangements for the corporate governance of States Trading Companies with the Advisory and Finance Committee undertaking the role of owner/shareholder of States Trading Companies on behalf of the States.”*

5. Following the States decisions of January and March 2000, terms of reference were drawn up to secure expert advice on the implementation of aspects of those decisions. The terms of reference covered the broad areas of:

- Drafting of the Regulation and Sector Laws.
- Limited market testing of the controlled licensing approach to telecoms.
- The form and content of the documents inviting bids for telecoms licence(s).
- Terms of reference for inviting and assessing bids.

The contract for providing this advice was put out to competitive tender and was awarded to KPMG. Analysys, the company which undertook the initial work for the Telecommunications Board leading up to the January 2000 report were part of a consortium which made an unsuccessful bid for the contract but that company was subsequently retained to carry out a specific piece of work relating to the fibre optic capacity associated with the CEG electricity cable link to France.

6. In July 2000 (Billet XV) the States, after consideration of amendments proposed to the Policy and Resource Planning Report, resolved (in summary where appropriate):

7. *i) To agree that the fibre optic capacity in the CIEG cable link to France should be connected to the French and local telecoms networks and brought into service as soon as possible for the benefit of the Bailiwick.*
- ii) To agree that the Advisory and Finance Committee shall be responsible for securing the necessary connections to the French and local networks.*
- iii) To vote the Advisory and Finance Committee a sum of up to £10m to secure the necessary connections, such sum to be taken from the Capital Reserve.*
- iv) To endorse the conclusions of Analysys set out in Appendix F7 to that report which describe the regulatory approach to incorporating the use of the fibre optic capacity into the controlled licensing of telecoms as approved by the States in January 2000.*
- v) To agree that in accordance with the first stage of that regulatory approach the States Electricity Board, the Advisory and Finance Committee and the States Telecommunications Board shall cooperate to secure immediate access by Guernsey Telecoms to fibre optic capacity in the CIEG portion of the link to France, the amount of capacity and any charge to be made to be agreed between those bodies.*
- vi) To direct the Advisory and Finance Committee to bring forward, by the end of the year 2000, proposals for the long term arrangements to be implemented to oversee and manage the States interests in the fibre optic capacity taking into account:*
 - a) that the States does not favour this role being undertaken by the States Telecommunications Board or its successor;*

b) the need to resolve whether or not the States Electricity Board and its commercialised successor should have any involvement in the provision of telecoms services and if so how that Board should be reimbursed for its investment in the fibre optic capacity to date;

c) the possible advantages of setting up a States Trading Company specifically to undertake this role.

vii) To direct the Advisory and Finance Committee to report back to the States as soon as possible following completion of the project on the method and costs of securing the necessary connections of the fibre optic capacity and how the Capital Reserve may be reimbursed."

7. In May 2000 the Board of Industry made an appointment to the post of Shadow Regulator of an individual with an international reputation for her work in Ireland on the regulation of telecoms services. This individual had also helped to develop the regulator, v regime for the Irish government and has provided invaluable assistance on the development of the Bailiwick regime.
8. In June 2000 (Billet XIV) the States approved the Electronic Transaction Law. Following receipt of Royal Assent, a number of Commencement Ordinances have been agreed by the States to implement some of the provisions of the Law which will put electronic transactions on the same legal footing as transactions made by traditional means, a necessary facility for the development of e-commerce locally. A major review of Intellectual Property Rights legislation is also underway with the aim of replacing the existing legislation with new provisions to encourage the development of knowledge based e-commerce activities.
9. In September 2000 the Board of Industry launched its e-commerce strategy which will be used as the blueprint for the facilitation of e-commerce activities and for the promotion of the Islands as a centre for e-commerce. The Board has recently announced the appointment as its E-business Director of an individual with a strong track record in the development and marketing of IT and e-commerce business.
10. There had been some criticism that the Island was not promoting itself vigorously enough against competition from other e-commerce centres but both the Board of Industry and the Advisory and Finance Committee believe that it was right to hold back until more of the building blocks for e-commerce development were in place rather than risk over-promising and under-delivering as has been the case in other jurisdictions. Despite this low key approach, there is already considerable interest in the Islands as a base for e-commerce activities.
11. Good progress is being made on the Education Council's Guernsey Grid for Learning project to inter-connect all Island schools. The installation of technical equipment is virtually complete and work is in progress on developing the content to be delivered over the Grid. The Advisory and Finance Committee has recently agreed the funding of 3 pilot projects for the IT in Society Working Group which are intended to enhance IT and Internet skills across the community.
12. At its January 2001 meeting (Billet I) the States approved:
 - The draft Regulation of Utilities Law - which establishes the legal framework and institutions for regulating Telecoms, Postal and Electricity services.

- The States Trading Companies Law - which establishes the legal framework for the subsequent creation by Ordinance of States owned companies for the delivery of Postal, Electricity and any other services the States may wish.
 - The Income Tax Amendment Law - which implements consequential changes to Income Tax provisions arising from the creation of States Trading Companies and from revisions to the rules of the Public Servants Pension Scheme.
13. At the February 2001 meeting (Billet II) the States considered:
- Proposals from the Board of Industry for the release of land at the airport for a major development of e-commerce facilities adjacent to a similar private sector initiative and complementary to the development of a data warehouse by Guernsey Telecoms.
 - The draft TUPE type Law - which will safeguard the rights of Telecoms Board employees when the provision of telecoms services are transferred to another operator and which can be extended by Ordinance as necessary to cover employees of the Electricity and Post Office Boards.
14. At this March 2001 meeting the States is considering:
- The draft Sector Laws for Post and Telecoms services - which provide the “operational” legislative Framework for the delivery of services under the Regulatory Law.
 - Proposals From the Board of Industry for States direction on the competitive regime for the future provision of telecoms services.
15. Once Royal Assent has been received for the legislation approved by the States, the States will be in a position to enact by Ordinance, or approve by resolution the remaining measures needed to implement the commercialisation and controlled licensing processes.

ANNEX 2: Detailed History of Proposals for Licensing of Telecommunications Services

- 7.1 The January 2000 policy letter and the resolutions which resulted from it confirmed that the development of e-commerce is essential for the future economic wellbeing of the Bailiwick and that securing world-class telecoms services is a prerequisite to the development of e-commerce. In this context world-class refers to the extent and quality of services at competitive prices.
- 7.2 The policy letter also commented that *“Guernsey Telecoms deserves congratulation on the way it has coped in the past, it is unrealistic to assume that it can cope with the dramatic challenges presented by the global telecoms revolution”* and set out 5 Critical Success Factors for the future development of the telecoms sector:
- The buying power and expertise of major telecoms operators must be engaged if there is to be a modern network infrastructure offering world-class telecoms services.
 - The major telecoms operators must be offered a long-term position in the market, which is free from the potential for political interference, if they are to make a full commitment to serving the Bailiwick.
 - There must be one network operator to avoid the risks of unnecessary disruption and cherry-picking in a small market.
 - There should be competition in telecoms services, to avoid the network operator becoming complacent.
 - Strong independent and accountable regulation of telecoms is essential because both operators and customers will be wary of anything less, this is assumed to be given for all of the options considered later.
- 7.3 The policy letter then went on to consider 5 options for meeting these success factors:
- Commercialisation, *“this option would have offered a useful staging post if it had been completed earlier. However, it is now too little and, even if accelerated, too late to offer any benefits”*.
 - Merger or Partnership with Jersey Telecom, *“Jersey Telecoms is not much larger than Guernsey Telecoms... and so working together would not offer the... increase in scale that is required for the long term. There is a danger in delaying the necessary major reforms of the telecoms market while trying to reach complex agreements with Jersey Telecom for some marginal benefits... the States should move forward rapidly with its preferred solution, while keeping the door open should Jersey Telecom wish to collaborate at a later date.”*.
 - Privatisation (by way of a flotation of shares) *“... the privatised Guernsey Telecoms would not gain the economies of scale which are so necessary for developing world-class telecoms services ... it does not allow for the controlled introduction of major telecoms operators to the market. It is an irrevocable decision which carries risk by perpetuating a small local monopoly “*.
 - Major Telecoms operator runs Guernsey Telecoms (through some form of Management Contract), *“if a reputable international operator is selected then this option should offer low risk and stability ... Depending on how the arrangement is formulated, it may be difficult for the regulator to introduce new competition or oust a poorly performing operator.”*.

- 7.4 The policy letter then went on to introduce and consider the controlled licensing of new operators and the relevant sections of the policy letter are reproduced in full below:

3.5.5 Controlled Licensing of new operators

This option is a development of the one above, but instead of bringing in a major operator to run Guernsey Telecoms, major operators bid competitively for a single licence to operate the network. The winner replaces Guernsey Telecoms as the network operator and custodian of the infrastructure. Additional licences are awarded to local companies and other operators, allowing them to be service providers that pay wholesale prices to use the network to offer competing telecoms services.

The first critical success factor is satisfied by engaging a major telecoms operator to run the network. The second is achieved, because the licence to be the sole network operator engenders the licensee's commitment. The third critical success factor is answered by there being only one licence for the network operator. The fourth factor is concerned with the development of competition and this option creates competition through service providers.

The final critical success factor demands strong regulation and under this option the regulator has more control than in any other. The regulator is given the ultimate sanction - the ability to revoke a licence and reclaim the assets. However, the regulator must not be too focused on reducing risk. Taking heavy fees for the licence in advance, closing all loopholes with complex rules, and preparing mechanisms for imposing very high fines need to be balanced with the need to create an attractive environment for major telecoms operators to enter.

It is important to stress that this option is significantly different from the privatisation option. Controlled licensing brings major telecoms operators into the market with important economies of scale. This mechanism gives the regulator more control over the market and allows the development of competition. Licensing also ensures that infrastructure assets can be recovered by the States under exceptional circumstances.

This is the recommended option and it is developed in more detail in the following section.

3.6 Developing Controlled Licensing of New Operators

3.6.1 One licence for the infrastructure operator

The regulatory process requires the design and implementation a transparent process for awarding the single network licence. Such processes are commonplace in the telecoms sector. The invitation to tender will specify the obligations of the licensee, the regulatory environment, and the selection criteria. The selection process must be tailored to meet the specific needs of the Bailiwick, but is likely to involve a scoring process which balances considerations of:

- *compliance with the specification in the invitation to tender including the universal service obligation, network resilience, and service standards*
- *compliance with the regulator's international benchmarking methodology for setting price ceilings*
- *setting local call charges and line rentals*
- *proposed schedules for introducing new technologies and new services*
- *planned levels of investment in the network infrastructure*

- *plans for developing international connectivity*
- *proposed resource commitments*
- *plans for the retention, recruitment and training of local staff*
- *proposed investments in local education and social projects*
- *skills and experience*
- *access for service providers to the network on a “level playing field” basis.*

The winner may be a major telecoms operator or a consortium of partners including a major telecoms operator. A consortium may offer the best solution given the wide range of skills and experience required. It is expected that the winner would establish a locally registered company.

A well-managed licensing process with a strong marketing campaign will attract the interest of major telecoms operators. They will see an opportunity to expand the footprint of their network to encompass a significant offshore financial centre with a relatively affluent population. It will give them the chance to offer end-to-end services to a large number of significant multinational clients. This increases their chances of winning extremely valuable global contracts to link all the offices of major multinationals.

If the Bailiwick has implemented a successful ecommerce strategy, then the opportunity will be even more attractive to major telecoms operators. They will be lured by the prospect of serving an innovative client base in a market with an international profile. The small size of the market combined with its pleasant environment, the English language and a thriving business sector would make an excellent showcase for a major operator’s latest products and services.

It is anticipated that the winner would have to pay an initial fee for the licence. One method of setting this fee is to award the licence to the highest bidder. However, this could have the negative consequence of diverting valuable capital away from investment in telecoms. Alternatively, the initial fee may be a fixed amount. This has the advantage that the proposals would be evaluated solely on the merits of their commitments to investment and service delivery.

There is a principle that the States should not seek to maximise their income from the telecoms sector, but should seek to encourage investment and commitment by the telecoms operators for the overall benefit of the Bailiwick.

Guernsey Telecoms assets will be passed on to the new licensee for the duration of the licence. The terms of the licence will compel the new operator to take on all of the staff under the legislation being proposed by the Civil Service Board. This will be made clear in the invitation to tender.

The licensee will also take control of the buildings, infrastructure and equipment. These will have been defined and valued in the invitation to tender. The initial fee for the licence and any annual fees will take account of this valuation. The licensee must maintain and develop this infrastructure in accordance with the terms of the licence and the investment levels presented in the proposal.

The fear of the network operator abandoning their investments and pulling out is not well founded. Because the licensing process is entirely transparent, the winning operator will have the information, skills and experience to determine that there is a viable business case. Once this is established it would make no sense for the winning operator to pay the initial licence fee and make substantial network investments, only to pull out. Commercial

sense rules that a network operator makes the decision to invest and runs with it for at least the duration of the licence. In addition, walking out or significantly underperforming would irreparably damage the operator's reputation in front of major business customers. It may even prevent the operator from winning licences to operate in other countries.

The licence is likely to have a limited duration, but renewed on an annual basis if the regulator is satisfied with the licensee's performance. This gives the regulator more control and avoids the licensee becoming wary of making investments at the end of the term. In the unlikely event that the licence is not renewed at the end of its term or possibly revoked under extreme circumstances, then the infrastructure would be valued according to a defined process and bought back by the States ready for the next licensee. This mechanism ensures that the licensee continually invests in the network.

The regulator will review the performance of the licensee in accordance with the performance standards defined in the licence and the schedules presented in the proposal. In particular, the licensee will have to comply with a universal service obligation to ensure that all residents and businesses have timely access to reliable telecoms services at a reasonable price.

The licensee is committed to the investment schedule presented in its original proposal and defined in the terms of the licence. However, it is almost impossible to predict equipment purchases and service launches that will be necessary given the speed of technological change. The regulator will manage the situation by monitoring the overall level of investment, and by international benchmarking of network and service developments. The regulator will work with the network operator to ensure that investment is directed to maintain a world class telecoms environment.

The regulator will have the power to fine the operator under the terms of the licence if the licensee fails to perform. The regulator can revoke the licence in the unlikely circumstance that the licensee does not respond.

3.6.2 Many licences for service providers

In addition to the main licence for the network operator, there will be additional licences available for service providers. The regulator may issue invitations to tender for services where there is an unfulfilled demand or a lack of competition. This system allows the regulator to shape the development of the market. Otherwise, applicants may approach the regulator and request a licence.

Major telecoms operators, overseas companies and local entrepreneurs may apply for these licences. They will pay a fee for the licence once their proposals have been approved by the regulator. The approval will involve examining the credentials of applicants against defined criteria and judging their competence to operate. There may be an annual fee for renewing the licence.

These service providers will pay the licensed network operator for the use of the network accordingly to a regulated schedule of charges. The network operator will be obliged to accommodate their requirements within the terms of the licence.

7.5 After consideration of the January 2000 policy letter the States resolved:

“That the future provision of telecommunications services for the Bailiwick shall be by way of the controlled licensing of new operators along the lines described in sub-section 3.5.5 and section 3.6 of that Report. “

Annex 3: Market Testing of Controlled Licensing

1. Following a competitive tendering process, KPMG was commissioned to provide expert advice on the implementation of the controlled licensing process.
2. In April 2000 an information memorandum providing “Initial information to bidders for the licence to offer telecoms services on the Bailiwick of Guernsey” was prepared. The memorandum set out general information about the Bailiwick, the background of the States resolutions of January 2000, the current operations of Guernsey Telecoms and the Bailiwick’s e-commerce aspirations.
3. KPMG used its extensive network of contacts within the global telecoms industry to secure a series of interviews with senior key individuals in a representative selection of major companies involved in the whole range of telecoms operations. The Information Memorandum was used as the basis for those discussions but the company representatives were also asked to comment on what adjustments to the controlled licensing approach, or what other approaches might attract their interest whilst still meeting the main objective of securing world-class telecoms services for the Bailiwick.
4. Initially 13 companies were approached but interviews with others have subsequently taken place.
5. There was not universal interest in the controlled licensing approach but there was encouraging interest in becoming involved in the provision of telecoms services in the Bailiwick in some shape or form.
6. One company showed interest in pursuing the controlled licensing approach, one was interested in a pure sale of Guernsey Telecoms, another in running Guernsey Telecoms under a management contract and another in taking over the business/data operations if they were “split” off from Guernsey Telecoms.
7. It is important to recognise that at this stage in the process there was no certainty on the regulatory and competitive regime which would be imposed and which would have a significant effect on the commercial potential of future activities. The market testing was also undertaken under what might be described as “buyers market” conditions as at that stage, there was no competitive bidding element in the discussions. Also, progress had not yet been made in developing and publishing the Bailiwick’s e-commerce strategy.
8. Possibly the major factors influencing the market testing exercise was some confusion over the exact terms under which Guernsey Telecoms would be “passed on” or the licensee would “take control” of Guernsey Telecoms with provision for the infrastructure to be valued and “bought back” by the States if the licensee was not renewed (the words in quotes are from the January 2000 policy letter).
9. Having received a presentation on the market testing results the Presidents Coordinating Group favoured adopting a “flexible” approach to meeting the Critical Success Factors set out in the January 2000 policy letter. The approach described in the policy letter remained very much the preferred option but the invitation documentation would not preclude the submission of bids encompassing some form of Management Contract or retaining Guernsey Telecoms as a States Trading Company with some areas of activity split off or immediately opened up to competition. Proposals to the States would be formulated to reflect which bids best matched the Critical Success Factor for securing world-class telecoms services.

10. Subsequently the Telecoms Board expressed concerns about the way the process was being developed and suggested that the objectives for the development of ecommerce had changed since the January 2000 report. Guernsey Telecoms management in particular expressed concerns about the Management Contract and Split options and felt that another of the options described in the January 2000 report, Privatisation, should be brought back into consideration. Employees of Guernsey Telecoms also had concerns about the Split option.
11. The Presidents Co-ordinating Group agreed to commission KPMG to take a step back from the process to review any changes to the global e-commerce/telecoms environment since January 2000 and to take a “blank sheet of paper” approach to identify options for securing world-class telecoms services. Whilst carrying out this review, work was continuing on preparing draft bid documents for the licensing process so as not to introduce any unnecessary delay to the process.
12. Each of the possible options was evaluated against a revised set of Critical Success Factors which expanded on those set out in the January 2000 report:
 - Supports Guernsey’s e-commerce goals.
 - Increases the range of skills and expertise available to GT.
 - Ensures world-class telecoms outside e-commerce (particularly new residential services).
 - Matches developments in international structures for the telecom sector.
 - Likely to result in a successful transaction for whatever option is chosen.
13. The body of this policy letter explains how an equity partner approach to implementing controlled licensing is considered to best meet the above criteria.

Annex 4: Outline of the Process for Securing an Equity Partner

1. The process will be led by the Advisory and Finance Committee.
2. A project team under the chairmanship of a member of staff of the Advisory and Finance Committee will be formed consisting of members of staff of the Advisory and Finance Committee, Board of Industry and Telecoms Board with access to outside expertise on corporate finance, the international telecoms market and other appropriate areas.
3. Team members from the Board of Industry and Telecoms Board will consult with their employing committee as necessary but the Team will be delegated to prepare and submit to the Advisory and Finance Committee for approval:
 - An information memorandum on Guernsey Telecoms;
 - The detailed process for issuing the memorandum and inviting interest;
 - The detailed criteria and process for selecting a limited number of interested parties for further discussion and negotiation;
 - The detailed criteria to be used for the assessment of bids based on those put to the States in January 2000.
4. The members of the Project Team will be required to sign a declaration that they have no financial or other interest in any of the parties participating in the bid process.
5. Parties participating in the bid process may require the members of the Project Team to sign non-disclosure agreements.
6. Expressions of interest in participating in the bid process will be invited and the Information Memorandum issued to potential interested parties.
7. The criteria agreed by the Advisory and Finance Committee will be applied by the Project Team to select a limited number of interested parties for further discussions and negotiations.
8. The selected parties will be invited to examine documents containing detailed and commercially sensitive information on Guernsey Telecoms in a “data room” environment without being able to copy or take out those documents.
9. The selected parties will be allowed a period of the order of 3 months to prepared detailed bids, carry out due diligence checks etc.
10. The Project Team will receive and discuss the bids with the selected parties and submit them to the Advisory and Finance Committee with a recommendation as to which best meets the assessment criteria previously agreed by the Committee.
11. Following consultation with the Board of Industry and Telecoms Board the Advisory and Finance Committee will on behalf of the States select an Equity Partner for the provision of Telecoms services and conclude an agreement with that Partner.
12. Legal advice will be sought to ensure that no parties have cause for litigation over the selection process or subsequent developments in the local telecoms regulatory regime and markets.

Annex 5: Extract from 2000 Policy and Resource Planning Report

Commercialisation and the telecoms Capacity in the CIEG Cable

- 4.3.26 At its meeting in March 2000 the States approved proposals from the Advisory and Finance Committee for the commercialisation of the Post Office and Electricity Boards. Under these proposals responsibility for the provision of postal and electricity services, along with assets and staff of the Post Office and Electricity Boards will be transferred to new States Trading Companies wholly owned by, but at arms length from, the States.
- 4.3.27 The measures for the protection of existing employees and the provision for the Regulation of Trading Undertakings agreed by the States in January 2000 will extend to States Trading Companies.
- 4.3.28 The Advisory and Finance Committee recently submitted proposals to the States for the appointment of non-executive directors to sit on shadow Boards to assist in the transition to the delivery of electricity and postal services by States Trading Companies.
- 4.3.29 The March 2000 proposals also included provision for the States to give guidance to the Advisory and Finance Committee in fulfilling the role of owner/shareholder of the States Trading Companies on behalf of the States.
- 4.3.30 An issue has arisen in relation to the exploitation of the fibre optic capacity in the electricity cable which, the States Electricity Board in partnership with the Jersey Electricity Company (jointly as the CIEG), is laying to France via Jersey and on which the guidance of the States is required.
- 4.3.31 There is no doubt that the telecoms capacity in the cable represents a great potential benefit to the Bailiwick in terms of providing an additional high capacity link to international telecoms networks to supplement the existing links operated by the Telecommunications Board. This will stimulate competition between the carriers offering onward capacity from the existing and this additional link.
- 4.3.32 To make that capacity available for use the cable must first be connected to the French network and contracts entered into to secure onward capacity through that network. Connections must be made to the local Jersey and Guernsey networks and/or to the premises of local customers. The fibre optic cables need to be "lit" or activated and equipment installed to manage the traffic through them.
- 4.3.33 The States Electricity Board is to be complemented on its foresight in including the fibre optic capacity in the cable at minimal additional cost but the Board does not have the mandate nor the expertise to complete and manage the connection of the capacity or to become involved in the provision of telecommunications services. In this situation, the Board has dual, and potentially conflicting interests.
- 4.3.34 On the one hand, as a committee of the States, the States Electricity Board has a corporate responsibility to ensure that the exploitation of the capacity does not compromise the strategic approach to telecoms agreed by the States in January 2000. On the other hand, as a trading entity it wishes to gain a commercial return from the assets which it holds on behalf of the States and is keen to enter into contracts and agreements for the connection of the fibre optic capacity and enter into joint venture agreements for its exploitation.
- 4.3.35 To assist in its consideration of how best to proceed on this matter the Advisory and Finance Committee commissioned two reviews. The first, which was undertaken by Deloitte and Touche who produced an earlier report for the CIEG, examined contractual

arrangements between the States Electricity Board and other parties for the provision and future exploitation of the fibre optic capacity. The second, which was undertaken by Analysys, examined how exploitation of the capacity might fit into the model for the controlled licensing of telecoms approved by the States in January 2000.

- 4.3.36 The results of the Deloitte and Touche review clarified the circumstances under which the fibre optic capacity had been secured and confirmed that no contractual obligations had been entered into for its future exploitation. Some issues relating to the ownership of assets passing across Jersey was identified and need to be addressed. The findings of Analysys are summarised in an extract from its report shown in Appendix VI.
- 4.3.37 Analysys has stressed that the way in which the capacity is brought into use and offered to local and offshore customers could significantly influence the current balance between charges for local and international traffic, thereby impacting on the future commercial potential of Guernsey Telecoms operations and potentially diminishing its attraction to licence bidders. Analysys has also commented on the need to clarify the States Electricity Board's role in relation to exploiting the fibre optic capacity.
- 4.3.38 The States has yet to resolve on what future involvement, if any, the States Electricity Board or its commercialised successor should have in telecoms services given that the States has agreed to withdraw from the direct provision of such services through the move to controlled licensing. The Advisory and Finance Committee considers that an informed decision on this issue cannot be taken until the commercialisation, regulation and licensing processes have been developed further.
- 4.3.39 In the meantime it is essential that steps are taken as soon as possible to connect the fibre optic capacity to the French and local networks and to activate the capacity so that it can be exploited for the Island's benefit.
- 4.3.40 Pending resolution by the States of long term responsibility for exploiting the fibre optic capacity, the Advisory and Finance Committee has taken the stance that, it will jointly with the States Electricity Board oversee the States interests in the fibre optic capacity and ensure that, in consultation with Jersey Electricity Company as appropriate, that capacity can be exploited by each Bailiwick without prejudicing future arrangements for the controlled licensing of telecommunications in Guernsey.
- 4.3.41 It is likely therefore that until controlled licensing has been introduced, Guernsey Telecoms will have access to capacity, at a commercial charge, to enable it to provide increased resilience and more competitive pricing on international connections.
- 4.3.42 Deputy W M Bell, a member of the Advisory and Finance Committee and President of the States Electricity Board dissents from the approach set out above.
- 4.3.43 The Advisory and Finance Committee has liaised with the Jersey authorities on how that Island is developing its regulatory arrangements for telecoms and how it might deal with the commissioning of the cable capacity.
- 4.3.44 **The Advisory and Finance Committee is therefore recommending that the States endorses the stance which it has taken in relation to the fibre optic capacity and directs that, at the appropriate time, the Committee brings forward proposals on the future responsibility for exploiting the capacity and the involvement or otherwise of the States Electricity Board in telecoms matters.**

Annex 5

Appendix VI to 2000 Policy and Resource Planning Report

5 Options for using the fibre link

In Billet d'État of 26 January 2000, the States Advisory and Finance Committee recommended that only a single licence be awarded for the operation of telecoms infrastructure in the Bailiwick. This recommendation was based on conclusions in the Analysys report,¹ which recognised that a) infrastructure competition was unlikely to be successful in a market as small as Guernsey, and b) significant infrastructure deployment would result in politically unacceptable disruption caused by the digging of roads.

Furthermore, in the run up to the planned change of ownership of Guernsey Telecoms, opening the market to infrastructure competition could create a level of uncertainty amongst potential investors, deterring desirable companies from purchasing Guernsey Telecoms. Because Guernsey Telecoms is so vulnerable to 'cherry-picking' by competitors, it could, in the event of full liberalisation, witness a large reduction in its total revenues as a result of losing a small number of top business customers from the finance sector. This would have very adverse effects on its ability to provide basic telecoms services to the Bailiwick.

Analysys continues to believe that, in the short and medium term, allowing competition at all levels would probably be to the detriment of the Bailiwick. However, we also believe that discipline, resulting from competition in the communications market between the Bailiwick and the rest of the world, would be highly beneficial, bringing about lower communications charges than would otherwise have been achieved. This would increase the Bailiwick's attractiveness as an international centre for ecommerce - an important strategic objective for the Bailiwick.

We have, therefore, considered options that allow competition in international communications to flourish whilst maintaining the single-infrastructure concept within the Bailiwick. This would require the following:

- § completion of the CIEG link in France and its entry into service as a telecoms route from Guernsey to the rest of the world
- § linking of Guernsey Telecoms' network to the CEG link, so that Guernsey Telecoms can purchase capacity on the link for its existing customers
- § enabling the owners of the CEG cable, once market liberalisation is underway, to apply to the regulator for a telecoms service provider licence. This would allow the owners to use Guernsey Telecoms to carry traffic from Guernsey to the terminal of the link; they would then be free to carry that traffic over the link to international destinations. The appropriate time to introduce such competition to the market for off-island communications would be at the discretion of the regulator
- § allowing the CEG cable owners, in the longer term, to apply to the regulator for a licence to operate on-island infrastructure so that they could access their customers directly. Such a development would require the use of suitable technology that would keep on-island disruption to a minimum. Once again, the timing of this development would be at the discretion of the regulator.

¹ *The Bailiwick of Guernsey and the Global Telecoms Revolution*, Analysys Ltd, 14 December 1999.

Adopting this approach would achieve the objectives of:

- § enabling the CEG link to be used - thereby increasing the power of Guernsey Telecoms in negotiating international connectivity agreements
- § increasing the redundancy of communications links from Guernsey, and, therefore, both actual and perceived reliability of communications
- § protecting Guernsey Telecoms in the short term from ‘cherry-picking’ by competitors - which could result in severe damage to its attractiveness to investors
- § enabling competition in international communications for new ecommerce businesses locating in the Bailiwick
- § ensuring that all new ecommerce businesses locating in the Bailiwick have equal access to communications capacity.

Full competition in off-island communications is the most effective way of ensuring that customers can obtain the lowest cost communications services between Guernsey and other places. This approach is likely to have associated disadvantages in that it may prove to deter investors (although to a much lesser extent than the introduction of full competition immediately). It would also probably accelerate the process of re-balancing the prices of telecoms services, so that on-island residential calls are no longer subsidised by off-island business calls. This may cause such a move to be politically unpopular, but, in the longer term, less unpopular than would be the departure of some major employers because cheaper communications are available elsewhere.

6 Recommendations

The most valuable thing that the States of Guernsey can do for all of the players involved in the telecoms market is to remove the uncertainty surrounding the status of the CIEG link as viable communications infrastructure for the Bailiwick. This uncertainty is, in particular, causing planning problems for Guernsey Electricity and is likely to cause any potential investor in Guernsey Telecoms to assume the worst case scenario as a prudent precaution.

We recommend that the States undertakes the following actions in order to maximise the benefits to the Bailiwick of Guernsey of the CIEG link:

1. The CEG owners should be treated in the same way as any other party wishing to provide links between the Bailiwick and the rest of the world; the States should not treat the CEG owners preferentially because it is a part owner of the CEG asset.
2. The States should make a clear public statement indicating whether or not Guernsey Electricity is acting within its mandate by becoming involved in communications needs. If it is within its mandate, then it should be allowed to proceed with planning for the venture. If it is acting outside its mandate, then a new ownership structure for the communications capability of the link will need to be established quickly. Otherwise, the opportunity for sharing the costs of investment in France with the CEG partner is likely to be lost.
3. The viability of the link should be ascertained with certainty from an ownership point of view. The Deloitte & Touche report of March 2000² indicated that there are a number of outstanding issues, regarding the ownership and control of the link, which need to be resolved: namely, the implications of the agreement between Newtel and JEC; the

² *Review of the Provision of Fibre-Optic Capacity for Telecommunications by the States of Guernsey Electricity Board through Channel Islands Electricity Grid Limited, Deloitte & Touche, March 2000.*

effectiveness of the CEG or any other joint arrangement between JEC and SGEB; and the issue of telecoms licences, particularly in Jersey, where a change in the law is required to allow assets other than Jersey assets to pass through the island. Clearly, these issues need to be resolved with the utmost urgency; any decisions on further investment must be contingent on their satisfactory outcome.

4. The States should make a detailed assessment of the level of investment needed to connect the cable from the termination point of the electricity cable, and decide whether such an investment should be made. In Analysys's view, if the issues in Recommendation 4 are resolved satisfactorily, the decision should be to make that investment.
5. The States should encourage Guernsey Telecoms to enter into discussions with the owners of the CIEG link to ensure that when the link is brought into service, there will be a point of interconnection between Guernsey Telecoms' network and the CEG link. This will enable Guernsey Telecoms to take advantage of any favourable carriage arrangements which may be on offer for off-island traffic.
6. The regulator, when appointed, should consider the matter of granting a service provider licence to the owners of the CIEG link. Such a licence would allow the owners to use Guernsey Telecoms to carry traffic generated by customers in the Bailiwick to the link termination point in Guernsey. The timing of the granting of this licence will be crucial. We recommend that due consideration be given to the impact such an action would have in facilitating 'cherry-picking'. If the licence is granted too early, Guernsey Telecoms' ability to provide services on the island may be compromised.
7. The regulator should consider when, if at all, the owners of the CEG link are granted a licence to operate their own infrastructure in the Bailiwick. Such a licence would be contingent on the use of appropriate unobtrusive technology. For example, a fixed wireless system would not disrupt road traffic during installation and future implementations may offer high-quality, high-bandwidth services without causing problems relating to visual intrusion and radiation hazard. In the event that such a licence be granted, the terms of that licence should be, in as far as practically possible, identical to the terms of the licence of Guernsey Telecoms or its successor company. In particular, any universal service obligation imposed on Guernsey Telecoms should apply equally to the operators of alternative infrastructure.
8. Whether or not the regulator grants CIEG either a service provider or infrastructure operator licence, Guernsey Telecoms, and its successor, should be obliged to satisfy the regulator that communications out of the Bailiwick are routed under the most favourable terms available from the suppliers providing communications infrastructure.

Annex 6

The President,
States Advisory and Finance Committee,
P O Box 43,
Sir Charles Frossard House,
La Charroterie,
St. Peter Port,
GY1 1FH.

13th February, 2001.

Dear Deputy Morgan,

The Future Provision of Telecoms, Postal and Electricity Services

The States Telecommunications Board has considered the contents of the above policy letter and wish to comment under the headings of:

- **Controlled Licensing and an Equity Partner**
- **The Fibre Optic Capacity in the CIEG Cable Link to France.**

Before doing so, however, the Board would like to comment on the current situation at Guernsey Telecoms to give some background to its views.

Over the last few months the States Telecommunications Board has developed and begun implementation of a Strategic Plan to prepare Guernsey Telecoms for a future in a far more commercial and competitive environment. Two of the main planks of that strategy are to develop relationships with customers and identify their needs whilst restructuring the business and refocusing staff towards meeting those needs.

Administrative and financial systems are also being revamped to provide management with the information and the tools it needs to set and to work within strict financial targets and to meet the requirements of regulation. Guernsey Telecoms is already beginning to see the benefits of this approach with improved customer confidence and support and an upturn in staff morale.

Controlled Licensing and Equity Partner

As the report from the Advisory & Finance Committee comments, there are two elements to the controlled licensing approach approved by the States in January 2000. The regulation element whereby an exclusive licence is granted for fulfilling a Universal Service Obligation over the current infrastructure but with competition in the provision of services over that infrastructure is a well understood and accepted model in the telecoms world. The need for Guernsey Telecoms to engage the skills, expertise and commercial clout of a major telecoms player remains a necessity. The change process instigated by the Board will improve Guernsey Telecoms' performance but not to the extent necessary to secure the world-class telecoms services which are so essential to the Bailiwick's future well-being.

In preparation for the workshops held to develop its Strategic Plan, the Board reviewed the long term telecoms needs of the Bailiwick and how these could best be met. Independently of the process undertaken by the Advisory & Finance Committee, the Board concluded that given the

requirement for Guernsey Telecoms to engage with a major telecoms player and given current trends in the global telecoms market this was only likely to be successful if such players can be offered a majority and controlling equity stake in the business.

The States Telecommunications Board therefore supports the Advisory & Finance Committee's proposals to secure an equity partner for GT. The Board and its staff will play a full part in the process for securing such a partner as proposed by the Committee.

The circumstances now are such that to secure world-class telecoms services for the Bailiwick the equity partner approach must be pursued. The Board concurs with the view of the Advisory & Finance Committee, however, that the equity partner approach is only a variation of the approach agreed in January 2000.

The Fibre Optic Capacity in the CIEG Cable Link to France.

The main issue relating to the fibre optic capacity in the electricity link to France is one of regulation. Under the proposals from the Board of Industry, the whole of the local telecoms market, including off Island telecoms links will be open phased competition within an agreed time period reflecting European best practice.

The Board must point out, however, that the ability to gain access to the Bailiwick market through being able to get a licence to operate an off Island telecoms link through this capacity could affect the attraction of Guernsey Telecoms to potential equity partners.

The States Telecommunications Board has reconsidered whether this point merits review as to whether or not the role of overseeing and managing the capacity in the link (the carriers' carrier role) should be undertaken by Guernsey Telecoms in a similar way to its responsibilities for the current links to the UK. The Board accepts, however, that the benefits of competition will best be served in the short term if the carriers' carrier role on the capacity in the link to France is undertaken by an independent States body as proposed by the Advisory & Finance Committee, which may need to become part of the equity partner process. The Board accepts that regulation will ensure access to the capacity, including access by Guernsey Telecoms and its successor, on a "level playing field" basis.

Conclusions

The States Telecommunications Board wishes to ensure that the Advisory & Finance Committee is fully aware that no other jurisdiction has attempted to implement commercialisation, regulation, competition and a change in the status of its incumbent telecoms operator within the target timescale set by the States. The Board is determined to continue with its programme to prepare Guernsey Telecoms for a more commercial and competitive future whilst maintaining continuity of service to its customers at the highest level of quality and value for money as is possible in current circumstances. This programme however is a means to an end, it is not an end in itself. To provide the world-class telecoms services which are so essential to the future well-being of the Bailiwick a major communications player has to be engaged as an equity partner for Guernsey Telecoms.

The States Telecommunications Board and its staff can cope with the change process required so long as the States give a clear and unambiguous mandate to successfully complete the process through the engagement of an equity partner.

Yours sincerely,
M. E. W. BURBRIDGE,
President,
Guernsey Telecoms.

Annex 7

The President,
 Advisory and Finance Committee,
 P O Box 43,
 Sir Charles Frossard House,
 La Charroterie,
 St. Peter Port,
 Guernsey,
 GY1 1FH.

19th February, 2001.

Dear Deputy Morgan,

**FUTURE PROVISION OF TELECOMMUNICATION SERVICES WITHIN
 THE BAILIWICK**

The Board of Industry both welcomes and fully endorses the proposed approach, which has been recommended by both GT and supported by the Advisory and Finance Committee, for securing an Equity Partner.

The Board believes that it is well placed to comment on the strategic importance of adopting this approach for the reasons set out below.

Following the decision in January 2000 to adopt a new approach to the provision of telecommunication services within the Bailiwick and to embrace e-commerce, the Board has fulfilled a pivotal role in ensuring that these objectives are achieved. In addition to preparing a new regulatory structure designed to achieve the best deal for consumers and to encourage competition, it has also developed an e-commerce strategy and commenced the process of implementing various supporting policies.

In the course of this work the Board has enjoyed increasing contact with both locally based and global e-business operators, many of whom have expressed a serious desire to explore using Guernsey as a base for their operations. In considering Guernsey as a favourable location for such business, it has become clear that the existence of a modern, commercially driven, globally enabled telecoms operator is of paramount importance. The future of GT and the success of Guernsey e-commerce strategy have become inextricably linked and the need to move quickly has become a critical theme.

Against this background the Board is convinced that, given the changes within the global telecommunications market over the last twelve months, the circumstances now demand that Guernsey secures an Equity Partner along the lines set out in the policy report. Accordingly, the Board recommends the States to embrace the proposals and to proceed without further delay.

Yours sincerely,
 JOHN ROPER,
 President,
 States Board of Industry.

Annex 8

The President,
States of Guernsey,
Royal Court House,
St Peter Port,
Guernsey.

23rd February 2001.

Sir,

Minority Report on The Future Provision of Telecoms, Postal and Electricity Services and Networks.

INTRODUCTION.

It is with considerable regret and reluctance that I submit this minority Report on *The Future Provision of Telecoms, Postal and Electricity Services and Networks* to the States.

There are, in my view, a number of significant flaws and omissions in the presentation of the Policy Letter and its proposals.

I believe, however, that the Advisory and Finance Committee, including myself, acknowledge that the overriding and immediate objective is to: '*ensure the provision of world class telecommunications services for the Bailiwick*,' for two specific reasons:

- * to safeguard the future economic prosperity of the Bailiwick and
- * to underpin the e-commerce objectives of the Bailiwick.

In Committee I expressed the view that as the Advisory and Finance report addresses two specific issues, it should have been the subject of two separate Policy Letters.

Firstly, an alternative approach to the controlled licensing of new operators to operate Guernsey Telecoms, agreed by the States in January 2000.

Secondly, proposals for the connection and longer term arrangements for the management of the Guernsey proportion of the fibre optic capacity installed as part of the Channel Islands Electricity Grid Company project undertaken by the States Electricity Board.

Considerable additional relevant information to both subjects is contained within the Board of Industry Policy Letter entitled '*States Direction to the Director General of Regulation*'.

STRATEGIC OBJECTIVES FOR THE BAILIWICK.

As previously stated the overriding objective is to ensure the provision of world class telecommunications services for the Bailiwick. Evidence from around the world provides a clear message that failure to do so will ultimately undermine the economic prosperity of the Bailiwick.

This is an issue which the States must address with a view to the long term consequences and not short term political or financial benefits.

The views of the Board of Industry as to how such a world class service may be achieved are absolutely clear. Competition in the telecommunications sector is essential. The Board state in their Policy Letter.

'... the lack of a world class, competitive telecommunications sector would severely impair the Island's ability to attract inward investment in e-business ...'

'... the international business community expects to see not only a world class telecommunications sector, but also a competitive telecommunications sector ... this is a basic requirement of business considering locating and staying in Guernsey ...'

Therefore:

I recommend that the States should concur with the view that the Provision of a world class telecommunications service is of vital strategic importance to the Bailiwick and that this implicitly requires the introduction of competition in the telecommunications sector.

CONTROLLED LICENSING OR SHARED EQUITY.

On the 24th November 1999 the States Telecommunications Board received a Report which they had commissioned from Analysys, entitled *'The Bailiwick of Guernsey and the Global Telecoms Revolution.'*

An emergency Policy letter was submitted by the Advisory and Finance Committee to the States in January 2000, based upon the Analysys Report. The States agreed:

'That the future provision of telecommunications services for the Bailiwick shall be by way of the controlled licensing of new operators along the lines described in sub-section 3.5.5 and section 3.6 of that Report.'

Controlled licensing was defined in the policy letter in Paragraph 3.5.5 as:

'... major operators bid competitively for a single licence to operate the network. The winner replaces Guernsey Telecoms as the network operator and custodian of the infrastructure.'

In paragraph 3.6.1 the report said:

'Guernsey Telecoms assets will be passed on to the new licensee for the duration of the licence.'

The progress made in obtaining a new operator by the controlled licence process is reported in Appendix 3 of the Advisory and Finance Committee Policy Letter.

Analysys, however, were not retained to implement their report, but instead KPMG were commissioned to bring about the controlled licence process.

The Advisory and Finance Committee Policy letter reports on the Market Testing of controlled licensing carried out by KPMG. A Presentation was made to the Presidents Co-ordinating Group (Presidents of Advisory and Finance Committee, Board of Industry and Telecommunications Board) of the market testing results. They were told that there was not universal interest in the controlled licensing approach.

The Presidents Co-ordinating Group commissioned KPMG, as the Policy Letter says: *'to take a step back from the process to review any changes to the global e-commerce/telecoms environment since January 2000 and to take a "blank sheet of paper" approach to identify options for securing world-class telecoms services.'*

Since the States decision in January 2000, some 14th months ago, to follow the controlled licence option, little or no actual progress has been made, Indeed the *"blank sheet of paper"* approach indicates that the States have fewer options that it did in January 2000 and that the seller's market for Guernsey Telecoms, which apparently then existed, may well have turned into a buyer's market.

The result of the KPMG review was that an entirely new concept was evolved, that of *'Shared Equity.'*

The Advisory and Finance policy letter regrettably and in my view possibly misleadingly, seeks to present the concept of Shared Equity as being a form of controlled licensing.

One of the recommendations that Advisory and Finance are asking the House to approve is *'... to agree to the implementation of the controlled licensing of telecoms services through seeking an equity partner for Guernsey Telecoms ...'*

The Policy letter states:

'In broad terms a new company would be formed (say) Guernsey Telecoms Limited with the States putting into the company the current technical infrastructure and systems, the right to operate the infrastructure and systems (through the granting of appropriate licences) and (under the appropriate terms) property, buildings and other assets. The major player would put in a commitment to investment in and development of the infrastructure, systems and activities of the company. The staff with their skills and experience would be transferred to Guernsey Telecoms Limited under the terms of the TUPE type legislation.

... The major player would have a controlling interest in Guernsey Telecoms Limited but with the States retaining an equity holding which will almost certainly be less than 50%.'

In my view controlled licensing and shared equity are entirely different animals. With controlled licensing the assets are passed over for the period of the licence only, whereas with shared equity the assets are transferred to a new company permanently, unless re-purchased by the States. And the proposal is that the new operator would control the company and own a majority of the shares of Guernsey Telecoms Limited.

I suggested to the Advisory and Finance Committee that we should not seek to prove that *'black is white and night is day'*, but frankly admit that we *'got it wrong'* in January last year and now wish to make a new proposal.

I also expressed the view that the policy letter was becoming dangerously close to misleading the House. It is primarily for these reasons that I cannot support that part of the policy letter which refers to the future provision of telecoms services in the Bailiwick.

There is a significant difference between the presentation of the case for controlled licensing in the January 2000 policy letter and the case for the equity partnership approach in this Billet. Considerable detail was provided for the former approach, including the benefits and transitional arrangements. Such detail is now missing in regard to the new equity partnership concept. Instead the States are being asked to delegate much of the process for securing an equity partner to a project team of civil servants.

My Advisory and Finance colleagues know that I have complained in the past of Committee members not being kept sufficiently informed of the progress of the controlled licensing process and I suspect that criticism may also apply in the future to the equity partnership process.

FIBRE OPTIC – COMPETITION OR MONOPOLY.

In considering the long term arrangements for the management of the fibre optic capacity, the States at its meeting in July 2000, resolved:

‘... that the States does not favour this role being undertaken by the States Telecommunications Board or its successor.’

The States Telecommunication Board has consistently professed its belief in competition but lobbied for continuation of their monopoly.

As recently as 25th January 2001 the States Telecommunication Board recommended the Advisory and Finance Committee to ‘... vest its interest in the (CIEG fibre optic) cable in Guernsey Telecoms Ltd., thus increasing ... their attraction to a potential equity partner ...’ and to ‘pool all communications resources into one entity ...’

The Advisory and Finance Committee, however, has resisted such pressure and the the States Telecommunications Board appeared to have subsequently modified their view. Nevertheless two letters from the President of the Telecommunications Board dated 13th February 2001 suggest that the Board wish to see the introduction of competition in the telecommunications sector delayed for a period of up to five years, whilst still retaining political ability to include the CIEG fibre optic cables in the equity partnership process.

I firmly believe that competition in the telecommunications sector should be introduced in accordance with the time scale proposed by the Board of Industry, namely, ‘... at the earliest possible time and at any case within three years ...’

I recommend that the States should reaffirm its view that the Guernsey interest in fibre optic capacity will not be part of any package offered or included in any transfer of assets to a new operator of Guernsey Telecoms Limited.

Note. A chronicle of events relating to the commercial development of the fibre optic capacity is set out in the Appendix.

PROPOSALS FOR THE CONNECTION OF THE CIEG FIBRE OPTIC CABLES IN FRANCE.

The Advisory and Finance Committee policy letter gives little detail of the proposed connection of a limited number of the CIEG fibres to the European and worldwide telecommunications network.

The choice was eventually between France Telecom by way of ‘Managed Bandwidth’ or LD Com with a ‘dark fibre’ connection. The France Telecom quotation was described by a senior advisor to the Advisory and Finance Committee, as being ‘cheap and cheerful’.

I favoured the long term approach offered by LD Com whilst my colleagues on Advisory and Finance settled for France Telecom.

The connection will be made to the France Telecom infrastructure, close to the electricity cable landing point at Surville. Whilst the capital connection costs are relatively inexpensive, France Telecom will charge '*carriage*' to carry Channel Islands telecommunications traffic to the major points of presence of global operators in Paris. A significant proportion of the total cost of off-island traffic will be paid directly to France Telecom for no added value.

Furthermore the France Telecom connection will at all times be limited by the capacity of their network. Indeed in order to make the initial connection France Telecom will need to carry out an upgrade to their network.

Under the LD Com dark fibre option, whilst up-front capital costs would have been significantly higher, subsequent operating costs and therefore transmission charges would have been extremely low. Furthermore such a connection to Paris would have required no intermediate operator, or middle man, and the ultimate capacity of the dark fibre link would have only been limited by the capabilities of the transmission equipment used. I believe that access to this almost unlimited bandwidth for off-island traffic would have been to our long term strategic benefit and the best possible advertisement for the Bailiwick's European telecommunications connection.

A business plan, drawn up by Mason Communications, incorporated a '*dark fibre*' connection to Paris. It was considered that this was the only option that would attract the interest of major global telecommunications operators as potential strategic partners.

LONG TERM ARRANGEMENTS FOR THE OPERATION AND MANAGEMENT OF THE FIBRE OPTIC CAPACITY.

In July 2000 the States considered the future of Guernsey's share of the fibre optic cables. The amended resolutions which were passed are set out in the Advisory and Finance policy letter in Appendix 1.

I seconded the successful amendment, proposed by Deputy L C Morgan, which had the effect of requiring the Advisory and Finance Committee to bring forward proposals for the long term arrangements to be implemented, to oversee and manage the fibre optic capacity by the end of 2000. It also placed the responsibility of securing the necessary connections to the French and local networks on the Advisory and Finance Committee

The Advisory and Finance Committee were also to take into account that the States did not favour the long term management of the capacity being undertaken by the States Telecommunications Board or its successor.

I seconded the amendment for two primary reasons. Firstly because it at last put a realistic time scale on the process, which had previously been envisaged in certain quarters as being much longer, even years longer. Secondly it safeguarded the prospect of competition, which I believed to be essential if telecommunications charges to the community in general and business in particular, were to be competitive with the rest of the world.

Regrettably the time scale was not achieved and the responsibility of mating the connections in France has been given to the States Telecommunications Board by the Advisory and Finance Committee.

To date there has been no agreement on how these fibres should be used for the benefit of the community as a whole. The debate and disagreement on the future nature of telecommunication provision for the Bailiwick has clouded the issue of usage of the fibre optics.

Throughout the course of the last fourteen months the issue of competition in telecommunication provision has been under consideration.

The debate has always, regrettably centred around the need, or otherwise, to protect Guernsey Telecoms from what were seen by some as the potential damaging effects of competition.

The Policy letter of the Board of Industry, for the first time, has clarified thinking on this matter and I believe the Board should be congratulated for this positive and significant lead.

Given that the States are now being recommended to adopt a fully competitive stance as soon as practicable, the States should consider what part the States interest in the CIEG fibre optics to Europe should play in a competitive telecommunications world.

The Advisory and Finance Committee's policy letter proposes that responsibility for the management of the States interests in the fibre optic capacity in the CIEG cable be vested in a new entity, most probably a separate trading company.

It is suggested that a trading company is appropriate in order that: *'... the roles of carrier's carrier and that of carrier should be kept completely separate and that a body acting in a corporate capacity should undertake the carriers role of managing the link,'* It is further suggested that this would *'... ensure that there are no perceived or hidden impediments to competition which might arise if the manager of the capacity was also providing telecoms services ...'*

I believe that this approach is fundamentally flawed for a number of reasons:

The policy letter freely acknowledges that the successor to the States Telecommunications Board will act both as a carrier and a carrier's carrier over the existing UK communications links. Indeed the whole concept of a single operator with multiple service providers in the Bailiwick relies on this principle.

Such concerns do not appear to be prevalent elsewhere in the telecommunications industry. For example in the UK, British Telecoms acts both as a carrier, and as a carrier's carrier to other licensed operators. Similarly the Advisory and Finance chosen method of connection to the French network involves France Telecom acting as carrier's carrier for the Channel Islands traffic, yet the same organisation is also the dominant French carrier.

The issue of impediment to competition arising from possible abuse of the dual role lies firmly within the jurisdiction of the Regulator. The Regulator will already be required to monitor the successor to the States Telecommunications Board in this respect

The policy letter does not give any detail of how a new States Trading company would function. What is essential is that whatever body and in whatever form it may exist, it must have freedom from political control or indeed political interference and be allowed to develop in a commercial manner. The worldwide revolution in telecommunications has occurred due to the freedom telecommunications companies have been given to operate commercially

The policy letter provides no detail as to the business plan under which a separate trading company would be formed or indeed the financial viability of such a company.

Both KPMG and Mason Communications suggested in their reports that the financial case for a *'carrier 's carrier'* is at best only marginal. The Mason Communications business plan incorporated higher value e-commerce services to produce an acceptable financial return.

Bearing this advice in mind, it is probable therefore that a new States trading company, acting as carrier's carrier, would not be financially viable and would be likely to require ongoing States financial support. Clearly this would be incompatible with the '*level playing field*' approach required by the Board of Industry.

I believe that the States will require considerably more information before being in a position to agree to the formation of a new States trading company. A cohesive business plan, including financial projections will be required

I recommend that the States should require the Advisory and Finance Committee to provide a detailed business plan within three months to support the argument for the formation of a new States Trading Company.

AN ALTERNATIVE OPTION.

The Advisory and Finance Committee policy letter recommends that the States entrusts its interest in the CIEG fibre optics to a new States Trading Company.

A entirely new trading company would require:

- * A company structure, administrative facilities, including offices and staff, as well as an accounting system.
- * Technical expertise in the operation of fibre optics and fibre optic equipment.
- * A relationship with Jersey Electricity, the partner in the creation and ownership of the CIEG cables and owner of the civil structures in Jersey through which the cables pass.
- * Project management experience in carrying out capital intensive and time critical infrastructure projects.
- * An appreciation of submarine cable laying and repair techniques.

Whilst a new States trading company could be formed and could no doubt acquire the necessary structure and expertise, it would take time and cost a considerable sum of money.

That structure and expertise already exist in the shape of States Electricity Board.

I am aware that there exists some concern that the States Electricity Board should not be involved in the provision of telecommunications services The telecommunication world has changed and today joint operations are now the norm across the globe The 1999 Deloitte and Touche report stated:

'The clear demarcation between electricity and telecommunications companies is a thing of the past.'

It is interesting to note that the Advisory and Finance Committee has been using as one of its advisors, the US National Grid Company, which is an electricity grid operator and telecommunications company.

Another concern that has been expressed is that it would be wrong for electricity customers to be required to fund a subsidiary telecommunications company. It is clear from the remit of the Director General of Regulation that cross subsidy would not be allowed to happen in Guernsey.

Therefore an option for the operation and management of the CIEG fibre optic cables would be to vest that responsibility back with the States Electricity Board and its commercial successor. A compelling argument in favour of that approach can be developed.

It is generally recognised that the decision to install fibre optic cables in conjunction with the electricity cable is now capable of delivering considerable benefits to the Island.

Regardless of the commercial potential, the fibre optic cables remain an essential element in the operation of the electricity grid. Therefore it is entirely logical and good commercial sense, for one organisation to have the overall responsibility for the operation of the cables for both electricity and telecommunications purposes.

Through the CIEG, a mechanism already exists to provide the management of the joint responsibilities of Guernsey and Jersey for the fibre optic cables and to secure the future co-operative arrangements for their joint exploitation. The States should bear in mind that a significant proportion of the fibre optic cable route is over land in Jersey.

The States Electricity Board already possesses considerable technical experience and resources to operate fibre optics. It has established corporate status, management structure and financial control systems that will be essential for the commercial operation of the fibre optic cables. From July 2001, or shortly afterwards, it will trade as a fully commercialised organisation, fully owned by the States.

I understand that there is no reason why Guernsey Electricity cannot operate and manage the CIEG fibre optic cable under the new regulatory framework, provided that segregation and transparency of accounting between business functions could be demonstrated. Those accounting requirements will be necessary for the various business activities already being undertaken by the new commercialised electricity undertaking.

A detailed business plan was commissioned by the States Electricity Board, at the request of the Advisory and Finance Committee, from Mason Communications Ltd., a reputable specialist telecommunications consultancy.

That business plan shows that the fibre optic cables can be used for commercial benefit, when operated in conjunction with a data centre. The States Electricity Board had previously reached the stage of signing Heads of Agreement with ITEX. That development could have significantly advanced the Island's e-commerce aspirations. Regrettably the Advisory and Finance Committee were not prepared to authorise the signing of that agreement.

I recommend that the States request the Advisory and Finance Committee to carefully consider the desirability of vesting the responsibility of managing and operating the fibre optic cables with the States Electricity Board and its commercial successor before returning to the House with its further proposals for setting up Guernsey Electricity Limited.

I will submit four separate amendments to implement the recommendations of this minority report.

I am, Sir,

Your obedient Servant,



WILLIAM M. BELL,
Member,

States Advisory and Finance Committee.

APPENDIX.

CHRONICLE OF EVENTS RESTING TO THE COMMERCIAL DEVELOPMENT OF THE FIBRE OPTIC CAPACITY.

During the autumn of 1999 the States Electricity Board were negotiating with Jersey Electricity Company, their partners in CIEG, to reach agreement on the commercial development of the fibre optic capacity being laid in conjunction with the electricity cable to mainland Europe.

The two undertakings jointly commissioned a study by Deloitte and Touche to assess the value of the jointly owned fibre optic capacity and identify ways the asset could be utilised to the benefit of Guernsey and Jersey, telecommunications customers and the electricity companies.

The Deloitte and Touche report, received in November 1999, identified the main benefit to be the introduction of competition in carrying 'traffic' to and from the Island and the prospect of price reductions.

The report stated: *'Our studies have shown that there is a clear demand from the business community for greater competition in telecommunications. Throughout the world, the benefits of competition are being enjoyed and the Channel Islands are in danger of losing out if they do not move expeditiously with the times.'*

'It is clear from our study that the costs of routing all calls and data through the UK is resulting in higher costs being incurred by both businesses and customers in the Channel Islands. As the new fibre optic goes to France, the opportunities for 'least cost routing' other than to the UK would bring the possibility of reducing the costs of doing business in and with the Channel Islands. The threat of competition is likely to result in the UK operators reducing their charges to the Channel Islands to ensure the cost of doing business in the Channel Islands is more in line with global standards.'

The report also recommended that:

'... liberalisation of the telecommunications markets ... should be a high priority for the States ...'

'... the CIEG, in partnership with a major telecommunications operator, should be allowed to compete in the telecommunications market ...'

'... a restricted (telecommunications, licence should be considered as an interim arrangement if wider liberation is unlikely to be achieved quickly ...'

A report commissioned, at approximately the same time, by Guernsey Telecoms and undertaken by Analysys, dovetailed into the Deloitte and Touche report. Both reports acknowledged that time was of the essence if Guernsey was to grasp the opportunities offered by the telecommunications revolution.

States Electricity Board reached broad agreement with JEC to jointly share the fibre optic capacity, jointly develop it for the benefit of the two Islands. This was an excellent-agreement from Guernsey's point of view and a letter of Intent, which the States Electricity Board wished to sign, was submitted to the Advisory and Finance Committee for their agreement.

Regrettably that agreement was not forthcoming.

Changes were required - they were made and it was again rejected. This was repeated a number of times. A Letter of Intent was never signed.

A draft agreement was reached with ITEX, a local IT company, for the development of a Data centre at the Electricity Board premises on North side. This agreement was submitted to the Advisory and Finance Committee for their approval, such approval was not forthcoming.

In March 2000 the Advisory and Finance Committee received three further reports concerning the CIEG fibre optic cables.

Deloitte and Touche were commissioned to review the contractual agreements entered into by the States Electricity Board and concluded that there were no irregularities whatsoever.

Analysys and KPMG were both asked for recommendations as to how the CIEG fibre optic cables could be used to the benefit of the Bailiwick.

Analysys recommended:

'... completion of the CIEG link to France ...'

'... linking Guernsey Telecoms network to the CIEG link so that Guernsey Telecoms can purchase capacity on the link ...'

'... enabling the owners of the CIEG cable, once market liberation is underway, to apply to the regulator for a telecoms service provider licence ... the appropriate time to introduce competition to the off-island communications would be at the discretion of the regulator ...'

'... allow the CIEG cable owners, in the longer term, to apply to the regulator for a licence to operate on-island infrastructure ...'

KPMG recommended that it would be appropriate for Guernsey Electricity to be authorised to:

'... build a Guernsey point of interconnection for Guernsey fibre optic IRUs ... (Indefeasible Right of Use)'

'... enter into negotiations to connect the Guernsey IRUs and an international telecommunications network ...'

'... sell for a period of two years ... capacity on that link to Guernsey Telecoms ...'

'... operate the infrastructure ...'

The Advisory and Finance Committee expressed concern that the States Electricity Board lacked a suitable business plan for its desire to operate in the field of commercial telecommunications. As a result Mason Communications were commissioned to prepare such a plan.

That Business plan was received in July 2000. The study revealed that there was indeed a valid business case. It recommended that a dark fibre connection to Paris was established and concluded:

'If Guernsey Electricity is granted approval by the authorities to proceed with this project, it is recommended that the option to create a telecom business focused on the provision of a data centre and high bandwidth Internet connectivity, is chosen.'

'This will provide an additional revenue stream for Guernsey Electricity and achieves the objective of providing an attractive environment for encouraging e-commerce activity that benefits the Island of Guernsey as a whole.'

Despite the recommendations of Analysys, KPMG, Deloitte and Touche and Mason Communications, the Advisory and Finance Committee advised the States to pass the future responsibility for the fibre optic asset over to them, This the States agreed in July 2000.

The States are asked to decide:—

XI.— Whether, after consideration of the Report dated the 23rd February, 2001, of the States Advisory and Finance Committee, they are of opinion:

1. To agree the implementation of the controlled licensing of telecoms services by way of seeking an equity partner for Guernsey Telecoms along the lines described in that Report.
2. (1) That the States Advisory and Finance Committee shall commission specialist advice including corporate finance and related services.

(2) That the Strategic and Corporate Measures budget of the States Advisory and Finance Committee for 2001 shall be increased by £200,000, such sum to be taken from the General Revenue account.
3. That the States Advisory and Finance Committee shall be delegated to choose the equity partner and the terms for the partnership under the process described in that Report.
4. To endorse the approach set out in that Report for the future operation and management of States interests in the fibre optic capacity in the CIEG cable link to France and to the future involvement of the Electricity undertaking in the provision of telecoms services.

GUERNSEY SOCIAL SECURITY AUTHORITY

FOSTERING ALLOWANCES AND SUPPLEMENTARY BENEFIT

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

21st February, 2001.

Sir,

Fostering allowances and supplementary benefit

Introduction

1. The Authority has been informed, by the Children Board, of a problem concerning the position of supplementary beneficiaries when considering fostering.
2. People receiving supplementary benefit generally belong to one of three main groups, being persons over 60 years of age, persons incapable of work through illness and single parents. In the main the Children Board is referring to fostering by single parents.
3. The Children Board is continually striving to recruit enough foster carers to meet the needs of Guernsey children. This is proving increasingly difficult in an Island where there is full employment and fewer people are available to foster. It is also important for the Children Board to recruit carers from all walks of life and people in receipt of benefit could be a valuable source of future foster carers.
4. The Children Board has advised that the needs of the child or young person are paramount when finding a placement for them. An in-depth home study is always undertaken to assess an individual's suitability to foster and the quality of care they can provide. Single carers, on occasion, have the qualities necessary to meet the needs of a particular child or young person. Family members or close friends are often approached as potential carers in the first instance, as this causes the least disruption for the child or young person.
5. Currently, single carers in receipt of supplementary benefit, who may offer the best option in terms of a placement, are effectively precluded from being able to offer to care for a particular child or young person because of the way the fostering allowance impacts on their benefit entitlement. If this prevents them from fostering, it can cause additional trauma for a child or young person who is unable to live with someone familiar to them. The same can be true if grandparents in receipt of supplementary benefit are potential foster parents.
6. The Children Board is of the view that financial considerations alone should not preclude anyone from applying to foster. The Children Board, therefore, asked the Guernsey Social Security Authority to consider a review of the legislation concerning supplementary benefit so that Fostering Allowances are not taken into account, when deciding on a person's benefit entitlement.

The current situation

7. Fostering Allowances paid by the Children Board currently fit within six age bands. At year 2000 rates, the minimum Fostering Allowance is £56.21 per week, for a child under five and the maximum is £112.00 per week for a child between sixteen and seventeen years of age. In addition, the Children Board pays a contractual element of £56.84 per week. The contractual element increases if more than one child at a time is fostered. The Fostering Allowance is intended to reimburse the expenses of providing for the child, while the contractual element is intended as a financial reward for the foster parent providing the care.
8. Both the Fostering Allowance and the contractual element paid by the Children Board have to be regarded as income when considering a person's eligibility to receive supplementary benefit. These payments from the Children Board, therefore, result in a compensatory reduction or complete cessation of supplementary benefit to the claimant. It could also result in the loss of other fringe benefits such as payment of medical expenses.
9. This effectively means that people in receipt of supplementary benefit cannot afford to foster for the Children Board and are at a disadvantage compared with other foster carers not on benefit, whose fostering allowances do not result in an accompanying reduction in their income. As the Children Board is continually striving to recruit more foster carers to meet the needs of Guernsey children, not to be able to recruit people in receipt of benefit is not helpful to this aim.

Proposed amendment to legislation

10. The Authority has considered the request from the Children Board with a view to assisting as far as possible with the Board's drive to recruit additional foster parents.
11. The Authority's proposal is that the Supplementary Benefit (Implementation) Ordinance, 1971, as amended, should be further amended to disregard, wholly, any fostering allowances from the calculation of a claimant's resources. The contractual element would not be ignored. It would be treated as earnings and would therefore be subject, together with any other earnings, to the level of earnings disregard for the time being in force. The 2001 earnings disregard figure is £20 per week.
12. A foster child would continue to be treated as a non-dependant child of the foster parent, with the effect that there would be no increase of supplementary benefit in respect of a child dependant. This is because the foster child is not being maintained by the person on benefit. The child is being maintained by the States through the Fostering Allowance paid by the Children Board. Furthermore, doctors' fees for the child would be paid by the Children Board, as applies to foster children in families not receiving supplementary benefit. A supplementary beneficiary could not classify solely by virtue of caring for a foster child if there were no other dependant children in the household.
13. The Authority notes the opinion of the Children Board that, currently, would-be foster parents in receipt of supplementary benefit are disadvantaged compared with families not on benefit. The Authority is mindful, however, that in making the proposed amendment to legislation, a single parent supplementary beneficiary looking after a foster child in addition to his or her own child or children will be financially advantaged over a supplementary beneficiary looking after only his or her own children. The Authority acknowledges this new discrepancy but is content to make this recommendation to the States in order to assist with the recruitment of foster parents.

14. The Authority notes that the Income Tax Authority does not treat fostering allowances as taxable income.
15. The Authority considers that there are no cost implications attached to this proposal. In theory, the potential for a small saving to general revenue, through cancellation of a supplementary benefit claim could be foregone. The more likely scenario is that, without the recommended change, foster children would not be placed in families supported by supplementary benefit, so no claims would be cancelled on grounds of increased financial resources.

Recommendation

13. The Authority recommends:

that the Supplementary Benefit (Implementation) Ordinance, 1971, as amended, be further amended so as to provide that fostering allowances should be disregarded when calculating a claimant's resources.

14. I have the honour to request that you will be good enough to lay this matter before the States with appropriate propositions.

I am, Sir,
Your obedient Servant,
O. D. LE TISSIER,
President,
Guernsey Social Security Authority.

[N.B. The States Advisory and Finance Committee supports the proposals.]

The States are asked to decide:—

XII.— Whether, after consideration of the Report dated the 21st February, 2001, of the Guernsey Social Security Authority, they are of opinion:—

1. That the Supplementary Benefit (Implementation) Ordinance, 1971, as amended, shall be further amended so as to provide that fostering allowances shall be disregarded when calculating a claimant's resources.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

STATES BOARD OF INDUSTRY

STATES DIRECTIONS ON THE REGULATION OF THE TELECOMMUNICATIONS SECTOR

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

21st February, 2001.

Sir,

STATES DIRECTIONS ON THE REGULATION OF THE TELECOMMUNICATIONS SECTOR

1. Background

On the 26th January 2000 (Billet d'État no. II), the States resolved to direct the Board of Industry to prepare a new regulatory framework for the utilities sectors in Guernsey. Significant progress has been made in fulfilling the States Resolution i.e.

- The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 was approved by the States at its meeting in January 2001.
- The following sector laws have been drafted and presented to the States at the March 2001 meeting:
 - The Telecommunications (Bailiwick of Guernsey) Law, 2001.
 - The Postal (Bailiwick of Guernsey) Law, 2001.
- The final sector law is nearing completion and will be presented to the next States meeting, i.e.:
 - The Electricity (Guernsey) Law, 2001.
- Ms R Finn, an experienced Telecommunications Regulator from Ireland, has been appointed as the Director General of Regulation ("the Regulator"), initially on a shadow basis, prior to the implementation of the Regulatory Law.

A further step needs to be taken to conclude the regulatory arrangements for the utilities sector in the Bailiwick and that is inviting the States to debate and approve States directions to the Regulator on the scope of universal service in the three sectors and on the extent of competition in the sectors.

The purpose of this letter is to concentrate on direction within the telecommunications sector, as such direction is an essential prerequisite for the process of securing future telecommunications within the Bailiwick.

The States is asked to note that further policy letters will be brought to the States dealing with:

- The identity of the first licensee to be given a universal service obligation in telecommunications.
- Directions in relation to the postal sector.
- The sector law on Electricity and directions in relation to the electricity sector.

2. Sector Laws

The two laws presented to the States in the March Billet D'État set out the operational and technical framework for regulation of telecommunications and postal services in the Bailiwick of Guernsey. The Board believes a summary of the provisions of each of these laws might be helpful:

2.1. Telecommunications Law

The Telecommunications Law empowers the Regulator to issue licences for telecommunications networks and services in the Bailiwick and also to exempt certain activities from licensing. Provision is made for:

- setting out an application process,
- receiving applications,
- granting or refusing licences,
- creating or modifying licence conditions;
- revoking or suspending a licence in particular for non-compliance; and
- imposing fines for breach of licence conditions.

An important feature of the process will be a requirement for the Regulator to publish proposed decisions on fundamental issues **before** they are implemented. In this way all interested parties will have an opportunity to comment or make representations, including the authorities on Alderney and Sark.

The licensing scheme will address such issues as

- the provision of a universal service in telecommunications (the provision of a minimum standard of services to all inhabitants of the Bailiwick at affordable prices);
- the prevention and control of any anti-competitive behaviour by any licensee;
- control of the quality of service of licensees;
- control of the prices charged by a licensee with a dominant position; and
- interconnection between the networks of different operators including prices and terms and conditions for interconnection.

Other provisions of the telecommunications law address access by licensees to land in the Bailiwick and use of that land for the purposes of providing telecommunications networks and services, the use of telephone numbers and the setting of technical standards for equipment.

In order to ensure compliance with the regulatory and licensing regime, the law contains a range of enforcement powers including requiring the provision of information, obtaining search warrants

and the power to impose fines and prosecute non-compliant licensees. Finally the law contains a number of transition provisions to allow for the continued operation of existing licensed operators and service providers in the Bailiwick.

2.2. The Postal Law

The Postal Law, like the Telecommunications Law, provides the Regulator with specific powers to licence postal operators and to monitor and enforce those licences as well as the power to modify, suspend or revoke such licences. In the postal sector the licensing regime will address such issues as:

- the provision of the universal postal service;
- the prevention and control of any anti-competitive behaviour by any licensee;
- control of the quality of service of licensees; and
- control of the prices charged by a licensee with a dominant position.

Similarly, in order to ensure compliance with the licences and the regulatory regime, there are a range of enforcement powers including requiring the provision of information, obtaining search warrants and the power to impose fines and prosecute non-compliant licensees.

3. States Directions

The Regulator while acting as an independent statutory official does not exist in a vacuum. In order to complete the regulatory framework, the States must set out the environment in which the Regulator operates by taking certain key decisions on policy issues and set those decisions out in the form of States Directions to the Regulator. This mechanism is designed to ensure that the States decides on certain major decisions, which have implications for the wider economic and social environment of the islands.

3.1. Scope and Nature of States Directions

The matters on which the States may make Directions are set out in the draft Regulatory Law approved in January 2001 and apply equally to each of the three sectors. The four key areas for States Directions are:

- i) The scope of the universal service obligation;
- ii) The extent and duration of any exclusive privilege that might be granted to any one operator;
- iii) The identity of the first licensee who will be obliged to meet the universal service obligation; and
- iv) Any matters that arise due to international obligations.

In making such Directions the States will need to have regard to the overarching duties and obligations set out in the draft Regulatory law, which include the following (a full extract from the draft Regulatory law appears at appendix 1):

- protecting the interests of users in terms of price, choice, quality and availability of services;

- ensuring that services are provided to meet the reasonable demands of the islands;
- ensuring that the utility sectors underpin the general economic and social prosperity of the islands;
- facilitating the introduction of effective and sustainable competition into the utility sectors;
- ensuring that services improve on an ongoing basis and that new and innovative services can be introduced; and
- taking account of environmental impact issues.

4. States Directions for the Telecommunications Sector

This policy letter considers States Directions in the telecommunications sector only. States Directions in other sectors will be the subject of separate policy letters. It is essential to make these key decisions in the telecommunications sector at this stage so as to provide certainty and clarity on the operating environment. This has been identified as a critical success factor in attracting the interest of telecommunications players who may wish to operate in Guernsey. Such interest from outside players has in turn been identified by the States as a critical success factor for the development of world-class telecommunications, which will underpin the Bailiwick's e-commerce objectives.

Those objectives, and the crucial importance of e-commerce to Guernsey have been a consideration of the Board in developing draft States Directions. The Board notes in particular that, under the Regulatory Law, the Regulator is obliged to promote the objective of ensuring "that utility activities are carried out in such a way as best to serve and contribute to the economic and social development and well-being of the Bailiwick" and the objective of improving "the quality and coverage of utility services and to facilitate the availability of new utility services within the Bailiwick". These provisions ensure that the contribution of the telecommunications sector to the e-commerce objectives of Guernsey will be an important factor in the Regulatory regime and in the Regulator's decisions and actions.

4.1. The Scope of the Universal Service Obligation

4.1.1. Objective

One central objective in the new regime in telecommunications is the desire to ensure that all consumers in the Bailiwick continue to receive a minimum level of services of a defined quality, independent of geographical location, at an affordable price. This level of service is known as a "universal service" (and the regulatory requirement to provide it is a "universal service obligation" (USO)). A means of ensuring that it will be delivered is to require at least one licensee to deliver it throughout the Bailiwick.

In developing proposals for a States Direction on the scope of the universal service the Board of Industry sought to balance the needs of the residents and business users of the Bailiwick with the need to ensure that a strong and sustainable telecommunications sector exists in the Bailiwick and contributes to its e-commerce objectives. The Board also took careful note of the advice of the Shadow Regulator, international practice, particularly in Europe, and the factors set out in the Regulatory *Projet de Loi* (see sections 2.1 and 3.1 above).

4.1.2. Universal Service Funding

In imposing a USO on an operator, the Regulator will have the power to ensure that the cost of providing that universal service is met. First, the Regulator will measure the overall cost of the service to the licensee, and this will then be balanced against the benefits to the provider of the universal service.

For example, as well as receiving payment from customers, the universal service provider will benefit from a considerable amount of goodwill. It also has an advantage in selling more lucrative services to those customers because it already has a relationship with them and a network connected to their premises.

In European member states when the costs and benefits of providing the universal service have been balanced out the financial cost has not been considered an unfair burden on any of the operators. The exception is France where the Regulator did not count the intangible benefits to France Telecom and as a result concluded that there was a net cost to the company of providing the universal service. However, the most recent EU report on this issue described those costs as “rather negligible in comparison with the total turnover in the telecommunications market”¹.

The Board notes that Guernsey Telecoms considers that in the absence of rebalanced tariffs, the USO “will be a significant cost to GT”.

If it were decided that the cost to the universal service provider was an unfair burden then there are various means of sharing out that cost among all of the operators in the market. Two examples are set out below, although there are other mechanisms that could be used;

Universal Service Fund

One option is for the Regulator to set up a fund into which will be paid an amount that equals the measured “net cost” or “unfair burden” of providing the universal service. All relevant licensees operating in the Guernsey market, including the universal service provider, would then be required to pay into the fund, usually according to their turnover. The total amount collected is then paid to the universal service provider to finance the cost of providing the service.

Surcharge on Interconnection

Another way of ensuring that all parties competing in the market contribute to the cost of providing the universal service is to allow the universal service provider to include an amount in its interconnection charge to other operators to cover this cost. Interconnection charges are what new competitors will have to pay Guernsey Telecoms or its successor (referred to throughout this policy letter as “GT”) for the use of its network. The Regulator could allow GT to charge a premium for the use of its network on the basis that the premium would cover the allowed identified cost of the universal service.

A decision on whether there is a need for any sort of funding mechanism to cover the cost of the universal service, and if so, what mechanism should be used, are regulatory matters that will be decided by the Regulator under the new legislation.

¹ COM (2000) 814 - Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions; Sixth Report on the Implementation of the Telecommunications Regulatory Package, Brussels, 7 December 2000.

4.1.3. Tariff Rebalancing

In considering the scope of the USO, the matter of charges for those services that will make up the universal service has been raised. This includes connection fees, line rentals and call charges. Of particular concern is the suggestion that some or all of these charges may be below cost and should be increased to cover the true cost of providing them. Prior to the establishment of the new Office of Utility Regulation, the States is free to permit such tariff changes. Following the establishment of the Office, this matter will be considered along with the examination of the costs of the universal service provider. Any decision as to tariff changes, whether they are needed or not, the nature and timing of any changes, etc., will be made in the context of the total cost of the service and the funding mechanisms for the universal service as set out above.

4.1.4. Recommendation

Having considered all of the available information, the Board agrees with the view of the Shadow Regulator that the universal service in the Bailiwick should be set at a level similar to that which has been set throughout Europe (see Appendix 2 for an extract from the relevant EU Directive). This has the following benefits:

- It ensures that the residents of the Bailiwick are assured of a level of service that is at least comparable to that provided to residents in the nearby European markets.
- Experience in Europe has shown that this level of universal service has not in general proven to be an undue burden², financially or otherwise, on any incumbent telecommunications operator. Therefore it should not act as a deterrent to any party interested in operating in Guernsey.
- As the standard is well-established and readily understood, it will contribute to clarity and certainty for any outside players considering entering the Guernsey telecommunications sector, thus contributing to the States wider policy underpinning its e-commerce objectives.
- It will ensure that the Guernsey telecommunications sector does not bear a disproportionately large cost of universal service compared to jurisdictions in Europe. (In making the decision **not** to amend the definition of universal service in Europe to include universal broadband access, the European Commission recognised that such a service may be “prohibitively expensive”³).

The Board also believes that the States should ask the Regulator to keep international practice in this area under review and if there is a significant development or amendment of the definition of universal service in Europe, to advise the States, which can then reconsider its direction and if appropriate, issue a new direction. This will not prejudice the States right to consider further directions from time to time.

² The European Commission’s Sixth Implementation Report published in December 2000 notes that “designated operators have few difficulties in fulfilling their universal service obligation”.

³ European Policy Centre Breakfast Meeting with Robert Verrue, Director General of the European Commission Competition Directorate; 10/1/2001.

4.1.5. States Direction

The States is asked to approve the definition of the scope of the USO in the telecommunications sector in the Bailiwick of Guernsey set out below and to issue this as a States Direction to the Regulator. This is based on the comparable definition of universal service in draft European Commission legislation (see Appendix 2). This has been adjusted to apply to the circumstances of Guernsey (as is done by member states of the European Union when they are transposing legislation).

In particular, the States Direction provides high level policy direction to the Regulator – the detailed implementation of the universal service is a matter for the Regulator and will be addressed in licence conditions.

“Universal Service in the Bailiwick of Guernsey

All users in the Bailiwick shall have available to them the services set out below at the quality specified, independently of geographical location and, in the light of local and national conditions, at an affordable price:

Access at Fixed Locations:

- *all reasonable requests for connection to the public telephone network at a fixed location and for access to publicly available telephone services at a fixed location shall be met by at least one operator;*
- *the connection provided shall be capable of allowing users to make and receive local, national and international telephone calls, facsimile communications and data communications, at data rates that are sufficient to permit Internet access;*

Directory enquiry services and directories:

- *at least one subscriber directory covering all subscribers of direct public telephone service providers shall be made available to users and shall be updated regularly and at least once a year;*
- *at least one telephone directory enquiry service covering all listed subscribers’ numbers shall be made available to all users, including users of public pay telephones;*

Public Pay telephones:

- *public pay telephones shall be provided to meet the reasonable needs of users in terms of the geographical coverage, the number of telephones and the quality of services.*

Special measures for disabled users and users with special needs:

- *These provisions shall also apply to disabled users and users with special social needs, and specific measures may be taken by the Regulator to ensure this.”*

4.1.6. Comments received

The Sark General Purposes and Advisory Committee and GT have both raised the issue of whether free access to emergency calls should be included as part of the USO. The Board considers that free access to emergency services should be a licence obligation on ***all*** operators and providers of

telecommunications services to the public in Guernsey, not just the universal service licensee. Thus, in return for the right to operate any telecommunications services, *all* licensees will be required to provide this service to the community of free calls to the emergency services. The inclusion of this in the USO could obscure the point of imposing the condition on all licensees rather than just one licensee.

4.2. The Extent and duration of any exclusive privilege that might be granted to a telecommunications operator

4.2.1. Objective

In considering an appropriate States Direction on the introduction of competition in the telecommunications sector, the Board has had regard to the overarching objectives of;

- ensuring that Guernsey consumers receive the best in terms of price, choice and quality telecommunications services, and
- ensuring that the Bailiwick has a vibrant, innovative and sustainable telecommunications sector, underpinning its e-commerce objectives and economic prosperity generally.

The States has already noted advice that the introduction of competition in other territories has contributed positively to the two objectives outlined above in those territories. This is supported by international evidence and expert opinion, including a report by Analysys for GT⁴ in which it was stated:

“Increased competition results in declining prices paid by the customer. The most substantial reductions have occurred in areas where profits margins were traditionally high, such as international call tariffs; in the majority of cases, the average price of international calls across Western Europe for businesses with a single line has fallen by more than half: “

and

“The price decline in mobile telephony has been equally dramatic, with the average medium business user’s bill being approximately half that of eight years ago “.

Furthermore, a recent OECD report examined detailed statistical evidence from countries in the OECD area and concluded⁵:

“The prospect of competition generally has a strong positive effect on the productivity and the quality of services and a strong negative effect on prices.”

and

“the economic benefits of liberalisation and regulatory reform in the telecommunications industry are large and relatively quick to come about.”, and “...their depth and scope depend on the establishment of effective competition in telecommunications markets.”

⁴ REPORT FOR GUERNSEY TELECOMS; “The Bailiwick of Guernsey and the Global Telecoms Revolution” Analysys Report Number 98328, 14 December 1999

⁵ “Regulation, Market Structures and Performance in Telecommunications; OECD, 20 Apr 2000”

Added to this empirical evidence, is the view of the Board's e-commerce adviser that the lack of a world class, competitive telecommunications sector would seriously impair the Bailiwick's ability to attract inward investment in e-business.

Furthermore GT has expressed its support for competition in the telecommunications market as a matter of principle.

The Board takes note of the particular view of GT that tariffs in Guernsey are already competitive as shown against international benchmarks and understands that this is a consideration in relation to the levels of tariffs in Guernsey. GT also believes that this will make it more difficult for new entrants to compete against GT. The Board considers that this supports the view that GT will be in a strong position to withstand competition and retain customers.

4.2.2. Analysis of the benefits of Competition

Against this backdrop of general endorsement for the introduction of competition, the Board of Industry examined again the arguments for and against competition in the telecommunications sector in Guernsey.

This examination has been carried out from three view points:

- the consumers of services (business and residential);
- the wider Guernsey economy; and
- an incumbent telecommunications operator.

4.2.3. Competition - the Consumer Perspective

Price, Choice and Quality

The key argument in support of competition in the Guernsey telecommunications market is that competition is proven to deliver the best in terms of price, choice and quality services to consumers. International research shows that reductions in price are directly related to the introduction of competition. When prices are forced down by competition, operators compete on quality of service and customers benefit further.

As for choice - the pace of development of new products and innovation in the telecommunications sector increases with competition because in this sector companies who do not innovate will simply lose out to the more advanced competitors. Once again the customer benefits.

The benefits to consumers arise mainly because they have a choice of service provider. The ability to "walk away" from a company that is providing overpriced or bad quality services is the most powerful tool that any consumer has.

This applies to existing consumers, but also to new consumers. Existing consumers are paying a range of prices for a range of existing services. Price competition on new services, particularly innovative services related to e-commerce has the potential to attract new consumers who might not otherwise locate in Guernsey.

Vulnerable Users

One argument against competition that has been put forward is the concern that vulnerable users could suffer because prices would increase for them, particularly those in more remote areas or low users.

To adopt this view is to miss the point of regulation. The regulatory regime is built around the need to explicitly protect vulnerable users through the imposition of a USO (see section 4.1 for more detail). Therefore the Board does not consider this to be a reason for preventing or delaying the introduction of competition. Indeed the general experience in territories where competition has been introduced is that vulnerable users do not suffer and their interests are secured.

4.2.4. Competition - the “Guernsey economy” perspective

Guernsey in a global environment

Taking the wider perspective of the overall Guernsey economy, it is important to note that the international business community expects to see not only a world-class telecommunications sector, but also a competitive telecommunications sector in the place they intend to do business. This is a basic requirement of businesses considering locating or staying in Guernsey - if the services in Guernsey are not at least as good as anywhere else, business will simply locate elsewhere.

But as well as good service, business expects to see **competitive** services. Such business users, just like domestic consumers, are empowered by a choice of service provider. They know the value of walking away from one supplier to another, and they know that this is the best guarantee they can have that levels of service will be maintained and prices will be competitive. Without that safety net of choice, they may consider taking their business elsewhere.

Off Island Telecommunications Links

Given the nature of most of the Island’s key businesses, e.g. financial services, non-financial operators such as Specsavers, etc., there is a strong interest in competition in bandwidth off the island of Guernsey. In other words, these companies must, as part of their day-to-day operations, send large amounts of information off the island and receive large amounts back, e.g. daily financial reports, order information, etc. To do this they need telecommunications links that they know can handle this amount of information (“bandwidth”) at the best possible prices. So the arguments in favour of competition in Guernsey are particularly relevant to links off Guernsey, or “international bandwidth”, including the new fibre optic cable to France.

In theory, irrespective of who owns the link, the regulatory regime could require open access to it at cost-oriented rates, thus ensuring that there is competition over the link. That access could be at all technical levels.

However, if one operator were to have sole ownership and control of the link along with all other off-island links, then this would dilute the perceived value of any competition that might be mandated over the link by the regulatory regime. It would also require much more stringent and intrusive regulation requiring greater resources and expertise in the Regulator’s office, which in turn would increase the cost of Regulation on the firm involved.

Therefore diversity of ownership of off-island links would be of benefit.

E-business in Guernsey

If the positive effects of choice and competition applies to business in general, it applies to an even greater degree to e- business. Anyone thinking of relying on communications for their fundamental business model will be even more sensitive to the need for a competitive telecommunications market, which gives them a choice of telecommunications supplier. Once again the concern is most acute in relation to off island links.

A strong telecommunications operator in Guernsey

An argument that has been advanced against a competitive market is the fear that somehow competition will result in a fragmentation of the market and the reduction of size and power of the incumbent operator (GT) leaving Guernsey with a weak telecommunications sector at some stage in the future. The Board is convinced that a combination of measures - both regulatory and commercial - can be used to ensure that the incumbent operator maintains a modern, sustainable network on the Island.

From a regulatory point of view, licence conditions will be designed to ensure that the licensee that owns the existing telecommunications network in Guernsey will be required to maintain and run that network to a minimum standard. Any failure to meet those licence conditions will be subject to the range of remedies that the Regulator will have available to her, from imposing fines to revoking the licence.

However, it is far more likely that the owner will want to invest in and maintain the network in order to ensure a commercial return from it.

The second means of ensuring that a strong operator remains in Guernsey is the use of the shareholders/owners agreement that will arise as part of an equity partnership process as described elsewhere in this Billet. The States, when entering into an agreement with an equity partnership will be able to ensure that the shareholders/owners agreement includes requirements for investment in, and continual improvement of, the network.

The Board believes that from the perspective of the Guernsey economy, the benefits of introducing competition as quickly as possible are overwhelming.

4.2.5. Competition - an Incumbent's Perspective

Note this section is putting forward a set of views from the hypothetical viewpoint of an incumbent operator. None of these views are attributed to GT.

Freedom to Compete

The introduction of competition into the telecommunications sector brings considerable **benefit** to incumbent operators. First, with the introduction of competition comes the freedom for an incumbent to pursue a commercial mandate. Competition provides customers with protection from the dangers of a monopoly firm with a commercial mandate. Where such a firm does not have to compete, it can pass on high costs to consumers, thus maximising its profits. If there were to be no competition, customers would have to be protected by a heavy and intrusive regulatory regime. The sort of detailed regulation that would be needed carries a high cost, both financially and in terms of manpower and would hamper the incumbent operator's operational freedom. In summary, competition is an efficient way of protecting the interests of customers.

Second, competition provides incumbent operators with the stimulus to improve performance, leading to a more efficient and dynamic firm. This not only leads to lower costs to be passed on to customers, but also provides a more exciting dynamic workplace for the incumbent operator's staff.

It also opens up the possibility that the local incumbent can compete in the wider global market. For example, GT already faces competition in the global market - in that an e-commerce company will choose its location and its service provider from a number of jurisdictions. If GT cannot face competition in the domestic market, it will find competing on the bigger global stage an even greater challenge.

Increasing size of the market

In a wider sense, competition stimulates innovation, which has been proven to stimulate growth in telecommunications markets, contributing to and underpinning general economic growth. So as more operators enter the market, they do not simply take market share from those already there, but they actually increase the size of the market - a “win-win” situation for everyone. This applies to the wider telecommunications market, including potential future products, services and customers. There is also evidence internationally to suggest that the market in second telephone lines to homes, particularly for internet access, has the potential to increase fixed line density.

So, with the introduction of competition, incumbent operators should expect to lose some market share to competitors, but should maintain, and even grow, their business base in a market that is itself growing rapidly. For example, in Guernsey where mobile penetration rates are currently at 25% there is considerable scope to increase this market to the European norm of 60-70%. There is also significant opportunity in attracting an entire new tranche of e-commerce businesses to Guernsey - as these would be new customers they would increase the size of the market. Finally there is the possibility for the incumbent to grow its market share outside Guernsey.

“Cherry picking”

A number of arguments have been put forward against the nature and extent of competition from the perspective of incumbent operators.

The first such argument is that newcomers will cherry pick the best customers. Clearly competitors will seek out the most lucrative customers first and there is evidence to show that incumbent telecommunications operators do lose market share with the introduction of competition.

But just as clear is the fact that incumbents are in a perfect position to retain those customers - they already have a relationship with the customers, a service record, a network and equipment installed and a billing arrangement established. If incumbents compete and provide a good, competitively priced service, then it will be difficult for newcomers to cherry pick those customers. *In fact, the situation strongly favours incumbents retaining their customers and new operators have to battle hard to win them.* In addition, the pattern in other markets has been that incumbent operators do win back customers from their competitors if they improve performance.

The Board notes that GT considers this a very significant issue in Guernsey, along with the next point (potential loss of revenue). The Board believes that an examination of these issues by the Regulator, with the assistance of GT in identifying revenues and costs, will ensure that the detailed timetable for the introduction of competition will be set appropriately. However, given the clear advantages of an incumbent operator, the Board does not consider there is currently evidence that this is a good reason for preventing or delaying the introduction of competition beyond the recommendation in this letter.

Loss of Revenue - inability to provide basic services

A second argument is linked to this first argument of cherry picking - the prospect that an incumbent would not be able to provide affordable basic services to all parts of the Bailiwick because it would lose its most lucrative customers.

The Board has set out its view that incumbent operators are in a very strong position to retain their lucrative customers, but notes that even where some market share is lost, there continue to be benefits in being the provider of the universal service and of the network. As described in section

4.1.2 above, even if there is a cost involved in providing the universal service, the regulatory regime provides a mechanism for addressing this matter and therefore this is not a sustainable argument against competition. The Board again notes that GT considers that the USO burden on GT is a problem that would constitute a “heavy burden” if competition were introduced immediately. The Board considers that the window of time being suggested in this policy letter, along with the Regulator’s more detailed examination of this matter, will provide an adequate mechanism to address this issue.

Complexity of the Process

A third argument is the alleged difficulty in particular for Guernsey in dealing with “commercialisation”, “liberalisation” and “regulation” all at the same time, and the fact that this has never been done elsewhere. In response to this argument, the Board considers that, in the light of its e-commerce aspirations and the desire to secure the prosperity of the Bailiwick generally, it is not appropriate for Guernsey to fail to move ahead simply on the basis that the precise model being adopted here has never been adopted elsewhere. In fact if this attitude had been adopted by those countries that were first to liberalise their markets, it is likely that the current revolution in telecommunications might never have happened.

Someone had to be the first to liberalise their telecommunications market in tandem with commercialisation and regulation and Guernsey is capable of doing it and is already making good progress.

In fact, a review of other jurisdictions shows that there is no “best way” of ordering these various processes. In some cases, full privatisation took place before liberalisation, in some cases liberalisation took place without regulation and in others the two went hand in hand; in many places privatisation took place at the same time as liberalisation. What is clear is that the timescales for completing this type of market transformation are becoming shorter and Guernsey can capitalise on the learning experience of these and other jurisdictions, thus shortening its own process.

Guernsey is an island economy with the advantage of being able to move even more quickly. It is also coming from behind with a strong and urgent need to catch up on its key competitors. All of these factors lead the Board to believe that it is essential to move ahead quickly with the entire process.

Impact on the value of the incumbent

Another argument put forward against the introduction of competition is the impact that this has on the overall value of incumbents, and in this case on GT as a company. It has been suggested that protection against competition in some or all segments of the market, for a specified period of time would increase the value of the company both to the States and to any potential equity partner.

The Board of Industry is strongly of the view that the value of the incumbent operator in Guernsey is of a long-term strategic nature, not a simple short-term monetary value. The States has already made a firm resolution to maximise such value to the benefit of the entire Bailiwick of Guernsey rather than simply seeking a once off injection of funds. This type of short-term thinking could cause irreparable damage to Guernsey and would contradict all of the expert advice received on this matter.

The Board considers that this is an invalid argument in the face of the decisions of the States to date and all of the debate on this matter over the past 12 months.

Time to Organise

A final issue to consider is the argument that incumbent operators need time to organise into more commercially focussed and viable operations - that is to prepare for the competition before its introduction. This is an argument that relates to the timing of the introduction of competition, not whether competition should be introduced in the first place. If one accepts that competition should be introduced (as GT has stated it does), it is merely a case of when - then this argument covers the need to address all of the other arguments - i.e. cherry picking, loss of revenue and inability to provide basic services as well as the complexity of the process. This is the key issue that the Board believes remains to be decided, and is addressed below in the recommendation section.

4.2.6. Recommendation

Introduction of Competition

Having considered the arguments for and against the introduction of competition and the perspectives of the key players, the Board believes that the balance of evidence strongly supports the view that the introduction of competition is essential and should be facilitated as quickly as possible. The Board is conscious of the urgency of providing certainty in the telecommunications market particularly given the matters addressed elsewhere in this Billet and therefore is recommending that the States direct the Regulator to introduce competition at the earliest possible stage. This direction will provide clarity and added confidence that Guernsey will develop a vibrant competitive telecommunications sector as quickly as possible.

Timing of Introduction of Competition

The Board has also considered the more detailed question of *when* competition should be introduced. As can be seen from the earlier sections of this policy letter, the Board is not convinced by most of the arguments against the introduction of competition or in favour of delay in this process.

The Board has noted GT's wish to have more time to organise itself into a more commercially focussed organisation before the introduction of full competition in all segments of the market. To the extent that this may be necessary to the development of the telecommunications sector in Guernsey, the Board has sought to balance this against the overwhelming benefits of early introduction of competition and the need for certainty in the context of the process of seeking an equity partner for GT as described elsewhere in this Billet.

The Board has been advised by the Shadow Regulator who in turn has been seeking extensive information from GT so as to estimate more accurately the impact of the timing of the introduction of competition. That work includes a more detailed review of the various market segments and how they might be liberalised. The Board is aware that GT has had difficulty in providing this information to date.

The Board is advised that the Shadow Regulator will soon complete an analysis of the Guernsey market and will be in a position to provide a firm timetable for the introduction of competition based on international best practice and data from benchmarks of other operators if necessary.

The Board believes that the Regulator is best placed to carry out this detailed economic analysis. Furthermore, the Regulator is fully independent of any particular interested party and has the obligation to take into account the wider interests of the Bailiwick. Therefore the Board considers that the Regulator would be the most appropriate person to arrive at a decision on a timetable for the introduction of competition and is recommending that this be included in the States Direction on this matter.

4.2.7. States Direction

The Board appreciates GT's statement that it welcomes competition and notes that GT has suggested that competition in certain segments of the market should not be introduced before five years, with other segments having competition introduced earlier. It is also noted that certain ancillary segments of the telecommunications market, such as the ISP market and the sale of customer premises equipment are already liberalised.

Having considered all of the factors set out in this policy letter, the Board does not consider that there is any justification for delaying the introduction of competition for five years although there may be justification for phasing in the introduction of competition over a shorter period.

In order to provide certainty, the Board recommends that the States Direction to the Regulator set a maximum deadline of three years for the introduction of full competition. The Direction below also requires that competition be introduced at the earliest possible date and requires the Regulator to determine the appropriate timing for that introduction.

“Competition in the Telecommunications Market in Guernsey

The provision of telecommunications networks and services in the Bailiwick of Guernsey shall be opened up to competition at the earliest possible time consistent with the Regulation of Utilities (Bailiwick of Guernsey) Law 2001. In accordance with section 3(1)(b) of that Law, the States directs the Regulator to decide the duration of any exclusive or special privilege granted to any licensee in relation to the provision of telecommunications networks and/or services with a view to ensuring that competition is introduced into all parts of the market at the earliest possible time. The Regulator may decide on different terms for privileges granted in different markets or segments of the market. In any case, the States directs that the term of any such rights shall not exceed three years at most from the date of this Direction.”

The effect of this Direction is to set a “latest possible date” for the introduction of competition in all parts of the telecommunications market in Guernsey, ranging from mobile to fixed, satellite to Internet. The Regulator is thus given the freedom to decide that competition should be introduced earlier in any or all of these market segments.

The “latest possible date” of three years must be interpreted by the Regulator in the context of the strong preference that the introduction of competition should be brought forward as much as possible. This does not preclude the Regulator, if she considers there are exceptional circumstances, returning to the States to seek an adjustment to this timetable. In practice it is likely that the Regulator would consider different timescales appropriate for different market segments. For example competition in services might happen immediately. Competition in mobile or satellite based networks might also be feasible at an early stage while competition in fixed-wire networks might take longer to achieve.

In particular, direct competition from a company laying a technologically identical network to the GT network, including copper in the ground, would be unlikely in the short term due to the extent of disruption of roads that this would cause. However, the building of new networks based on new technologies, including satellite and radio, or fibre deployed in new ways, would be feasible. In addition, the creating of networks that would use existing facilities and ducting would also minimise disruption.

4.3. The Identity of the First Licensee in Telecommunications

The Advisory and Finance Committee will be in a position to make a recommendation to the States on this matter only after the current exercise in transformation of ownership and operation of GT is significantly more advanced.

4.4. International Obligations in Telecommunications

The Board does not consider that there is any need for a direction in relation to international obligations at this time. This provision in the law is designed to address any possible changes in the future and will only be considered when necessary.

5. States Directions on Post and Electricity

The Board will bring a further policy letter to the States on States Directions in the postal and electricity sectors. These are not as urgent as telecommunications as the external factor of a change in ownership does not exist in these sectors.

6. Consultation

The appropriate authorities in Sark and Alderney have been consulted on this policy letter. The Advisory and Finance Committee and the Telecommunications Board have also been consulted.

7. Recommendations

After consideration of this report, the States is invited to:

- (a) Approve the States Direction to the Regulator in relation to the telecommunications sector as set out in this report at sections 4.1.5 and 4.2.7 respectively;
- (b) To note that further reports will be submitted dealing with States Directions in relation to the identity of the first telecommunications licensee to be given a USO; and
- (c) To note that further reports will be submitted dealing with States Directions in relation to the post and electricity sectors.

I have the honour to request that you will be good enough to lay this matter before the States with appropriate propositions.

I am, Sir,

Your obedient Servant,
F. J. ROPER,
President,
States Board of Industry.

Appendix 1: Extract from the Draft Regulation Law 2001**“General duties.**

2. In exercising their respective functions and powers, the States and the Director General shall each have a duty to promote (and, where they conflict, to balance) the following objectives –

- (a) to protect the interests of consumers and other users in the Bailiwick in respect of the prices charged for, and the quality, service levels, permanence and variety of, utility services;
- (b) to secure, so far as practicable, the provision of utility services that satisfy all reasonable demands for such services within the Bailiwick, whether those services are supplied from, within or to the Bailiwick,
- (c) to ensure that utility activities are carried out in such a way as best to serve and contribute to the economic and social development and well-being of the Bailiwick;
- (d) to introduce, maintain and promote effective and sustainable competition in the provision of utility services in the Bailiwick, subject to any special or exclusive rights awarded to a licensee by the Director General pursuant to States’ Directions;
- (e) to improve the quality and coverage of utility services and to facilitate the availability of new utility services within the Bailiwick; and
- (f) to lessen, where practicable, any adverse impact of utility activities on the environment.

And in performing the duty imposed by this section, the States and the Director General shall have equal regard to the interests of the residents of all islands of the Bailiwick.”

Appendix 2: Extract from the Proposal for a Directive of the European Parliament and of the Council on universal service and users' rights relating to electronic communications networks and services Com(2000)392

**CHAPTER II
UNIVERSAL SERVICE OBLIGATIONS**

Article 3

Availability of universal service

1. Member States shall ensure that the services set out in this Chapter are made available at the quality specified to all users in their territory, independently of geographical location, and, in the light of specific national conditions, at an affordable price.

2. Member States shall determine the most efficient and appropriate approach for ensuring the implementation of universal service, whilst respecting the principles of transparency, objectivity and non-discrimination. They shall seek to minimise market distortions, in particular the provision of services at prices or subject to other terms and conditions which depart from normal commercial conditions, whilst safeguarding the public interest.

Article 4

Provision of access at fixed locations

1. Member States shall ensure that all reasonable requests for connection to the public telephone network at a fixed location and for access to publicly available telephone services at a fixed location are met by at least one operator.

2. The connection provided shall be capable of allowing users to make and receive local, national and international telephone calls, facsimile communications and data communications, at data rates that are sufficient to permit Internet access.

Article 5

Directory enquiry services and directories

Member States shall ensure that, in respect of subscribers of direct public telephone service providers and in conformity with Article 12 of Directive [on processing of personal data and protection of privacy in the electronic communications sector]:

- (a) a subscriber directory is available to users in a form approved by the national regulatory authority, whether printed or electronic, or both, and is updated on a regular basis, and at least once a year;
- (b) at least one telephone directory enquiry service covering all listed subscribers' numbers is available to all users, including users of public pay telephones;
- (c) undertakings that provide the services referred to in paragraphs (a) and (b) apply the principle of non-discrimination to the treatment of information that has been provided to them by other undertakings.

Article 6
Public pay telephones

1. Member States shall ensure that national regulatory authorities can impose obligations on undertakings in order to ensure that public pay telephones are provided to meet the reasonable needs of users in terms of the geographical coverage, the number of telephones and the quality of services.
2. A Member State may decide not to apply paragraph 1 in all or part of its territory on the basis of a consultation of interested parties as referred to in Article 29.
3. Member States shall ensure that it is possible to make emergency calls from public pay telephones using the single European emergency call number '112' and other national emergency numbers, all free of charge and without having to use coins or cards.

Article 7
Special measures for disabled users and users with special needs

1. Member States shall, where appropriate, take specific measures to ensure equivalent access to and affordability of publicly available telephone services, including access to emergency and directory services, for disabled users and users with special social needs.
2. Member States may take specific measures, in the light of national conditions, to ensure that disabled users and users with special needs can also take advantage of the choice of undertakings and service providers available to the majority of users.

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

26th February, 2001.

Sir,

I have the honour to refer to the letter dated 20th February 2001 addressed to you by the President of the Board of Industry on the subject of States Directions to the Director General of Regulation.

This policy letter is complementary to the policy letter from the Advisory and Finance Committee on the Future Provisions of Telecoms, Postal and Electricity services.

The Board of Industry's policy letter proposes that the States gives clear direction to the Regulator on the extent of the Universal Service Obligation which should be imposed on the holder of the main licence for the provision of telecoms services and sets a deadline of a maximum of three years for the full liberalisation of the telecoms market.

The Advisory and Finance Committee fully supports the liberalisation of the telecoms market as soon as possible as it believes that competition will bring benefits to existing telecoms customers and will be an essential ingredient in attracting potential new customers in such areas as e-commerce. The Committee also believes that under the regulatory regime, competition can be phased in quickly whilst maintaining continuity of service, an important consideration for current customers. The Universal Service Obligation will ensure that the whole of the community retains uniformity of access to basic telecoms services.

The proposal from the Board of Industry, if approved, will also give regulatory certainty for telecoms, an essential pre-requisite to the Committee's proposals to secure an equity partner to provide world-class telecoms services which the States has agreed are essential to the future wellbeing of the Bailiwick.

The Advisory and Finance Committee recommends the States to approve the proposals.

I am, Sir,
Your obedient Servant,
L. C. MORGAN,
President,
States Advisory and Finance Committee.

The States are asked to decide:—

XIII.—Whether, after consideration of the Report dated the 21st February, 2001, of the States Board of Industry, they are of opinion:

1. To approve the States Direction to the Regulator in relation to the telecommunications sector as set out in that Report at sections 4.1.5 and 4.2.7 respectively.
2. To note that further reports will be submitted dealing with States Directions in relation to the identity of the first telecommunications licensee to be given a universal service obligation.
3. To note that further reports will be submitted dealing with States Directions in relation to the post and electricity sectors.

STATES INCOME TAX AUTHORITY

INCOME TAX RULES RELATING TO PENSIONS

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

22nd February, 2001.

Sir,

INCOME TAX RULES RELATING TO PENSIONS

1. The Income Tax Authority (“the Authority”) is responsible for approving both occupational pension schemes and retirement annuity schemes (the latter are more popularly known as personal pension plans), subject to certain conditions as well as limits on contributions and benefits.
2. Following representations from Deputy Michael Torode, the Authority has reviewed the entitlements for early leavers from occupational pension schemes (an early leaver is a person who ceases to be an active member of a pension scheme, other than on death, without being granted an immediate retirement benefit) and wishes to make a number of recommendations .
3. The Authority also wishes to recommend an amendment to the Law in order to remove an anomaly. This arises where the beneficial owner of an investment company may be entitled to tax relief on contributions to a personal pension plan or retirement annuity trust scheme, whereas an individual who holds his investments directly (rather than through the medium of an investment company) would not be so entitled.

A. Provisions for early leavers

- (1) The present legislation was introduced in 1991 and allows the following options to a person who leaves an approved occupational pension scheme, after he has been a member for **more** than five years:
 - a refund of his own contributions, or
 - deferred benefits, or
 - a transfer payment to another approved scheme, or
 - a transfer payment into an approved retirement annuity scheme or retirement annuity trust scheme.
- (2) Any person leaving such a scheme with **five years service or less** is entitled to a refund of his contributions **or**, if the scheme entitles him to a transfer payment to another occupational pension scheme, the scheme rules must also allow him the choice of having the transfer payment made to a retirement annuity scheme or retirement annuity trust scheme.

- (3) It is a condition of approval of occupational pension schemes that an employer should make contributions to the scheme but the employer is under no obligation to allow the member to take a transfer payment to another scheme. This means that a member of an occupational pension scheme, who leaves with five years of service or less, may lose the benefit of his employer's contributions.
- (4) Deputy Torode has suggested that the five year vesting period (as set out in paragraph A(1) above) be reduced to two years, as in the United Kingdom. It should be pointed out, however, that much of Guernsey's pensions legislation differs from that in the United Kingdom and it could be said that there is no particular virtue in singling out this one aspect.
- (5) It must also be recognised that providing an occupational pension is a voluntary act on the part of the employer and there is no wish to deter employers by introducing onerous conditions. Reducing the length of the vesting period would result in a number of pension schemes paying small pensions based on 2-5 years of service, which would inevitably increase the costs to the employer of administering the scheme.
- (6) Similarly, a small "frozen" pension may be of little benefit to employees unless legislation was also introduced to make compulsory increases in deferred pensions to counter the effects of inflation. This would further increase the cost of pension provision and the Authority has been advised that this could result in some employers reducing other benefits for staff who remain in the scheme.
- (7) In view of these considerations, the Authority cannot recommend a right to deferred benefits after only two years membership. However, the Authority does propose that the legislation be amended, to make it compulsory for employees, who are members of an approved occupational pension scheme, to have the option of a transfer payment to another approved scheme, including a retirement annuity scheme, if they leave the original pension scheme, having been a member for more than two years. This means that the employee would take with him to the new scheme the benefit of any contributions made by the former employer, which would then continue to grow in the new scheme. Meanwhile, the former employer, although losing the benefit of the contributions made in respect of the early leaver, would not be faced with the administrative costs of providing a deferred pension. The Authority believes this to be a reasonable compromise, balancing the interests of members of approved occupational pension schemes against those of employers, who have established voluntarily pension schemes for their employees and former employees.
- (8) It is further suggested that in order to minimise the costs to employers of having to amend the scheme rules, the option to take a transfer payment should only be compulsory for schemes seeking approval after the date of commencement of the amending law, i.e. 1st January 2002. Existing schemes which have already been approved would be required to introduce this option when next amending the rules of the scheme. Making this suggestion, it should be remembered that many pension schemes in Guernsey are based on the UK model and would, in any event, provide for transfer payments after two years of service. It is also believed that in the current high employment situation, those employers offering the best pension schemes are more likely to attract staff. It would be in the employer's interests, therefore, to make the amendment in order to attract staff, even though the change may not help him to retain staff.

B. Tax relief for contributions to retirement annuity schemes or retirement annuity trust schemes

- (1) Any individual who is resident in Guernsey may effect a retirement annuity contract or a retirement annuity trust scheme. Retirement annuity contracts are more popularly known as personal pension plans.
- (2) Tax relief on contributions to personal pension plans is only available where the individual has relevant earnings. "Relevant earnings" are defined as any income chargeable to tax, being:
 - (i) income arising in respect of emoluments from an office or employment, other than a pensionable office or employment; or
 - (ii) income which is chargeable under Class 1 of section 2 of the Law and is immediately derived from the carrying on or exercise of a trade, profession or vocation.
- (3) In 1998, the Law was amended to allow full-time working directors of trading companies to become members of occupational pension schemes. This followed the then Conseiller Berry's request for a report on achieving equality of treatment in respect of relief for income tax, between employed persons and self-employed persons.
- (4) A full-time working director of a trading company is defined as a director or employee who devotes more than 30 hours each week to his directorship or employment with a company carrying on a business whose profits are chargeable to income tax.
- (5) This definition excludes directors who are also beneficial owners of investment companies. However, if the beneficial owner of an investment company draws director's fees, which will be paid out of the investment income, he would be in receipt of relevant earnings, as defined in the Law, and would be able to claim tax relief on any premiums paid to a retirement annuity scheme or to a retirement annuity trust scheme.
- (6) This puts the beneficial owner of an investment company at an advantage over an individual who has no earned income but holds investments in his own name rather than via the medium of an investment company. Typically this means that the better off are able to claim relief not available to people whose incomes do not justify the expense of forming a company to hold their investments.
- (7) The Authority believes that the intention of the legislation was to allow tax relief to individuals in productive employment or self-employment and not to those people who are able to live on their investment income.
- (8) The Authority proposes, therefore, that with effect from 1st January 2002, the definition of "relevant earnings" be revised to exclude emoluments received by an individual from his position as a proprietary director of an investment company. Once again, this proposal would bring Guernsey more in line with UK legislation, although relief already given would not be withdrawn.

Recommendations

The Authority therefore recommends that the pensions legislation be amended as follows:

- (a) To make it a condition of approval of occupational pension schemes that a member leaving the scheme with more than two years of service but less than five years of service should also be entitled to a transfer payment to another approved scheme, including a retirement annuity scheme.
- (b) That this amendment be effective for all schemes seeking approval after the date of commencement of the amending Law, i.e. 1st January 2002.
- (c) That existing schemes will be required to comply with the condition referred to in recommendation (a) when next amending the scheme Rules.
- (d) That with effect from 1st January 2002, the definition of “relevant earnings” be amended to exclude proprietary directors of investment companies.

I have the honour to request that you will be good enough to lay this matter before the States with the appropriate propositions, including one directing the preparation of the necessary legislation.

I am, Sir,
Your obedient Servant,
W. LE R. ROBILLIARD,
President,
States Income Tax Authority.

[N.B. The States Advisory and Finance Committee supports the proposals.]

The States are asked to decide:—

XIV.— Whether, after consideration of the Report dated the 22nd February, 2001, of the States Income Tax Authority, they are of opinion:—

- 1. To make it a condition of approval of occupational pension schemes that a member leaving the scheme with more than two years of service but less than five years of service shall also be entitled to a transfer payment to another approved scheme, including a retirement annuity scheme.
- 2. That this amendment be effective for all schemes seeking approval after the date of commencement of the amending Law, ie 1st January, 2002.
- 3. That existing schemes will be required to comply with the condition referred to in proposition 1 above when next amending the scheme Rules.
- 4. That with effect from the 1st January, 2002, the definition of “relevant earnings” be amended to exclude proprietary directors of investment companies.
- 5. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

STATES RECREATION COMMITTEE

THE REDEVELOPMENT OF BEAU SEJOUR CENTRE

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

19th February, 2001.

Sir,

The Redevelopment of Beau Sejour Centre

Introduction

1. At their meeting of November 2000 the States resolved that “... **the funding for Beau Sejour Centre should be included within a single overall General Revenue Budget heading for the Recreation Committee with effect from 2001 ...**”. The policy letter presented to the States which contained that recommendation also provided the opportunity for the Recreation Committee to set out its Strategy for Sport and Recreation for the future in order to achieve its primary objective:
2. **To promote and support the development of sport and recreation in the Island with the aim of increasing the number of those participating and improving the excellence and enjoyment of that participation.**
3. The Committee also took the opportunity to appraise the States of the progress made in drawing up plans for the redevelopment of Beau Sejour Centre. There have been a number of delays since the States resolution instructing the Recreation Committee to bring forward plans to the States. However the Committee believes that the time has not been wasted and is confident that its proposals for redevelopment are now more strongly based, well researched and tested. They also believe that the proposals provide an innovative and imaginative design solution which improves substantially what Beau Sejour Centre offers to the community while attending to many of the areas within the Centre that are showing evidence of excessive wear and tear.
4. From the work undertaken in formulating their Strategy for Sport and Recreation the Committee were assured of the important role that Beau Sejour Centre plays in achieving its objectives. It is recognised that Guernsey, although being a small community, is generally well provided with sporting and recreational facilities. At the heart of this provision is Beau Sejour Centre.
5. In addition to its major role as the premier indoor sports venue the Committee recognises that the Centre continues to provide a multi use facility for events outside the sporting calendar. It is the only practical location for large scale concerts, exhibitions, conferences, banqueting and theatre events and as such services the needs of an increasing number of impressive annual

events. The social function that the Centre fulfils should not be underestimated. It is often the 'front door' for Guernsey in many events and gatherings and has played host to the landmark events of Guernsey's recent history.

6. The Committee is mindful that after twenty-five years the Centre has served the Island well yet requires substantial redevelopment in order to ensure its continued relevance for the future. In this context the needs of the Committee and the Centre are just as valid to the community as those other projects being developed to maintain and improve the Island's infrastructure. It is likely that the redevelopment of Beau Sejour could also be substantially completed before the major States capital projects that are currently planned would begin.
7. Because of its size and diversity it is not practical or feasible to build a 'new' Centre. In an ideal world one could envisage plans for a new and much improved sports centre, perhaps a civic theatre located on a separate site, and a purpose built conference and exhibition centre on a third site. It is accepted however that the sensible approach is to redevelop rather than rebuild Beau Sejour Centre. The project should be approached with a view to retaining its multi use capabilities and accepting that limitations are placed on the scale of provision. Beau Sejour is not a National Sports Centre, a West End Theatre nor an International Convention Centre.
8. A building condition survey carried out in December 1998 revealed that, regardless of any planned improvements, substantial remedial works to the Centre (in the order of £4 million) would need to be carried out in the short to medium term simply to maintain the Centre to a standard where the building does not deteriorate at an increasing rate.
9. The cost of redevelopment will fall on the public purse; Beau Sejour is loss making and is therefore unable to finance any major new investment. It is not anticipated that there will be sufficient improvement in revenues gained to finance the proposed works although a greater certainty of improved financial performance is likely to be achieved.

Feasibility Study

10. Working with the States Department of Architecture and assisted by DC Leisure Management Ltd, an UK based leisure management company, the Committee undertook a feasibility study assessing the need for the project and detailing the objectives. This allowed an initial schedule of accommodation, programme of use, similar project comparisons and a site analysis of parking and access problems to be prepared. It also modelled detailed financial projections based on a number of options. A basic design was then developed which satisfied the established criteria. An independent firm of quantity surveyors then assessed the cost of this design in order to establish a provisional budget for the works. The estimated cost of construction at March 2000 prices was established as £8.2 million. This did not include for any professional fees. This analysis of cost forms the basis of the Committee's construction budget.
11. The feasibility study also identified that the optimum time to carry out the works would be during 2002 - early 2003. This is in order for the works to be completed in time for the Island Games that are to be held in Guernsey. The sporting facilities at Beau Sejour are adequate for the purpose of staging the Games but the Centre will be the location for a number of sports. It is therefore likely to be one of the main 'showpiece' venues for the thousands of competitors, officials and visitors expected from over twenty islands - a golden opportunity to show off a redeveloped Centre.

Consultation

12. During the feasibility study stage a range of consultation on the initial concept design was carried out with users, staff and regulating authorities. This has tested the design with a number of alterations being made having regard to the constructive comments received during this process. The Committee, while remaining resolute with its vision for the Centre, has taken careful note of suggested improvements to the concept.
13. As part of the process the Guernsey Council for Disability Sport suggested that the Centre appoint one of its staff as a disability liaison officer. The Centre has been happy to do this, improving its relationship with the Council and ensuring that the interests of the Centre's many users with disabilities are taken into account.
14. Early informal discussion with the IDC has provided a positive response to the Committee's proposals. Their initial letter of comment is attached.
15. Meetings with the Fire Brigade and Building Control have shown that improvements in the way the building is operated under its Salle Publique licence are possible. The project team will continue to maintain a good dialogue with these statutory bodies throughout the detailed planning stage.
16. Throughout the Centre staff have had a number of opportunities to add their input into the planning ensuring that the design, while improving the attractiveness of the building, retains a practical approach to the future management and operation of the Centre.
17. Invited individuals and groups of regular users have offered comments and suggestions on the concept to the Committee in a number of informative discussions. The Centre will continue with its current practice of holding quarterly user group meetings where comments and feedback can be discussed and addressed.
18. The Committee will continue to invite discussion and suggestions from the many different interested parties in the redevelopment of the Centre with careful consideration of all opinions being undertaken.

Project team

19. Having produced the feasibility study the Committee gained the approval of the Capital Works Sub Committee to tender for, interview and appoint a project team to provide the necessary professional services to the project. The team ultimately appointed is:

Project Management	Gardiner and Theobald Ltd
Architect	ORMS Architecture Design
Quantity Surveyor	WT Partnership
Structural Engineer	Oscar Faber Ltd
Services Engineer	Furness Green Ltd
Operations & Business Development Consultant	DC Leisure Management Ltd

Objectives

20. Within the design brief prepared for the project team the Committee has provided a clear set of objectives for both the Centre and its redevelopment:

Overall objectives for Beau Sejour Centre

- Beau Sejour Centre shall offer Islanders and visitors alike access to a range of sporting, recreational, cultural and entertainment activities to meet social and economic needs.
- It will be operated by the Recreation Committee on a trading basis in an efficient, effective and economical manner within specific financial limits.
- It should maintain an image and level of quality consistent with the character of the Island.

Specific objectives for the redevelopment were agreed as;

21. **Providing a high quality civic building that reflects its importance to the island** – the revitalised Centre should be visually attractive with easy access and with its public areas offering a clean and safe environment suitable for the activities being held. The entrance should be distinctive in its design drawing on modern architectural thinking. The creation of a display area would allow Guernsey's past and present sporting heroes to be honoured in a hall of fame for local sport as well as being available for other temporary cultural and promotional displays.
22. **Enabling more effective and economic operation** – it should 'mimic' the best practices of the private sector in its management. Efficiency, effectiveness and economy must be balanced to provide best value against agreed financial targets. The Centre should cost less to run than it presently does while improving its levels of service and quality standards. A more economical use of staff will be encouraged by improving the location of activities and the grouping of those where staff can be used across a number of activities.
23. **Retaining the original multi-use concept** – providing flexibility of use for the wide range of activities and events held at the Centre. It should continue with its sports development role as a venue for a number of those sports that are unable at present to have their own dedicated facilities. The Sarnia Room will be upgraded to provide attractive and improved facilities for conferences, functions and exhibitions.
24. The pool will continue to balance casual and competitive swimming until such time as a dedicated competition pool can be built. This would most probably be on a school site. Beau Sejour Centre would then be able to accommodate increased casual or leisure use. The viewing facilities will be substantially improved particularly at the poolside for parents wishing to view smaller children in the training pool.
25. The theatre will maintain its dual use capability as a cinema when not used for its primary role as a venue for drama, ballet, dance, music etc.
26. **Improving the facilities available** – ensuring that current and future requirements are met and that areas maintain high standards.
27. A major improvement will be made in the provision of health and fitness facilities including new changing rooms.

28. The bar, catering and shop facilities together with a modern children's adventure play area will be located as close to the main entrance as possible. An improved creche facility to meet increasing demand for family use will also be provided.
29. It is intended to create a changing village for pool users, with more provision for families whilst continuing to meet individual needs. The dry sport changing rooms will be upgraded and relocated closer to their point of activity.

Preferred Design Concept

30. The project team has worked quickly to develop a concept providing a number of options to explore. These options have been valuable in helping to demonstrate the limits of development and providing a better feel of the variety of choices available. Budget and time scale restrictions as identified above have been as important in this process as the proposed design specification.
31. The Committee has decided upon its preferred design concept, testing it against the objectives it has set as well as against the budget and the time scale established.
32. This is attached as Appendix A - Redevelopment Scheme - Scope of Works. A copy of the plans has also been lodged at the Greffe.

Operational Management of Beau Sejour Centre

33. Successive Recreation Committees have endeavoured to minimise the losses that Beau Sejour Centre has incurred since its opening in 1976. The stabilisation of losses in recent years and the agreement by the States that it can now operate under a General Revenue budget heading has been welcomed by both the Recreation Committee and the Advisory and Finance Committee.
34. The Centre has worked hard to improve its performance by inviting outside assistance from DC Leisure Management Ltd. This has been a profitable and rewarding partnership for the Centre providing an improved level of management and staff training, and access to their methods of working. This has resulted in a considerable improvement in the operational management of the Centre.
35. The Centre is extremely pleased to be included as an accredited Centre under Quest the UK Quality Scheme for Sport and Leisure. It becomes one of only 136 Centres throughout the UK and Channel Islands to have achieved this award. Gaining this prestigious accreditation has given a tremendous boost to the management and staff of the Centre. It recognises the achievement of passes in twenty-two separate categories as a result of the demonstration of ongoing good practice measured against specific standards. This achievement has been recognised by the States Audit Commission who have congratulated the Centre on its achievement and reported on the gaining of the award in their annual report.
36. These improvements in the operation of the Centre and independent assessments that it is performing well against measurable standards give confidence to the Committee for the next stage in the life of the Centre. Further improvements will be extremely difficult without redevelopment, indeed it is likely that, without an appropriate level of investment, this improved level of performance will stall and quickly decline given the age and layout of the building.

37. How the Centre is operated will continue to attract comment with a number of differing views being put forward. The social aspects of the Centre can often conflict with the economic realities it faces.
38. The association with DC Leisure Management Ltd has provided the Committee with a well-informed view of how other Centres in the UK operate. These can be directly operated by local government, by management contractors, as charitable trusts or by a number of other options brought to prominence by the Labour Government's Best Value initiative.
39. As reported to the States in November the Committee has reviewed the method of operation of the Centre drawing on these experiences of other communities. The Committee has also considered a model for commercialisation, such as those undertaken by the States Trading Boards. The Committee has decided that it prefers to first evaluate the experience of the commercialisation of the States Trading Boards before considering again this option for the future management of Beau Sejour Centre. It will therefore, for the near future, continue to operate the Centre directly drawing on outside commercial expertise as is deemed necessary.
40. Planning for the redevelopment of the Centre has been undertaken with a careful eye on how the Centre can be managed and operated for the future. The intention has been to ascertain how it can be managed more effectively by increasing its income and reducing its costs, with fewer staff whilst still improving the facilities and activities offered to its users.
41. The redevelopment also allows a much clearer definition and physical grouping for each business unit within the Centre. This allows the Committee to consider more easily the commercialisation or franchising out of all or parts of the Centre in the future. As described above the Committee will keep this option for the future operation of the Centre under review.

Major improvements planned

42. The major improvements in the operation and business development of the Centre are as follows:
43. A new entrance will enable casual visitors and spectators free entry to all areas except those where a paid activity is taking place. Visitors will be able to use the bar, catering and viewing facilities without paying an entry fee.
44. It will be possible to offer an improved range of memberships with emphasis on the expanded and much improved health and fitness activities. This is a buoyant and growing market and the Centre will be able to offer new improved facilities with modern equipment, well-trained and motivated staff. The benefits offered have been carefully examined to ensure good value for money for regular users of the Centre's facilities while substantially increasing the income from this area.
45. With a revised Centre layout a number of improvements can be made to opening times of areas, their programming and pricing policies to ensure the most economic and effective mix.
46. Installation of a modern and attractive children's adventure play area will provide a valuable added attraction and income source to the Centre while providing opportunities for youngsters to enjoy an exciting activity in safety.
47. An enlarged creche that no longer has to double up as a meeting room improves considerably the standard of provision for childcare.

48. A number of physical changes allow for immediate improvements. For example grouping the health and fitness activities provides a single reception point. This will allow staff to work across this enlarged business unit rather than in the separate locations currently manned.
49. Creation of a health and fitness facility on the whole of level 3 also reduces the area of the Centre that needs to be managed by the operations staff. The only users accessing level 3 will be those taking part in health and fitness activities reducing considerably the amount of patrolling and supervision required by the operations staff.
50. Throughout the planning for the redevelopment the opportunity has been taken to address the circulation and access problems experienced. Areas that have previously needed extensive supervision and patrolling to prevent illegal access and unsupervised activities will be removed or reduced.
51. Relocation of the Centre's bar and catering facilities from their current isolated position on level 3 to a prime location at the heart of the new entrance block provides improved siting for bar and catering outlets. The staff will work across the department providing a more effective service at less cost. This close grouping of trading activities allows the option of contracting out or franchising this department to be more easily considered in the future.
52. One of the major complaints about the Centre, the adequacy of the wet changing rooms, will be addressed by the creation of a modern changing village. New dry sport changing rooms will be provided as well as new changing facilities for health and fitness users.
53. The redevelopment allows a new fire safety strategy to be developed which is a major improvement both in terms of public safety and in the way that the Centre can be operated.
54. Access to the building, particularly from the car parks is dramatically improved by the provision of a raised walkway along the wall of the theatre. This separates pedestrian access from its current main route through the goods delivery area, providing both a safer and more pleasant means of arrival at the main entrance.

Financial analysis

55. This scenario has been analysed in respect of its financial implications and detailed projections, together with the assumptions made in each area of operation, prepared. These have been analysed and agreed by DC Leisure Management.
56. The projection shows that by carrying out a redevelopment as proposed should provide a reduction in the estimated annual operating deficit of around £250,000 from its current level of £672,000.
57. This forecast is based upon:
 - **a substantial increase in income from the enhanced Health and Fitness facility.**
58. Industry sources forecast continued growth in this area with a target market of 9.6 % of the population estimated to take out health and fitness club memberships within the next five years. Operators in the UK are already revising this estimate in light of the experience in the USA, the market leader where levels have risen to 15% and continue to grow.

59. Taken from the 1996 census the number of economically active 15 - 64 year olds is given as 38,500 residents. This suggests an increasing target market over the next five years to a total of 5,775 users for health and fitness clubs on the Island as the UK and by implication Guernsey catch up with these trends.
60. The Centre has recently expanded its membership schemes to include the “Freedom” card giving a wide range of benefits on payment of a monthly or annual fee. This has proved extremely popular with users of the Centre giving a sound indication of the likely success of the planned new health and fitness facilities.
61. There is little doubt that the planned facility will appeal to a wide cross section of the community. Trends in health and fitness are towards individuals taking charge of their own activities, preferring to exercise to their own levels of fitness at a time and place they prefer. This requires good equipment as well as help and advice from well-trained staff. The many health benefits of regular exercise are well known, as is the achievement of a sense of well being from a regular routine of exercise or simply a session in the sauna.
62. The facility will still provide for casual use on payment of a session fee, an important social policy that the Centre will continue. Private health and fitness clubs on the island are of a high standard and offer good facilities albeit on payment of a monthly or annual fee that is beyond the reach of many islanders.

- **A reduction in energy usage**

63. The Centre has consistently endeavoured to reduce its energy usage where possible, for example it installed one of the first combined heat and power units on the Island. It is a heavy user of energy and would welcome savings that can be gained by the use of modern materials, surfaces and plant. Replacing the pool glazing with modern thermal efficient glass and reducing its area will considerably cut down the heat loss from this area. Similarly the replacement of air handling equipment with more modern units will also assist in these reductions. Throughout the Centre the opportunity will be taken to carefully examine each area and how its energy usage can be reduced.

- **Bar, catering and shop**

64. The transfer to a much improved location within the new entrance close to the children’s adventure play and new pool viewing areas provides new opportunities for these income generating areas of the Centre’s business. The new location considerably enhances the visual aspect of these areas and should attract increased casual usage. The ability to access these areas without payment of an admission fee will also increase their usage. There will also be the opportunity to reduce staffing costs by grouping these activities.

- **Staffing costs**

65. The Centre’s greatest expenditure, as may be expected in a service industry, is in its salaries and wages. Currently certain activities are fragmented throughout the Centre, most notably health and fitness and the trading areas. These could be grouped in a more efficient way than is currently possible. This means that a reduced number of staff would be required in total for these business units. Similarly the new layout of the Centre allows management and operational numbers to be reviewed ensuring that the optimum number are available.

- **Cleaning and maintenance costs**

66. Beau Sejour Centre is an extremely large public building and as might be expected incurs high costs of cleaning and minor repair and maintenance in order to keep it in a safe and presentable condition. The older the Centre gets the harder and more expensive it becomes to keep clean and tidy to an acceptable standard. The use of modern surfacing and floor coverings in the redevelopment will reduce these bills.

- **Children's adventure play area**

67. A good income stream is forecast from this new facility as well as increased income from the adjacent catering and shop facilities.
68. The broad analysis above shows the opportunities available to the Committee to increase income levels and reduce costs through redevelopment. The initiatives described greatly improve the facilities provided by the Centre while creating an improved financial certainty for its future operation.

Project management

69. Based on the budgeted construction cost provided as part of the feasibility study, the Committee has set a budget cost for the redevelopment including professional fees of £9,000,000. The Committee and its project team expect the scheme as detailed in this report to fall within this budget.
70. The main construction works are programmed to commence in January 2002, and be completed in advance of the Island Games in June 2003. This allows a construction programme period of some 18 months. The works will be phased, allowing sections of completed work to be taken over by the Centre.
71. This phased approach will allow the sequential decanting of areas occupied by centre activities. In essence once one new area is completed it allows the centres operations and staff to move into the new facility or area, releasing the previously occupied area for construction work.
72. There are also sections of work that can be carried out independently of the above "critical path" works, namely works in the Sir John Loveridge Hall, Sarnia Room and Swimming Pool area.
73. The Committee places a high emphasis on site safety, and this is of particular relevance when undertaking works in an existing building that will remain operational during the redevelopment works. Careful consideration will be given to temporary hoardings, maintaining means of escape, signage and lighting. Close dialogue between the Contractor and the Centre management will be required, with regular liaison meetings.
74. It is intended to keep the Centre's users informed of the progress of the works by the use of a project information board providing details of the proposed works, when new facilities will come on line, safety information etc.
75. While the intention would be to appoint a main contractor for the majority of the work there are elements that can be completed as smaller stand alone contracts ensuring a wider spread of opportunity to smaller local firms.

Budgeted cost of redevelopment

76. A breakdown of the costs shows:

Allowances for:	£
Building costs	£7,200,000
Allowance for fluctuations in price	£200,000
Contingencies and Design risk	<u>350,000</u>
	£7,750,000
Professional fees	<u>1,250,000</u>
Total Cost	<u><u>£9,000,000</u></u>

77. The total estimated cost of professional fees of £1,250,000 includes approximately £800,000 for feasibility studies, planning and design work to be undertaken up to the completion of tendering, at which stage a further policy letter will be submitted to the States for consideration of a capital vote. It would be usual practice for the costs of professional fees to be met in the first instance from the Advisory and Finance Committee's vote for consultants' fees and site investigations and for such fees to be recovered in due course when the States approve a capital vote for the project. However, as the proposals have been submitted to the States for in principle approval, the Recreation Committee recommends that the opportunity be taken at this stage to seek a specific capital vote of £800,000 to meet the costs of the initial professional fees set out above.
78. In the 2000 Policy and Resource Planning Report the Advisory and Finance Committee listed the redevelopment of the Beau Sejour Centre as a probable or possible project to be funded from the Capital Reserve. The Recreation Committee considers that it is, indeed an appropriate project and if, in due course, the States approve a capital vote for the costs of the redevelopment, it will seek the transfer of an equivalent sum from the Capital Reserve to the capital allocation of the Recreation Committee.
79. Accordingly, the Recreation Committee recommends that, if the States approve the vote of £800,000 for consultants' fees, the Advisory and Finance Committee be authorised to transfer to the capital allocation of the Recreation Committee an equivalent sum from the Capital Reserve

Project cost

80. This is clearly a substantial figure with a full financial return unlikely. Based on an investment criteria of a ten year payback period the expected savings on the level of operational deficit anticipated (£250,000 p.a.) equates to approximately a quarter of the amount to be invested.
81. Added to this should be the costs of the maintenance works identified as needing to be carried out in the short to medium term simply to keep the building up to a reasonable standard, some £4 million at December 1998 prices.

82. The actual cost of the project can perhaps be more accurately shown as:

	£	£
Investment in project	9,000,000	
Maintenance works		4,000,000
Ten year return at £250,000 per annum		<u>2,500,000</u>
		6,500,000
Actual cost of the project	<u> </u>	<u>2,500,000</u>
	<u>£9,000,000</u>	<u>£9,000,000</u>

83. The Centre fulfils an important social role within the community, with a requirement that it is viewed as a civic building that reflects a level of quality appropriate for the image of the Island. Given these principles the Committee feel that the element of subsidy proposed in terms of capital funding is well justified and is not an unacceptable return on the proposed investment.

Recommendations

Against the above background the Recreation Committee recommends the States:

To approve in principle the redevelopment of Beau Sejour Centre as described in this report and the attached plans at an estimated cost of £9,000,000 including professional fees.

- a) To direct the Committee to seek tenders for the redevelopment of Beau Sejour Centre as detailed above and to report back to the States with details of the tenders received.
- b) To vote the States Recreation Committee a credit of £800,000 to cover the cost of consultants' fees for feasibility studies, planning and design work, which sum shall be taken from that Committee's allocation for capital expenditure.
- c) To authorize the States Advisory and Finance Committee to transfer from the Capital Reserve to the capital allocation of the States Recreation Committee the sum of £800,000.

I have the honour to request that you will be good enough to lay this matter before the States with appropriate propositions.

I am, Sir,

Your obedient Servant,
IVAN RIHOY,
President,
States Recreation Committee.

Beau Sejour Centre

Redevelopment Scheme

Scope of Works

Introduction

1. Beau Sejour Centre is arguably the most heavily used public building in the island with over 5,000 members and 600,000 admissions a year, an average of 1600 users per day.
2. The demands made are wide ranging, from conferences to volleyball tournaments, dog shows to ballet performances with regular users from toddlers to grandparents.
3. In agreeing that the Centre would benefit from a substantial upgrading the Committee set itself the task of continuing to service these varied demands. It also agreed that any redevelopment would be of high quality and that reductions in the level of operating deficit required to run the Centre should be attempted.
4. A redeveloped Centre will address weaknesses in provision for certain activities improving its relevance to current and future needs.
5. While areas of the Centre will undoubtedly close for periods of time while works are carried out, it will remain open offering as many activities as possible during those times.
6. Some of the more pressing works identified in the building condition survey have been carried out with the remaining majority successfully integrated into the redevelopment works ensuring that the optimum financial benefit is gained from the scheme.
7. The Committee is confident that the redevelopment scheme that it is proposing improves substantially the future operation of the Centre, both in the range and quality of the activities that it provides as well as in its financial performance.

Main objectives for the redevelopment scheme

8. **Providing a high quality civic building that reflects its importance to the island** – the revitalised Centre should be visually attractive with easy access and with its public areas offering a clean and safe environment suitable for the activities being held. The entrance should be distinctive in its design drawing on modern architectural thinking. The creation of a display area would allow Guernsey's past and present sporting heroes to be honoured in a hall of fame for local sport as well as being available for other temporary cultural and promotional displays.
9. **Enabling more effective and economic operation** – it should 'mimic' the best practices of the private sector in its management. Efficiency, effectiveness and economy must be balanced to provide best value against agreed financial targets. The Centre should cost less to run than it presently does while improving its levels of service and quality standards. A more economical use of staff will be encouraged by improving the location of activities and grouping together those where staff can be used across a number of activities.
10. **Retaining the original multi-use concept** – providing flexibility of use for the wide range of activities and events held at the Centre. It should continue with its sports development role as a venue for a number of those sports that are unable at present to have their own dedicated facilities. The Sarnia Room will be upgraded to provide attractive and improved facilities for conferences, functions and exhibitions.

11. The pool will continue to balance casual and competitive swimming until such time as a dedicated competition pool can be built. This would most probably be on a school site. Beau Sejour Centre would then be able to accommodate increased casual or leisure use. The viewing facilities will be substantially improved particularly at the poolside for parents wishing to view smaller children in the training pool.
12. The theatre will maintain its dual use capability as a cinema when not used for its primary role as a venue for drama, ballet, dance, music etc.
13. **Improving the facilities available** – ensuring that current and future requirements are met and that areas maintain high standards.
14. A major improvement will be made in the provision of health and fitness facilities including new changing rooms.
15. The bar, catering and shop facilities together with a modern children's adventure play area will be located as close to the main entrance as possible. An improved creche facility to meet increasing demand for family use will also be provided.
16. It is intended to create a changing village for pool users, with more provision for families whilst continuing to meet individual needs. The dry sport changing rooms will be upgraded and relocated closer to their point of activity.

Scope of works - general brief

17. The plan drawings attached show, on a level by level basis, the existing building layout and the completed works proposed within the redevelopment scheme.
18. The scheme provides for a limited new build on levels 2 and 3 outside the existing main entrance to the building. An open, raised and colonnaded walkway will extend along the theatre wall offering improved and safer access from the car parks to the main entrance. This colonnaded effect will become glazed at the main entrance and will then continue in a wide curving sweep in front of the swimming pool creating a new two-storey area. This new build area will house the new entrance, reception area, and bar and catering outlets with multi purpose meeting rooms above. Views will be gained into the pool area from one side and over the parkland from the other. The new area will provide for a high, light and spacious entry to the Centre improving dramatically the existing area.
19. The heart of the Centre will be opened up from the main entrance through to the concourse removing the dark and rather complicated collection of stairs, lift and corridors which currently link the main entrance and foyer to the concourse. The replacement of the existing roof light by a new atrium will provide natural light and ventilation throughout the heart of the Centre.
20. Level 3 will house a greatly improved provision for all of the health and fitness facilities including new changing rooms, all grouped into a single location within the Centre.
21. New dry sport changing rooms will be created on level 1 while a changing village for the swimming pool will be on level 2. All of the changing rooms will benefit from new natural ventilation systems, something not currently achievable, as well as improved lockers, surfaces and flooring systems.

22. These works will require careful timing to ensure continuity of activities. Other areas to be redeveloped are less time critical and may be considered as individual projects not so reliant on the provision of new facilities before old can be converted.
23. The exterior roof and wall surfaces of the building will be addressed with necessary roof works being carried out, redecoration of all wall surfaces and the replacement of doors and glazing. The extensive curtain walling used in a number of areas, most noticeably the swimming pool, will also be replaced as it has come to the end of its useful life. The investment into refurbishing all of the external fabric of the building ensures that the completed Centre will project a new image while reducing future repair bills.
24. When complete the redeveloped Centre will provide an impressive range of modern facilities on three levels.

Scope of works to be carried out on each level

Level 1 - the lowest level of the Centre.

Sarnia Room

25. A general upgrading and redecoration will be undertaken to better reflect its main role as a multi - purpose conference, exhibition, concert and banqueting hall. It will however continue to serve as a multi purpose hall including some usage for sports.

Sir John Loveridge Hall

26. The main sports hall will continue in this role with a more modern multi purpose floor being laid. While its prime use will remain sporting it will continue to provide for conference, exhibition, concert and banqueting occasions.

Concourse

27. This area will be enhanced and brought into greater use by opening it up to the main entrance and foyer areas. It will retain the capability to be closed off from the rest of the Centre when required.

Squash Courts

28. The squash courts are generally in good condition with only minor works required to rectify faults with wall boards.

Dry Changing Rooms

29. New male and female dry changing rooms will be provided on this level replacing those on level 2. These changing rooms are directly adjacent to the main sports hall and the squash courts, their main users, and allow the more valuable space on level 2 to be better utilised.

Staff room

30. An improved staff room will be provided including shower, catering and locker facilities.

Technical Workshop

31. The workshop for technical staff will move from an outside building to a location in the service area. This allows for a much more efficient use of space and time than at present, concentrating as it does all Centre technical activities into the same area.

Stores

32. The creation of a service area for receipt of goods also provides increased storage and security for general, technical, bar and catering supplies helping with one of the Centre's biggest problems, lack of storage space.

Level 2 - Main entrance level

33. Level 2 is the middle level of the Centre with the main entrance situated at the South end of the building and leading to the theatre and pool entrances through the main foyer.

Main entrance

34. A new building will house the main entrance to the Centre. This extends out from the existing building and provides an attractive architectural feature as well as improving access. Its design ensures a modern light and airy entry with easy access to the bar and catering facilities and children's adventure play area.

Reception and offices

35. An open plan reception area will provide a customer service desk with a duty managers office behind.

Bar and catering outlet

36. A distinctive bar and catering outlet will lead off from the main entrance and is directly adjacent to the new pool viewing area..

Children's play area

37. Following the successful introduction of limited play facilities in 1997 a modern children's adventure play area will be provided. This is a pay and play facility offering the opportunity for structured or free play activities.

Crèche

38. Providing a creche as a dedicated facility rather than the current multi purpose room allows a more imaginative use of colour and furniture to cater for the increasing demand for this service.

Theatre

39. No new works are planned for this area. It is in good condition and provides an appropriate level of provision for the wide range of theatre and cinema events held within it.

Swimming pool

40. The pool's multi - purpose capability will be retained. No new works are planned for the pool which has been maintained to a high standard. The poolside floor covering will be replaced as will the ceiling. The whole area will be redecorated. Some remedial works will be undertaken on upgrading plant and equipment. The flumes will be retained. As part of the external works the pool glazing which is now in poor condition will be replaced.

Pool Changing Village

41. A unisex changing village will be provided for pool users. Adequate cubicles and lockers will be provided including specific areas for families. This provides a much more efficient use of space and a higher quality facility.

Pool viewing

42. A viewing gallery will be provided on this level improving substantially the viewing of the training pool. This will be a big improvement on the current situation where closed circuit TV is the only way for mothers to watch their children in this pool.

Public toilets

43. Surprisingly there are currently no public toilets on this level, this will be rectified in the redevelopment.

Level 3 - the upper level of the Centre.

Health and Fitness Reception

44. An open plan reception area is to be provided for the expanded health and fitness activities located on this level. Information and advice on activities, membership options, individual assessments, and health and nutrition etc will be available.

Office

45. An office for health and fitness staff will be created behind the reception area.

Beauty Salon

46. A franchised Beauty Salon is to be located on this level.

Health and Fitness Changing rooms

47. Male and Female changing rooms will be provided for health and fitness users. This increases the dry changing provision in the Centre yet separates teams from individuals improving effectiveness in space utilisation and user satisfaction.

Fitness Centre

48. A modern large fitness centre will replace the existing oversubscribed one. This will be light and airy as opposed to the current windowless MOT Centre situated on Level 1. A wide range of modern equipment will be installed allowing use by all ability levels including GP referrals.

Studio

49. A large fitness studio will be created to provide for the Centre's successful exercise classes and other uses.

Multi purpose rooms

50. A large multi purpose area that can be partitioned into two rooms for smaller functions will be located on this level. This will serve a variety of needs such as exhibitions, conferences, meetings etc. This area has separate access from level 2.

Health Suite

51. The health suite will be relocated to this level. It will provide sauna, solarium and steam room facilities as well as continued access to the swimming pool area via a staircase.

Pool viewing

52. Pool viewing for galas etc continues to be provided on this level with seating installed to improve the spectator experience. Access will be from a new staircase from level 2.

Stores

53. Improved storage will be provided for the health and fitness areas.

External Works

54. Beau Sejour Centre is situated within attractive parkland and caters for a variety of outdoor sports including lawn bowls, tennis, netball, football and softball. There are children's playgrounds for both the under 5s and for older children. An area to the north of the Centre is shared by model car enthusiasts and BMX bikes. The parkland has also hosted a number of outdoor sporting events including cross country races and mountain bike racing. There is a climbing wall used by schools and youth organisations.
55. There are a number of areas where impressive views to the north are possible and a series of paths around the parkland that are much enjoyed by the casual walker. Its close location to Les Cotils Centre and Cambridge Park helps to provide a valuable large area of green space within St Peter Port.
56. The redevelopment of the Centre provides for limited external works. The main access road will be straightened to allow its arrival at the new main entrance and to provide improved disabled parking near to the Centre. The access to the Centre from the car park will be much improved by the addition of a raised walkway along the side of the Theatre.
57. No extra parking spaces are planned. The Centre's main car park currently provides 382 spaces and while more parking would be welcomed the restrictions of the site work against extra provision at this time.
58. The Committee would not wish to remove sporting facilities to provide for car parking unless appropriate provision for the sport had been made elsewhere on the Island although this may remain an option for the future.
59. A report From the Department of Engineering in June 1998 confirmed that there were limited options to improve the on site parking. The number that could be provided and the cost involved were considered by the Committee to be above the possible benefit to be gained.

The President,
States of Guernsey Recreation,
Beau Sejour Centre,
Amherst,
St. Peter Port,
Guernsey,
GY1 2DL.

16th January, 2001.

Dear Deputy Rihoy,

REDEVELOPMENT OF BEAU SEJOUR CENTRE

Thank you for your letter of 27th December, 2000 and enclosures regarding the above matter, which were considered by the Committee on an informal basis at its recent meeting.

The Committee is supportive of the general principles described in your letter and accompanying material. I would suggest that your Committee should now submit a formal consultation to the IDC, including sketch plans and elevations of the proposed development, to enable the Committee to publicise the proposals for third party comment and to carry out appropriate consultations.

In order to be successful, the architectural design and detailing of the scheme will be particularly important. The Committee would therefore wish to comment formally on more detailed proposals at the earliest possible opportunity.

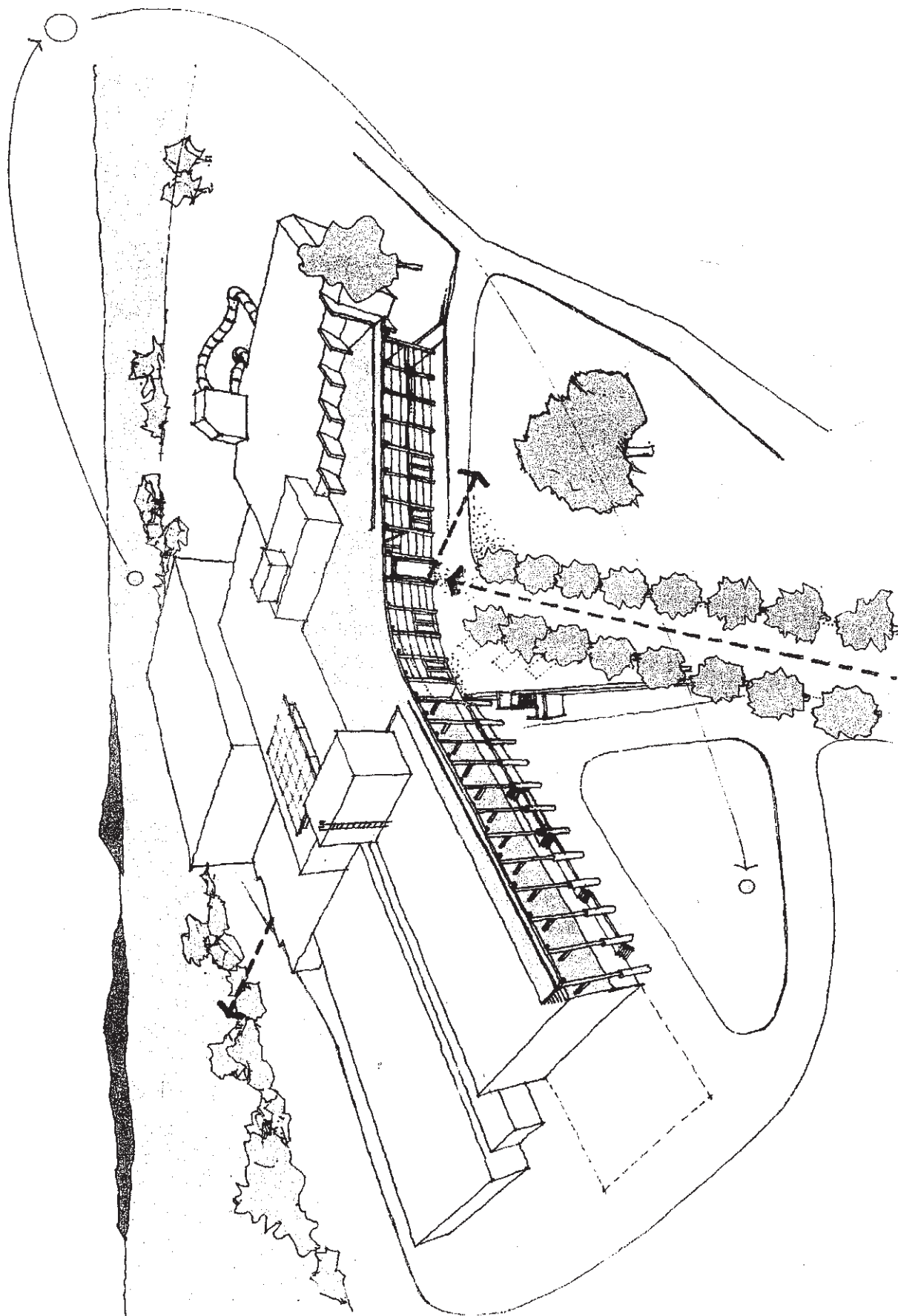
The Committee looks forward to receiving your formal consultation on the scheme as soon as possible. In the interim, I hope that these informal comments are of assistance and will enable further progress to be made.

Yours sincerely,
JOHN E. LANGLOIS,
President,
Island Development Committee.



Proposed New facade

386



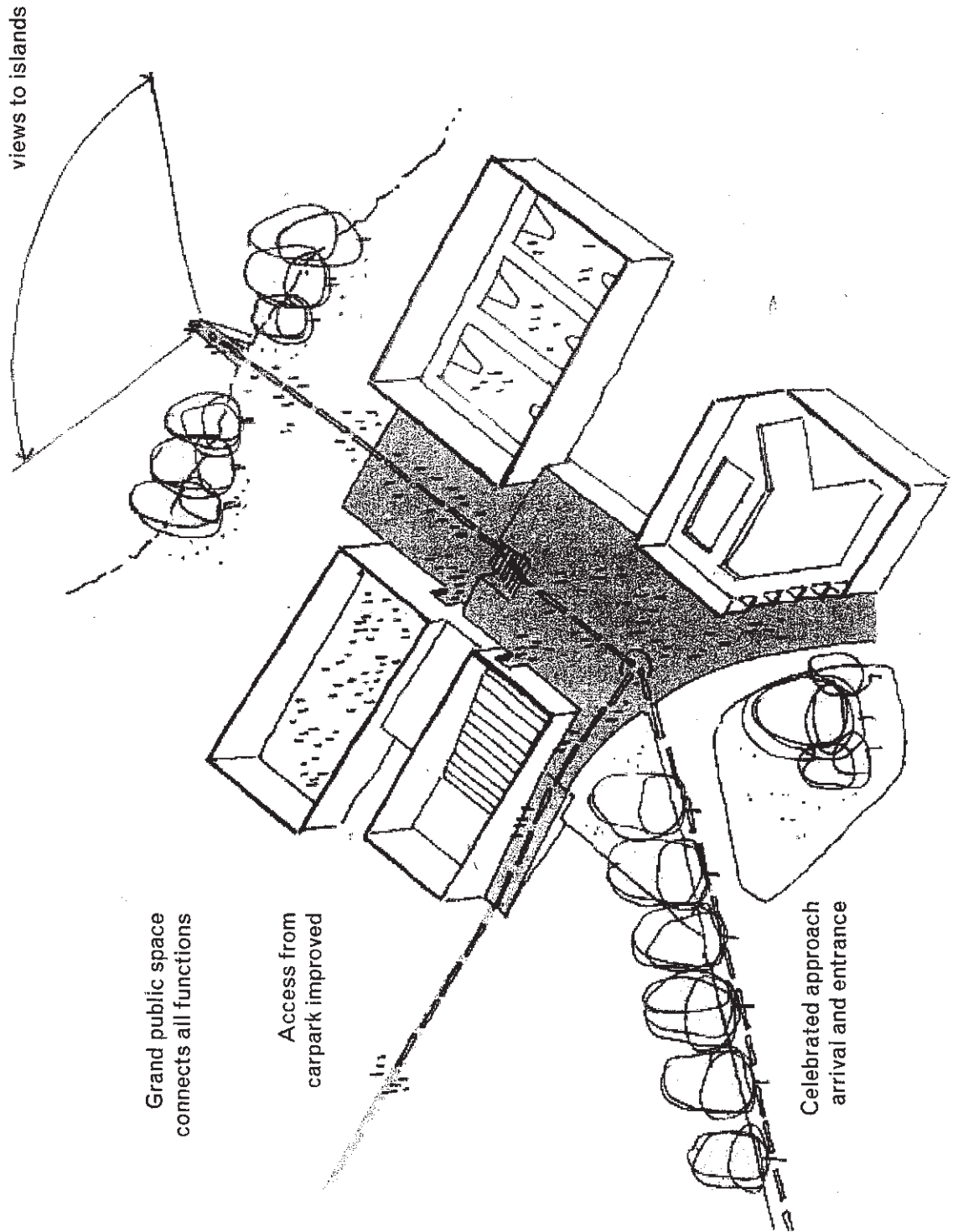
Beau Sejour Centre

ORMS Architecture Design

January 2001

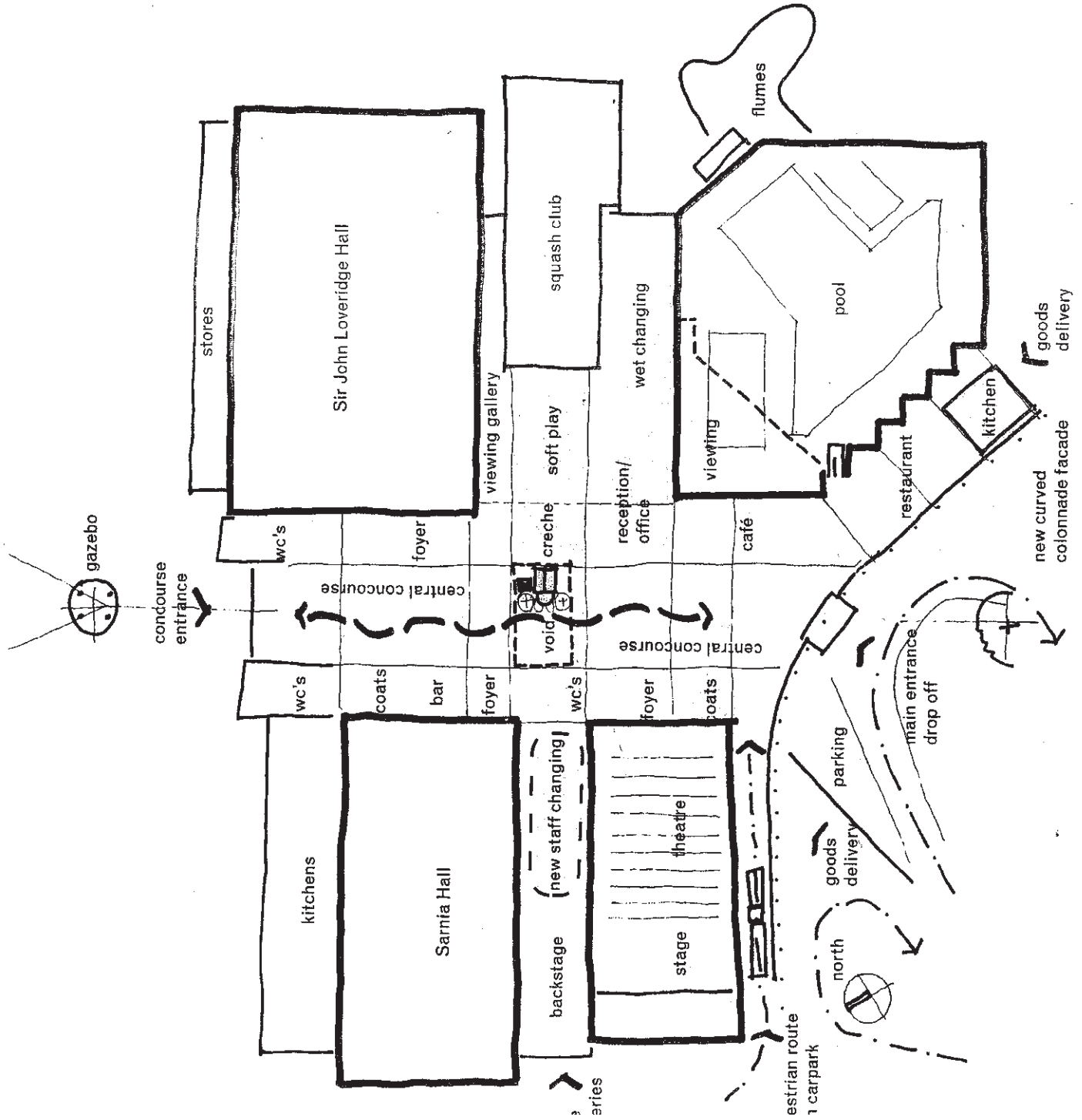
Proposed diagram

387

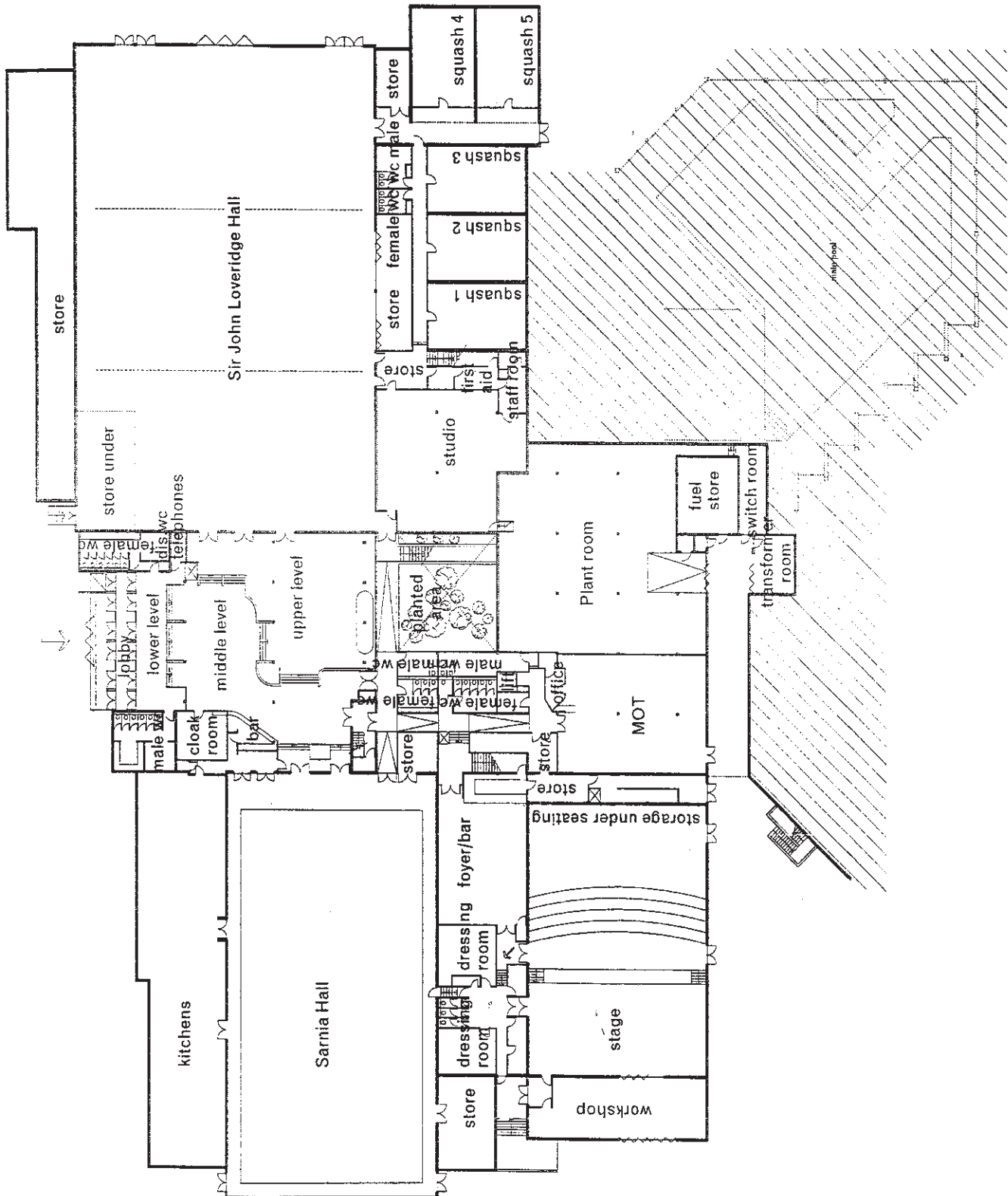
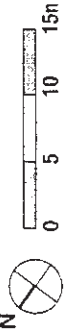


Detailed diagram

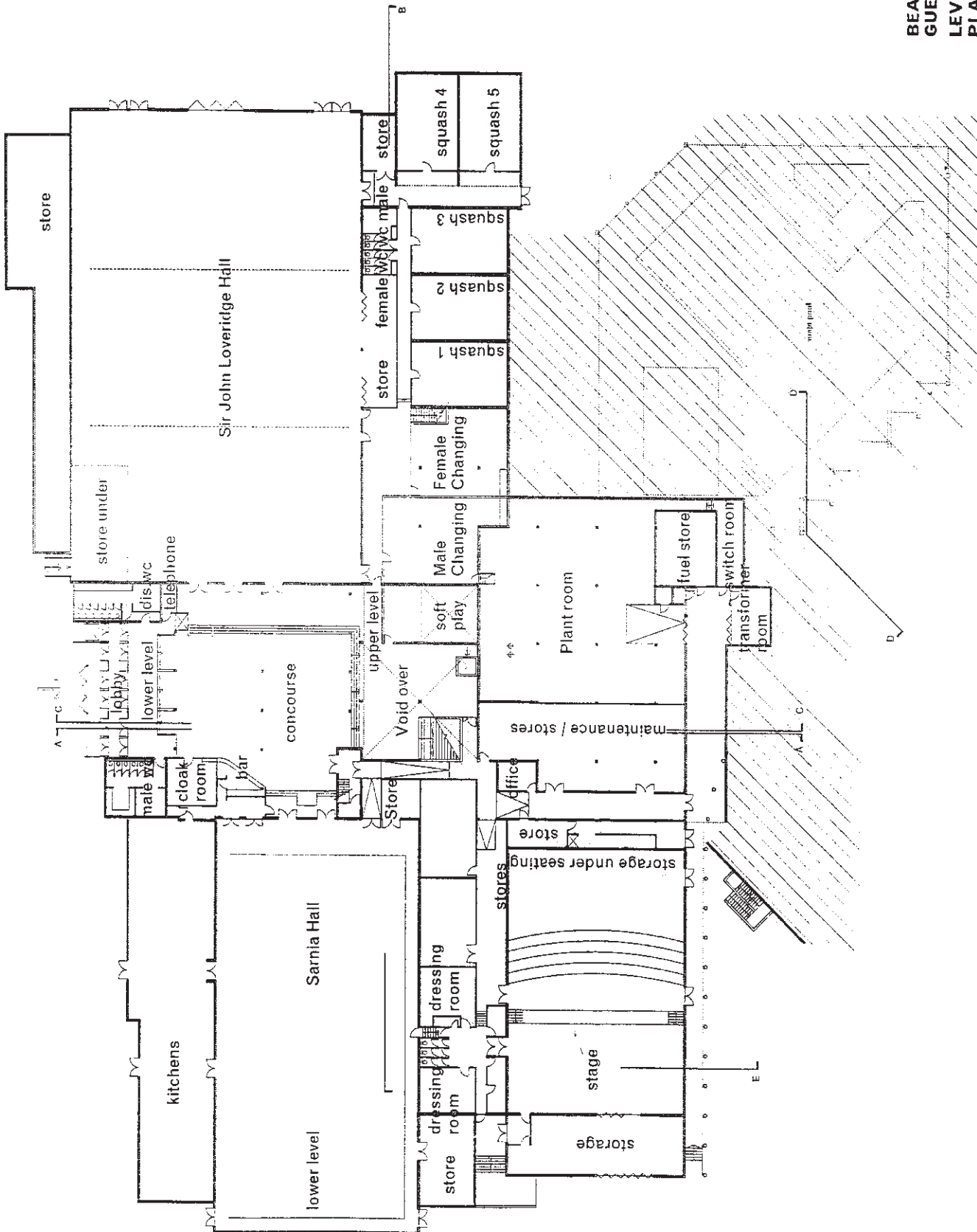
- create a grand concourse through building, a clear line of sight
- links upper and lower entrances, a true public space
- mini-foyers and activities feed off axis
- extend building along side of pool building, following road pattern
- new 2-storey glazed colonnade, double height upper entrance
- take delivery access away from entrance
- extend void across - natural light in centre of plan
- raise pedestrian access from car park up to level 2 on walkway at edge of building
- landscape edge of building and link to gazebo on cliff
- ... retain 600 year old chestnut tree in turning circle

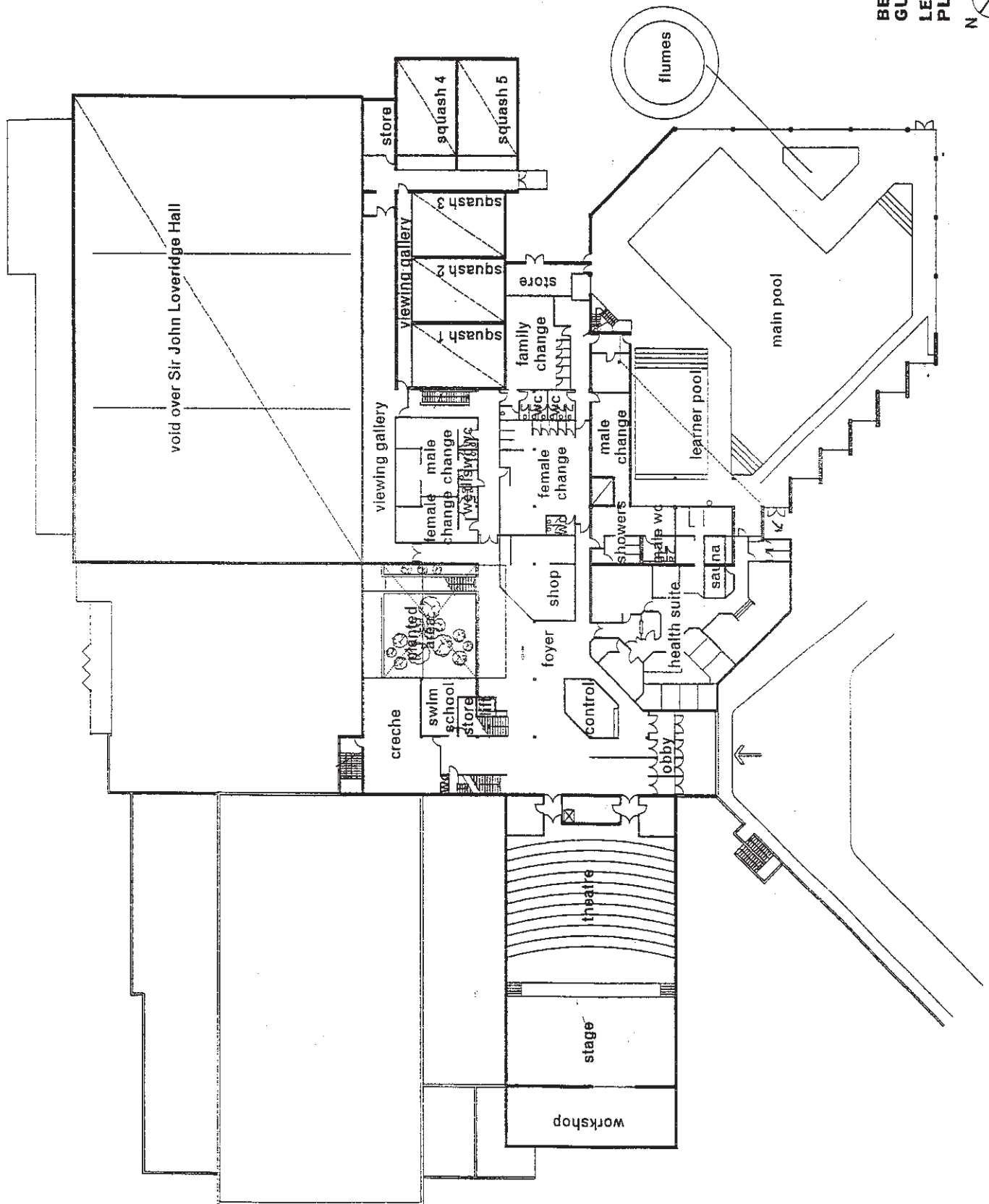


BEAU SEJOUR CENTRE
GUERNSEY
LEVEL 1
PLAN AS EXISTING

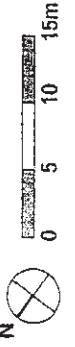


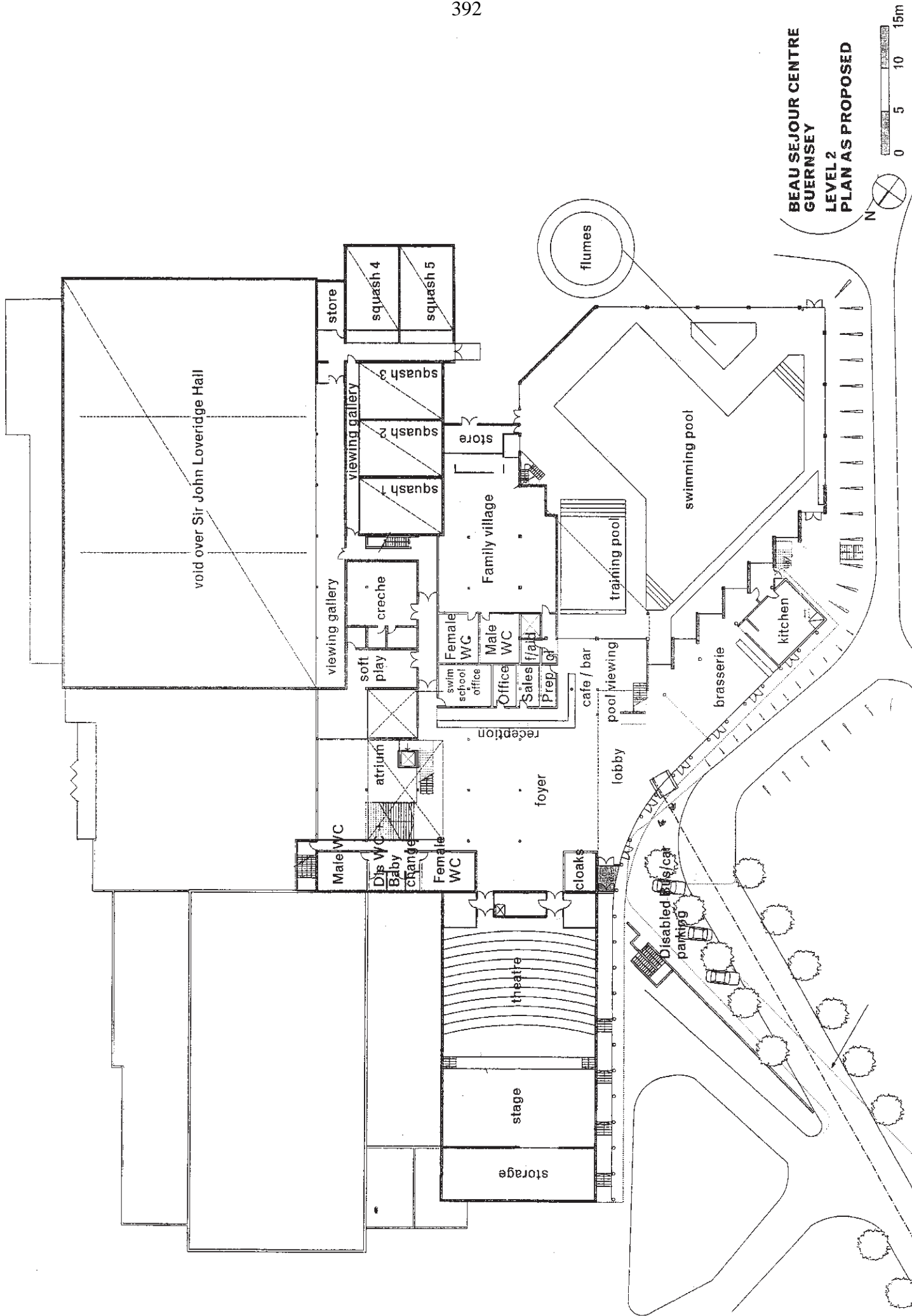
BEAU SEJOUR CENTRE
GUERNSEY
LEVEL 1
PLAN AS PROPOSED



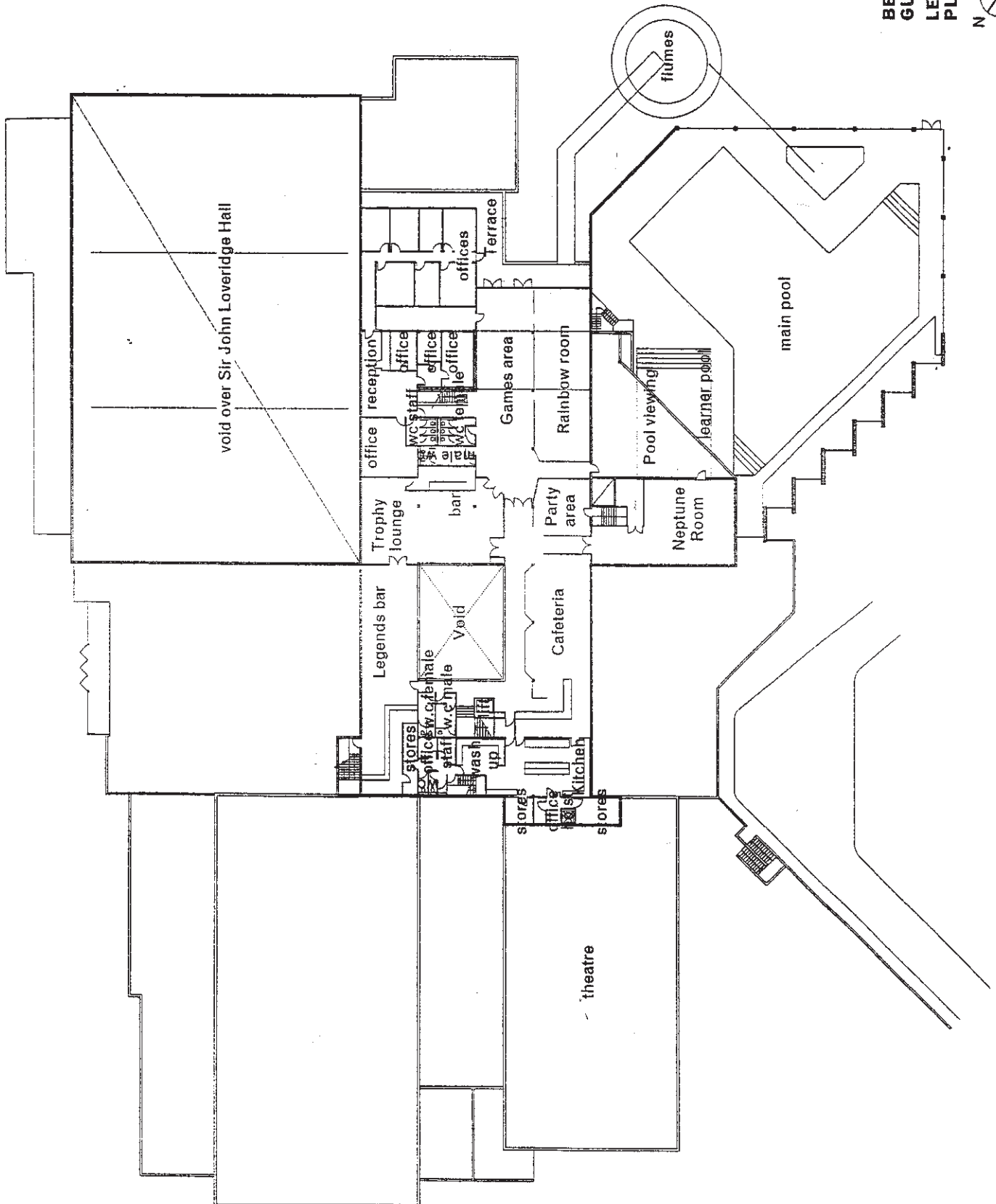
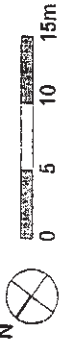


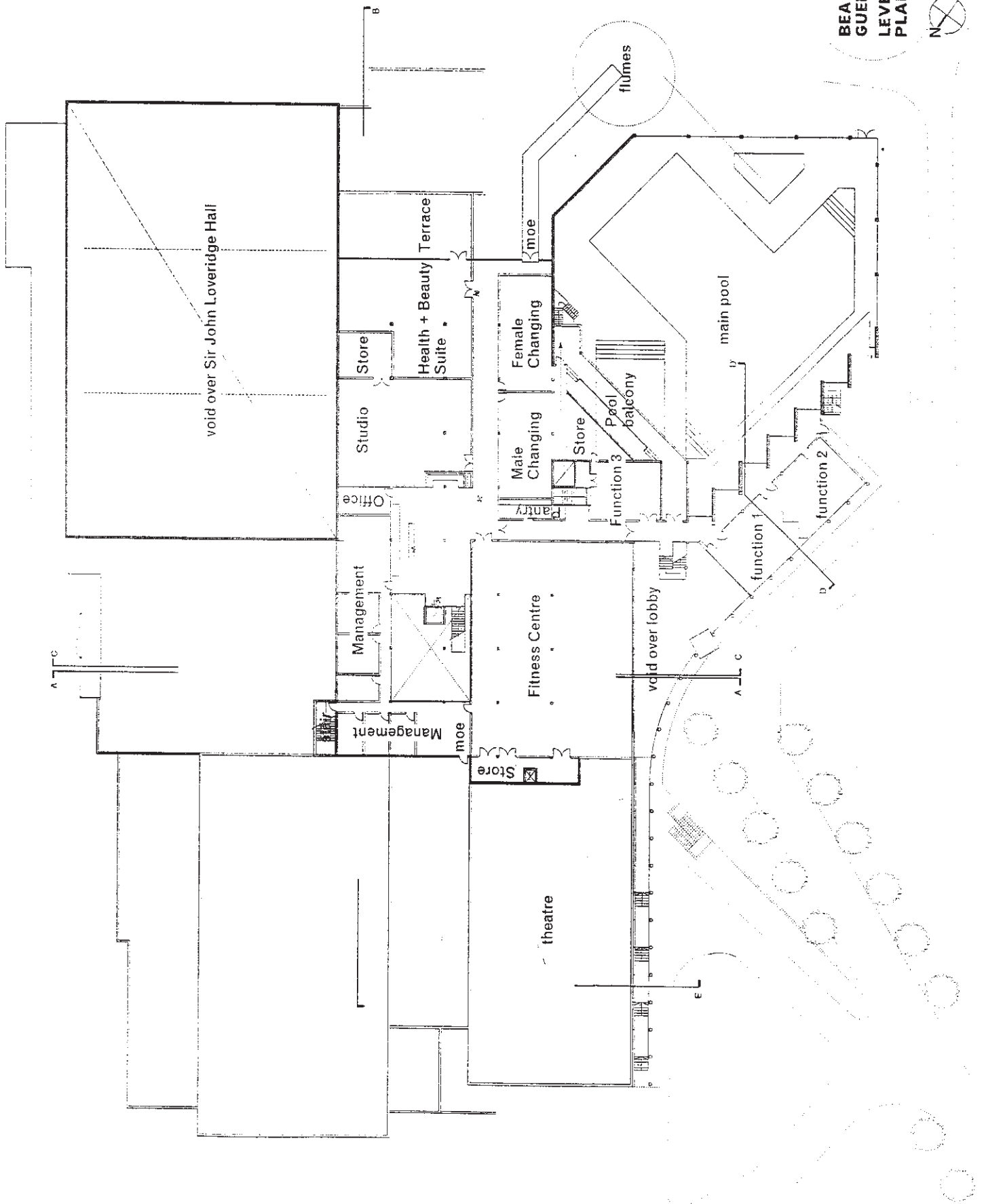
BEAU SEJOUR CENTRE
GUERNSEY
LEVEL 2
PLAN AS EXISTING





BEAU SEJOUR CENTRE
GUERNSEY
LEVEL 3
PLAN AS EXISTING





The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

22nd February, 2001.

Sir,

I have the honour to refer to the letter dated 19 February 2001 from the President of the Recreation Committee on the subject of the redevelopment of Beau Sejour Centre

The Advisory and Finance Committee supports the Recreation Committee's proposals. Beau Sejour Centre was constructed approximately 25 years ago and is an extensive complex of buildings providing a wide range of facilities. In addition to providing large numbers of Islanders with sporting and recreational facilities it also hosts many important events including conferences, charitable functions, theatre, trade shows etc. for which no other Island venue is suitable.

Whilst the Centre has served the Island well in the past the needs of the Island have changed since the Centre was first opened and the building no longer meets those needs, or expected future needs. In addition the existing fabric requires major refurbishment which is not surprising given the age and usage of the building.

The Advisory and Finance Committee agrees with the Recreation Committee that to spend approximately £4,000,000 on refurbishing the building without making it fit for purpose, now and for the future, would be a waste of taxpayers' money. The Advisory and Finance Committee has noted the benefits that will be achieved in terms of staff efficiencies and reduced running costs and considers that the proposed additional works together with the refurbishment works will provide the taxpayer with best value and extend the life of the Centre. In reaching this conclusion the Committee recognises the valuable community services provided by the Centre and that the cost of replacing the Centre with a new facility would be prohibitive.

Whilst the Advisory and Finance Committee considers the proposals to be the best way forward it is aware that they do not address all of the Centre's deficiencies and that as people's needs and expectations change various additional works will be required. The Advisory and Finance Committee recognises that the proposals offer a degree of flexibility for the future but is concerned with regard to the problems associated with access to the Centre and car parking. In this regard the Advisory and Finance Committee acknowledges the Recreation Committee's assurances that these matters have been, and are, under review.

In the 2000 Policy and Resource Planning Report the Committee included the redevelopment of the Beau Sejour Centre in a list of projects that might be regarded as probable or possible calls on funding from the Capital Reserve. The Committee supports the recommendation that the cost of the associated consultants' fees should be met by the transfer of funds from the Capital Reserve to the capital allocation of the Recreation Committee.

In acknowledging that the proposals represent best value for the future of the Centre and that the Recreation Committee intends to control costs by various means, including the use of prefabricated components where practical, the Advisory and Finance Committee remains concerned with regard to the general level of building costs on the Island and the volume and cost of States capital projects planned for the future. The Committee expressed its concerns on this matter in the 2001 Budget Report (paragraph 186 et seq.). If all the projects planned were to come forward in the short or medium term the Island could not afford to fund them. For these reasons and to avoid peaks and troughs in the construction industry the Committee considers that there is a need for the States to plan and prioritise projects in a more structured corporate manner. The Advisory and Finance Committee is considering how this could best be achieved and will be liaising with various Committees and the private sector.

Whilst the Advisory and Finance Committee is concerned about building costs and the level of intended future States spending it considers the Recreation Committee's proposals to represent the best way in which the States can ensure that the Centre will function efficiently and meet the needs of the Island.

I am, Sir,
Your obedient Servant,
L. C. MORGAN,
President,
States Advisory and Finance Committee.

The States are asked to decide:—

XV.— Whether, after consideration of the Report dated the 19th February, 2001, of the States Recreation Committee, they are of opinion:—

1. To approve in principle the redevelopment of Beau Sejour Centre as described in that Report and the attached plans at an estimated cost of £9,000,000 including professional fees.
2. To direct the States Recreation Committee to seek tenders for the redevelopment of that Centre as detailed above and to report back to the States with details of the tenders received.
3. To vote the States Recreation Committee a credit of £800,000 to cover the cost of consultant's fees for feasibility studies, planning and design work, which sum shall be taken from that Committee's allocation for capital expenditure.
4. To authorise the States Advisory and Finance Committee to transfer from the Capital Reserve to the capital allocation of the States Recreation Committee the sum of £800,000.

ADMINISTRATIVE DECISIONS (REVIEW) (GUERNSEY) LAW, 1986

REPORT OF THE REVIEW BOARD FOR 2000

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

26th January, 2001.

Sir,

In accordance with the provisions of Section 8 of the Administrative Decisions (Review) (Guernsey) Laws, 1986 to 1993, I have the honour to submit a report on the complaints received by the States Supervisor during the year ended 31st December 2000.

Section 1 of the Law provides that all applications for a matter to be reviewed by a Review Board shall be made to the States Supervisor except where the matter complained of relates to the States Advisory and Finance Committee or its staff, in which case application is made to Her Majesty's Greffier. No such complaint has been received by Her Majesty's Greffier during 2000.

I should be grateful if you would be good enough to lay this report before the States together with a proposition requesting acceptance.

I am, Sir,

Your obedient Servant,
J. E. LANGLOIS,
Chairman,
Panel of Members.

THE ADMINISTRATIVE DECISIONS (REVIEW) (GUERNSEY) LAWS, 1986 TO 1993**REPORT OF COMPLAINTS RECEIVED****by the States Supervisor****during the year ended 31st December 2000****INDEX**

<u>Respondent</u>	<u>Serial Numbers</u> (see following pages)
States Education Council	3
States Housing Authority	1, 4
States Tourist Board	5
Guernsey Social Security Authority	2
States Heritage Committee	6

PART 1 – SUMMARY OF COMPLAINTS

1. **M. v. States Housing Authority** (commenced in 1999)

A complaint against the Authority concerning its refusal to accept the complainant as eligible for States housing accommodation.

Not referred to a Review Board as the States Housing Authority reconsidered the application and agreed to add the complainant to its waiting list.

2. **N. v. Guernsey Social Security Authority**

A complaint against the Authority concerning the conduct of a member of the Authority's staff.

Not referred to a Review Board because the complaint did not fall within the jurisdiction of a Review Board and because the complainant had a right of appeal in a court of law in relation to the matter from which the complaint arose.

3. **Mr. D A Barrett v. States Education Council**

A complaint that the States Education Council had failed to cooperate with the complainant over the provision of the artwork for school crests.

The States Supervisor referred the matter to the Vice-Chairman of the Panel of Members and a Review Board was convened (for details see Part II No. 1).

4. **Mr. L G Ryder v. States Housing Authority**

A complaint that the States Housing Authority had refused to grant Mr. Ryder sole tenancy of his house.

The States Supervisor referred the matter to the Deputy Chairman of the Panel of Members and a Review Board was convened (for details see Part II No. 2).

5. **Mr. G M van Grieken v. States Tourist Board**

A complaint that the States Tourist Board had refused to remove the names of German persons from the Memorial Plaque erected at St Peter Port Harbour to commemorate the Foreign Workers who died in the Island between 1940 and 1945.

The States Supervisor referred the matter to the Chairman of the Panel of Members and a Review Board was convened (for details see Part II No. 3).

6. **O. v. States Heritage Committee**

A complaint against the Committee concerning the interpretation of the rules for a competition organized by the Committee.

Not referred to a Review Board because the complaint did not fall within the jurisdiction of a Review Board.

PART II - REVIEW BOARD DECISIONS

NO. 1

MR D A BARRETT

against the

STATES EDUCATION COUNCIL

Constitution, Venue and Representation

The Review Board was constituted as follows:

Douzenier J J Bougourd (Chairman)

Douzenier N J Brehaut

Douzenier B W Rabey

The parties were heard in public at Sir Charles Frossard House on 27 June 2000.

Mr Barrett was present, together with his wife.

The States Education Council was represented by Deputy M A Ozanne, President, and Mr D T Neale, Director of Education.

The Case

Mr Barrett opened by setting out the background to his complaint against the States Education Council. He had begun a new business venture at the end of 1999 to produce personalized clothing. In January 2000 the President of the Council had told him to whom he should speak about being able to supply items of uniform to schools.

Mr Barrett wrote as suggested but was then given a series of pieces of misinformation. He was told to try to tender but then was told it was for parents to decide. Mr Barrett then wrote to the head teachers of all Guernsey schools to tell them of the service he was offering. Most did not even acknowledge the letter. Eventually he had a meeting with the Council after the States Supervisor had been asked to intervene. After the meeting the Council had sent him a letter setting out what he needed to do and the position regarding various schools.

Mr Barrett said that he believed he had done all he could. All he was asking was for a copy of the artwork of the logos for each school so that he could create personalized garments. He said that the Council kept telling him there were problems regarding copyright but other suppliers did not seem to have a difficulty. He was producing the garments locally and believed that prices would be reduced through competition. Mr Barrett said that he received numerous telephone calls each day asking why he was not producing clothing for a particular school.

Mr Barrett said that he had not seen the legal advice received by the Council until it arrived in the dossier of papers for the hearing. He had then offered to withdraw his complaint.

He believed that the actions of the Council had been unjust, unreasonable and against the principle of natural justice. He was sorry that the matter had come to such a point with a committee of the States having to defend itself. The Council was ignoring freedom of information and upholding monopolies. He had tried the previous week to reach an amicable solution with the Council but had failed.

Mr Barrett concluded by stating that only 40% of Island schools had supplied artwork details, the rest had not.

The President of the States Education Council opened on behalf of the Council. He accepted that Mr Barrett had done what had been suggested to him. He had alleged that the Council had been unco-operative but the Council had had to seek legal advice, which had delayed a response to Mr Barrett. The legal advice was that the logos were subject to copyright. Once the matter had become the subject of a Review Board schools had not replied for fear of prejudicing the outcome.

The Director of Education then presented the Council's case in more detail. The matter of school uniforms was one between individual schools and suppliers. Throughout its dealings with Mr Barrett the Council had offered him every co-operation. It had tried to deal fairly with all the parties concerned in the case.

Depending on who had initiated the idea, the copyright of a particular school's logo could be held by the school itself, its Parent Teachers' Association, an individual designer or the supplying company. Copyright was an asset and could not be used by others except with the owner's agreement.

If a new company entered the market but only offered to supply the profitable items of school uniform then the main supplier might withdraw having lost his overall profitability. This was a matter of concern for schools.

Mr Barrett had asked to be allowed to enter the market without restriction and for the Council to supply him with all the necessary design details. The Council would not do that nor did it wish to interfere with the schools' arrangements.

Douzenier Brehaut asked what was the current position with the schools. Mr Barrett replied that he was supplying five schools, but had written to all the schools. The Council had not supplied these details until the Review Board process was commenced.

Douzenier Rabey asked if any school had restricted the use of its logos. The President of the States Education Council said that the matter had never been investigated until Mr Barrett's complaint. He could approach freely all schools and none had refused to co-operate.

In response to a question from Douzenier Rabey, Mr Barrett replied that he believed that monopolies on supply effectively existed. Mr Barrett said that he had never seen proof of copyright and the issue had only been raised recently. The Director of Education countered that copyright had always been an issue and the Council was trying to stop any possible legal infringement.

Mr Barrett explained that he had invested £55,000 in equipment. He denied that he was only "cherry-picking" the more lucrative items.

The Director of Education explained that schools were inundated with unsolicited advertising and often did not have the time or resources to reply to them all.

Mr Barrett said that many schools were not co-operating – they had ignored his letters. No proof of copyright had been shown at the hearing. The assurances given at the meeting he had had with the President and Director had not been forthcoming. The President countered that shortly after that meeting the matter had been referred to a Review Board and the Council had stopped correspondence. If the Council had given free use of logos to Mr Barrett it might have been liable for breach of copyright.

Mr Barrett asked the Council if it was able to supply information on the contractual agreements with schools. The President replied that he believed that such matters were only tested in a court of law. The Director reiterated that the copyright of the logos for four schools was not held by the schools but by third parties.

Mr Barrett explained that he had felt he had done all he could be expected to do. When he had received an answer he had given schools what they required. He wanted the original artwork but could not be unscrupulous.

The President of the States Education Council closed for the Council. He said that the Council had co-operated. It had helped but some matters were outside its control or gift. All but four schools could deal directly with Mr Barrett and he could discuss issues with them and that would enable him to establish a business.

Mr Barrett finished by saying that the matter could easily have been resolved at the beginning. The Council had made it complicated. He had attempted repeatedly to resolve the issue. He had been reasonable, the Council had not.

The Review Board's Findings

The Review Board decided that the States Education Council did co-operate and that its actions could, in all the circumstances, have been taken by a reasonable body of persons after proper consideration of all the facts.

Mr. Barrett's complaint was, therefore, dismissed.

PART II - REVIEW BOARD DECISIONS**NO. 2****MR. L G RYDER****against the****STATES HOUSING AUTHORITY****Constitution, Venue and Representation**

The Review Board was constituted as follows:

Deputy P A C Falla (Chairman)

Deputy M E Best

Alderney Representative P Cranford-Smith

The parties were heard in public at Sir Charles Frossard House on Tuesday 25 July 2000.

Mr. Ryder was present

The States Housing Authority was represented by Deputy Mrs. P Robilliard and Mr. K Mann, Housing Manager.

Substance of the Complaint

The States Housing Authority's refusal to grant Mr. Ryder sole tenancy of his house.

The Case

Mr. Ryder stated that he had been in States Housing accommodation since 1965 and that he was grateful to the Authority for housing him. He explained that in March 1994 he had suffered a serious accident at work and had been unable to work since that time.

Mr. Ryder said that his income was from Sickness Benefit and more recently Invalidity Benefit. He said that his injury and loss of income had put his marriage under considerable strain and the relationship had eventually broken down in August 1999.

Mr. Ryder explained that he was receiving Invalidity Benefit at £83.70 per week. He was therefore unable to afford to pay rent of £69.24 per week. Mr. Ryder said that he had stopped paying his rent when the Housing Authority had refused to grant him a rent rebate in August 1999. He said he was unable to ask his wife to support him financially any more, hence his rent rebate application.

Mr. Ryder attested that the terms and conditions of the first tenancy agreement still applied. Therefore as he had signed that agreement as a "sole tenant" the Authority should also allow the tenancy to 3 Rosemount to be in his sole name. Mr. Ryder maintained that the agreements he had made with the Authority each time he moved had only related to his accepting the property in the condition it was offered. He said he did not know why his wife had been asked to sign the agreement for 3 Rosemount as well.

Further, Mr. Ryder said that the Authority's reasons for changing its policy did not apply to him. The reasons given were:

- (1) To provide security of tenure to both parties – he said that neither he or his wife had a problem, or had ever had a problem, with security of tenure, nor could he from all his years with the States House Tenants' Association think of a time when this had been a problem;
- (2) To enable the Authority to pursue both parties in the event arrears – he said he had never been in arrears with his rent, therefore this reason did not apply to him.

Mr. Ryder also said that all rent receipts he had received only showed his name and he concluded that the tenancy should also be in his sole name.

Deputy Mrs. Robilliard opened for the Housing Authority and accepted that when Mr. Ryder first moved into States accommodation it was customary for the tenancy to be in the sole name of the principal breadwinner, i.e. normally the husband. The decision to make joint tenancies normal practice was made as part of the Authority's major policy letter to the States in 1982, when all aspects of States House tenancies were reviewed. The States approved this policy letter, therefore whilst not inscribed in law the Authority's policies were directed by States Resolution.

Deputy Robilliard said that the Authority had held the view that whilst Mr. and Mrs. Ryder continued to occupy the same dwelling and in the absence of any judicial separation they should be regarded in the same way as any other co-habiting couple. That is, Mrs. Ryder's income had to be taken into account in determining the eligibility for rent rebate. Mr. Ryder had not supplied details of Mrs. Ryder's income since August 2000 when applying for rent rebate.

The Housing Manager added to Deputy Robilliard's remarks by clarifying the Guernsey Social Security Authority's role in processing rent rebate applications. The Guernsey Social Security Authority undertook that work, under contract for the Housing Authority, as they had detailed information in respect of income (earned or by benefit) and so were able to process the applications with greater ease, and thus there was less delay for the tenants. The responsibility for setting the rent payable and its collection rested wholly with the Authority.

The Housing Manager accepted that the terms and conditions of tenancy had not fundamentally changed since Mr. Ryder first became a tenant, but that a joint tenancy was offered and subsequently accepted when Mr. and Mrs. Ryder moved into 3 Rosemount. He said that if the Ryders had had any concerns about the implications of a joint tenancy and had they raised them at that time they would have been answered at staff level. Further, prior to the States decision of 1982 the Authority had consulted the States House Tenants' Association about the proposals and had sought to keep the Association informed of such changes. Mr. Ryder was a member of the Association.

The Housing Manager said that any tenancy related to the occupancy of the dwelling specified on the tenancy and so when a tenant moved house a new tenancy agreement was entered into. He also said that the Authority had to deal with some difficult cases when a tenant had died, leaving a spouse/partner or adult child in the dwelling and in some cases the surviving party was not, in his/her own right, eligible for States accommodation.

Deputy Robilliard said that the Authority's position in respect of dissolving joint tenancies had to be consistent. Therefore, when the joint tenants remained in the dwelling, regardless of the standing of the relationship, the Authority took the view that each party's income was assessable for eligibility for rent rebate.

The Authority believed that to do otherwise would be to leave the whole rent rebate scheme open to abuse and fraudulent claims.

In answer to questions from Deputy Falla, Deputy Robilliard said this policy applied across the board, regardless of the nature of the relationship. The Housing Manager added that in a number of cases the Authority had tenancies with brothers and sisters, who were all regarded as joint tenants. He emphasised that, unlike the UK, there was no Housing Act to define who should be regarded as a joint tenant or co-habitee, e.g. for rent assessment purposes.

Deputy Best asked if the 1982 policy change had been communicated to all tenants. The Housing Manager said that it would have been impracticable to do so, but where a new tenancy was signed, e.g. when a tenant moved a joint tenancy was offered. Further, tenancies signed prior to 1982 were unaffected by the change in policy, although under the terms of the rent rebate scheme the partner's income was assessable.

Mr. Ryder said that, in his role with the States House Tenants' Association, he had spoken to a number of younger tenants who expressed concern about joint tenancies and that the Authority was using one party to guarantee the other party paying the rent. He believed that the policy infringed tenants' human rights.

Deputy Best asked how the issue of joint and several liability for arrears was addressed, as it was not spelt out in the tenancy agreement. Deputy Robilliard explained that joint income was only an issue when rent rebate was applied for. The Housing Manager said that staff explained joint and several liability, but not in writing.

Deputy Falla asked Mr. Ryder if, as a member of States House Tenants' Association, he had been aware of these changes. Mr. Ryder said he had not and had only realised in 1993 following a Petty Debts action, which a tenant had referred to the States House Tenants' Association. Deputy Robilliard said that in 1990 Mr. Ryder had, together with Mrs. Ryder, signed a joint tenancy, stating "We". Mr. Ryder said that he believed that document (the tenancy agreement) only referred to the condition of 3 Rosemount.

Alderney Representative Cranford-Smith pointed out that in 1990 both Mr. and Mrs. Ryder had signed the tenancy agreement as having read the agreement.

The Housing Manager closed for the Authority saying that, whilst it was sympathetic with Mr. and Mrs. Ryder's change in circumstances, it could not ignore that both continued to live in the house and a joint tenancy was in place. He reiterated the possibility for abuse if a sole tenancy was granted and the rent payable reduced accordingly. He concluded by adding that the Authority also had a duty of care in respect of Mrs. Ryder and ensuring that her rights as a tenant were not compromised.

The Review Board's Findings

The Review Board decided that the States Housing Authority had not acted unreasonably in its refusal to grant Mr Ryder a sole tenancy and that its actions could, in all the circumstances, have been taken by a reasonable body of persons after proper consideration of all the facts.

However, it added:

"... the Review Board was concerned by the serious deficiencies in the wording of the "Form of Agreement" and "Conditions of Tenancy" in relation to States house tenancies. It believes that the method of setting the rent should be spelt out. It also believes strongly that the "Conditions of Tenancy" should be written to set out clearly the rights and responsibilities of both tenant and landlord and especially that the joint and several liability aspect should be set out."

Mr. Ryder's complaint was, therefore, dismissed.

PART II - REVIEW BOARD DECISIONS**NO. 3****MR. G M VAN GRIEKEN****against the****STATES TOURIST BOARD****Constitution, Venue and Representation**

The Review Board was constituted as follows:

Douzaine Representative W Le R Robilliard (Chairman)

Deputy P J R Roffey

Alderney Representative L E Jean

The parties were heard in public at Sir Charles Frossard House on Tuesday 3 October 2000.

Mr van Grieken was present and was accompanied by Deputy A D C Webber and Deputy Mrs A Robilliard. Mr D Holmes and Mr S Trump gave evidence in support of Mr van Grieken's case.

The States Tourist Board was represented by Deputy G J Norman, president, Mr. I Shepherd, Director of Policy and Development, and Mr. E H Ozanne, formerly Deputy Director, States Tourist Board.

Substance of the Complaint

The States Tourist Board's refusal to remove the names of German persons from the Memorial Plaque erected at St Peter Port Harbour to commemorate the Foreign Workers who died in the Island between 1940 and 1945.

The Case

Mr van Grieken explained he was a Dutch National who had come to Guernsey in 1942 as a conscripted worker with the Organisation Todt (OT). He detailed the conditions and physical abuse that he had suffered during his time with the OT. The physical abuse had included being hit over the head by an overseer, which had left him with a permanent hearing loss.

Mr van Grieken said he was fully supportive of the placing of a plaque to commemorate the foreign workers who had died in the Island during the Occupation. However, he could not accept the inclusion of German names on the plaque. He said he was not aware of the decision to include German names until after the plaque was unveiled. Mr van Grieken added that for him the German OT men were those given responsibility as overseers, they wore uniforms and carried side arms and were responsible for many acts of cruelty against other foreign workers. He said that they received military funerals and were buried at the Fort George Military Cemetery.

Deputy Webber said that Mr van Grieken fully accepted and supported the intention of the Tourist Board to commemorate foreign workers but could never reconcile the inclusion of German names. He said that he believed that the Tourist Board had made a mistake of fact in not recognising that the status of German OT workers was very different from that of other nationalities. Further, their names had been recorded at Fort George, so they were already commemorated.

Mr Holmes, in support of Mr van Grieken's complaint, said that whether or not the German OT workers were regarded as civilian or military personnel was immaterial: the evidence of their cruelty to other foreign OT workers was well documented. Therefore, on these grounds alone, their names should not have been recorded.

Mr Trump supported this view. He related boyhood memories of observing the cruelty of OT overseers.

In opening for the Tourist Board, Deputy Norman acknowledged that the matter was difficult and controversial and said that he fully understood the deep feelings held by Mr van Grieken. It was also not disputed that many of the OT supervisors had acted brutally towards those in their charge although no doubt there were instances of kindness by others.

The purpose of the plaque was to remember all foreign workers who lost their lives in Guernsey during the Occupation. It was not done in the spirit of dwelling on the atrocities of the past but rather to move forward in the spirit of reconciliation.

The plaque was inaugurated on 17 January 1999 in the presence of diplomatic representatives from Algeria, Belgium, China, France and Russia.

The original concept was that the memorial would be in memory of "slave" workers who were in the Island during the Occupation. However, the word "slave" had become a generic and emotive title often applied to all foreign workers who came to work in Guernsey during the period.

The Board was faced with a choice of either including all available names on the plaque or installing a plaque without any reference to individual names. The Board had decided to include all the names having taken account of views of the Channel Island Occupation Society. The list of names had been circulated to the embassies of the nationalities involved primarily in order to verify the spelling. The inclusion of German names was not questioned by the embassies.

Deputy Norman then explained why it was felt inappropriate to remove the German names. Firstly, all workers for the OT were civilians and there should, therefore, be no distinction between them. Secondly, whilst some Germans were in supervisory positions the Board's view was that that in itself did not signify military status for the Organisation Todt as a whole. Thirdly, there was no evidence to suggest that the particular German names on the plaque were the perpetrators of brutality. In the absence of proof to the contrary the Board's view was that the person should be given the benefit of the doubt. Fourthly, the plaque was erected in the spirit of forgiveness and reconciliation and it would, therefore, be inappropriate to single out particular nationalities for different treatment. Fifthly, the list of names had been circulated widely, both locally and to embassies and no one had raised any objections to the inclusion of German names. Sixthly, the unveiling of the plaque was an official and historical event attended by representatives of sovereign states. Seventhly, with regard to burials in the Military Cemetery at Fort George, it was German practice to bury their nationals of both military and civilian status at that cemetery.

Mr van Grieken was asked whether his objection to the inclusion of German names was on the grounds that they were German or because of the role he believed they played within the OT, to which he replied that it was because they were German. He did not know any German OT workers who were "forced." Asked whether the names of German nationals should be excluded, regardless of background, he said that they should - if they were German they were not in the same category as other OT workers.

Mr van Grieken said some of the OT overseers might not have been German nationals. However, records were unclear and inconclusive.

The Tourist Board was asked whether all Board members received copies of Mr van Grieken's letters and the structures of the OT and whether they understood the distinction between forced labourers and overseers to which Deputy Norman replied that the Tourist Board was acting as the lead Committee, working with Heritage Committee under the Fortress Guernsey umbrella. Mr Ozanne added that the Steering Group for Fortress Guernsey dealt with issues relating to the verification of names. Mr Norman said that the Tourist Board was made aware of the change of view of the Channel Island Occupation Society and had acceded to it.

Asked whether it was the original intention to erect a plaque to "slave" labourers and, if so, what led to a change of course to include all civilian/foreign workers, Mr Norman replied that the whole area was a grey one. The Tourist Board used Greffe records, which related solely to civilian deaths. Mr Ozanne said that the Channel Island Occupation Society suggested the wording "all foreign workers". Mr Norman reiterated the difficulties in differentiating between roles held by the many OT Workers, regardless of nationality.

The Tourist Board was asked whether it had taken a decision to include armed uniformed overseers. Mr Ozanne said that the Tourist Board was not aware of individuals' roles within the OT but only that they were civilian workers. Mr Norman added that to exclude persons on the basis of nationality would have been to provide an incomplete record. Mr Norman was asked whether the Tourist Board felt, with hindsight, that it should have sought the views of the surviving OT workers to which he replied that he could not answer for the Board at that time.

He was asked whether the Tourist Board felt it should have considered a simpler plaque without names. Mr Norman said that the decision was centred on their designation as civilian forced labourers rather than nationality. Asked whether the Board had concerns that some overseers may have been other than German nationals Mr Norman said that delays were already substantial and the Board was being encouraged to expedite the task. Once the decision to include names had been made it was appropriate to include all names recorded at the Greffe.

It was noted that correspondence suggested that the initial decision was to include names without nationality. Mr Norman replied that reference to nationality did not automatically confirm a role within the OT. Mr Norman was asked whether the Tourist Board's decision not to change the plaque was based on a belief of being right in principle or whether it was based on practicalities and the embarrassment of admitting a mistake. He replied that it was "fifty-fifty." The Tourist Board had taken all reasonable steps to give a complete picture, using best records available, given that over fifty years had elapsed and events took place during a period of war. Mr van Grieken's complaint came within one month of the unveiling ceremony.

Mr van Grieken asked the Tourist Board why it did not consult with surviving OT workers when planning the memorial. Mr Ozanne replied that it was unaware that Mr van Grieken was an OT survivor. The Tourist Board had used official channels. Asked whether the Tourist Board knew that Germans buried at Fort George wore uniforms and carried side arms Mr Norman said that it was so aware. It had to be remembered that these events took place during a time of war.

Mr van Grieken wanted to know whether the Tourist Board understood that there was a difference between volunteer OT workers and forced OT workers. Mr Norman accepted Mr Van Grieken's position but the Tourist Board had made all reasonable steps to try and identify how each person recorded had become part of the OT.

Most German Occupation records had been destroyed. They relied on other records, which were often incomplete, given the number of years that had passed. Mr van Grieken asked why the Dutch

Embassy had not sent an official representative to the unveiling ceremony and whether the Board was aware that he had copies of correspondence from the Dutch Authorities indicating their opposition to the inclusion of German names on the plaque. The Board did not answer that question.

Mr Norman said that this was a case of emotion v fact. The Tourist Board sought to make a balanced decision. Brutality did not obscure the facts. The role of the OT was very different pre 1940 and during the period 1940 to 1945.

The Tourist Board was asked why it had included the German names in the same category as the other nationalities, given the documentation of the role of German nationals in the OT. Mr Norman said that the role or status of individuals was unknown. The Tourist Board had no way of knowing whether the German OT workers were overseers, or indeed whether any other nationalities were overseers. Who had committed acts of abuse was unknown.

Deputy Webber asked whether German nationals opposed to the Nazi regime were sent to Alderney. Mr Ozanne said that it was only a supposition, some were slave workers, others were paid but there were no records to show their nationality. The Tourist Board had not sought to clarify the status of German workers.

Mr Norman said that it was only supposition that if Todt had survived he would have been tried as a war criminal. German nationals had little choice in working for the OT, particularly those with building/construction expertise.

In response to the Tourist Board's view that little direct evidence had survived, Mr van Grieken said that he was able to give that direct evidence. Mr Norman asked whether Mr van Grieken could differentiate between those who had volunteered and those who had been conscripted/forced. Could he be certain that only German nationals were appointed overseers and/or performed acts of cruelty? Mr Norman believed that such a differentiation could not be made.

Mr Trump asked why it had taken so long to erect a commemorative plaque. Mr Shepherd said that the suggestion had come from a member of the public via the Liberation Celebrations Committee and the Tourist Board had taken on the task as part of the Fortress Guernsey project, in conjunction with the Heritage Committee. The delays had been due to the lengthy research that had been undertaken including seeking advice from the Channel Island Occupation Society and the Royal British Legion.

In his closing remarks on behalf of the States Tourist Board Deputy Norman said that the Board was sympathetic with Mr van Grieken's reasons for wishing to see the names of Germans removed from the plaque but he believed that the reasons were based on emotion rather than fact.

Mr Shepherd added that the context in which the OT operated, that is on a war footing, and the political issues surrounding the Nazi Regime had to be borne in mind. Those factors would have influenced why individuals behaved in the way they did. There was no evidence to suggest that any of the individuals, German or otherwise, were responsible for committing acts of violence or brutality against other OT workers. The Greffe record clearly only recorded civilian deaths, therefore it had to be accepted that Germans recorded at the Greffe were civilian OT workers. The Tourist Board's position did not allow for them to separate out nationalities.

In closing, Mr van Grieken reiterated his belief that the Tourist Board was wrong to include German names, people who had acted brutally against other OT workers, who had been overseers and had worn uniforms bearing the Nazi symbols and who carried side arms.

The Board's Findings

The Review Board considered all the evidence submitted to it, both written and verbal, and, by a majority, found that, on the balance of probabilities, the decisions of the States Tourist Board could not have been made by a reasonable body of persons after proper consideration of all the facts.

In accordance with the Section 7(4) of the Administrative Decisions (Review) (Guernsey) Laws, 1986 to 1993 the States Tourist Board was requested to notify the Review Board of the steps which had been taken to reconsider the matter and the result of that reconsideration by 4 pm on Tuesday 17 October 2000.

Result of Reconsideration

On 17 October 2000 the Tourist Board advised the Review Board that the previous day it had given very full consideration to the decision of the Review Board, but requested an extension of the deadline to enable it to give further serious consideration to the Review Board's decision at its next meeting which was scheduled for Monday 20 November 2000.

The Review Board acceded to that request.

On 23 November 2000 the President of the Tourist Board advised the Review Board in the following terms.

"I have to inform you that, having given the matter very full consideration, the Board has decided, by a majority, that it is not prepared to remove the German names from the plaque for the following reasons:

1. Although it is clear that within the Organisation Todt workers of German nationality were often placed in certain supervisory positions over other nationalities, it is also true that, under the Nazi philosophy, Germans were themselves also badly treated. This confirms the Board's view that it would be inappropriate to remove the German names on the plaque on the basis on nationality.
2. Although there were instances of brutality by supervisors against those in their charge, nothing is known to the detriment of those who are named specifically on the plaque. The Board believes that, without such evidence, it would be against the principles of natural justice, and especially the presumption of innocence, to remove the names from the plaque.
3. The plaque contains the name of an Italian worker, whose country was also at war with Britain at the time. However, no case has been made that his name should also be removed.
4. Given that it is now nearly sixty years after the events alleged, the Board holds the view that, as there is no evidence as to the behaviour of the individual persons of German nationality named on the plaque, the balance of probability should lean towards the spirit of reconciliation rather than discrimination based on nationality.

For these reasons, the Board wishes by a majority, to maintain its initial position that it was entirely appropriate for the German names to be included on the plaque."

Review Board's Response to Reconsideration

Upon receipt of the Tourist Board response, the Review Board met briefly to confirm it had no option but to refer the matter to the States of Deliberation.

Subsequently on 11 January 2001 the States Tourist Board informed the Review Panel that after further reconsideration of the matter it had:

“... decided to arrange for the German names on the memorial plaque to be covered over, as soon as can reasonably be achieved, and as unobtrusively as possible.”

The Review Board examined the result of the States Tourist Board's further consideration of this matter and accepted this decision as being a reasonable one after proper consideration of all the facts. It therefore withdrew the policy letter it had prepared.

The States are asked to decide:—

XVI.— Whether, after consideration of the Report dated the 26th January, 2001, of the Review Board constituted under the Administrative Decisions (Review) (Guernsey) Law, 1986, they are of opinion:—

To accept that report.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

THE SOCIAL INSURANCE (CONTRIBUTIONS) (AMENDMENT) REGULATIONS, 2001

In pursuance of the provisions of section 117 of the Social Insurance (Guernsey) Law, 1978, I lay before you herewith the Social Insurance (Contributions) (Amendment) Regulations, 2001, made by the Guernsey Social Security Authority on the 31st January, 2001.

EXPLANATORY NOTE

These regulations remove the restriction which made applications to pay earnings-or income-related contributions effective only from the year in which they were made, unless specially allowed at the discretion of the Authority.

THE RABIES (AMENDMENT) ORDER, 2001

In pursuance of the provisions of section 4 of the Rabies (Bailiwick of Guernsey) Law, 1975, as amended, I lay before you herewith the Rabies (Amendment) Order, 2001, made by the States Agriculture and Countryside Board on the 19th January, 2001.

EXPLANATORY NOTE

This Order extends the list of countries from which pet cats and dogs may be imported into Guernsey under the provisions of the Pet Travel Scheme.

THE PROHIBITION OF IMPORT (MEAT, ANIMAL FEED ETC) ORDER, 2001

In pursuance of the provisions of section 13 of the Animals and Animal Products (Import and Export) Ordinance, 1952, as amended, I lay before you herewith the Prohibition of Import (Meat, Animal Feed etc) Order, 2001, made by the States Agriculture and Countryside Board on the 22nd February, 2001.

EXPLANATORY NOTE

This Order prohibits the importation of animal carcasses, fertilisers and animal feedingstuffs, hay, straw and litter from the United Kingdom.

These measures are introduced as a precautionary measure following an outbreak of Foot and Mouth disease in the United Kingdom.

**THE PROTECTED CELL COMPANIES (SPECIAL PURPOSE VEHICLE)
REGULATIONS, 2001**

In accordance with the provisions of section 26(3)(d) of the Protected Cell Companies Ordinance, 1997, I lay before you herewith the Protected Cell Companies (Special Purpose Vehicle) Regulations, 2001, made by the Guernsey Financial Services Commission on the 6th February, 2001.

EXPLANATORY NOTE

Protected cell company status under the Protected Cell Companies Ordinance, 1997 is reserved for authorised collective investment schemes, insurers, closed-ended investment companies (as from 1999) and any other class or description of company prescribed by regulations of the Commission. These regulations permit the two further classes of company specified in regulation 2(2) to be incorporated as, or converted into, a protected cell company in Guernsey for the purposes of that Ordinance. The order is subject to the provisions of that Ordinance which must be complied with in all respects. The additional classes of company are those established principally for the purpose of issuing bonds or other debt securities where the repayment is to be funded from the proceeds of the company's investments and those established principally for the carrying on of finance business (other than those supervised under the Protection of Investors Law, the Insurance Business Law, the Banking Supervision Law and the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc Law).

THE IMPORTATION OF MEAT AND MEAT PRODUCTS ORDER, 2001

In pursuance of the provisions of section 13 of the Animals and Animal Products (Import and Export) Ordinance, 1952, as amended, I lay before you herewith the Importation of Meat and Meat Products Order, 2001, made by the States Agriculture and Countryside Board on the 23rd February, 2001.

EXPLANATORY NOTE

This Order permits the direct importation into the Island of meat and meat products from cattle, sheep, pigs and goats, from any Member State of the European Community, other than the United Kingdom.

THE PROHIBITION OF IMPORT (MEAT, ANIMAL FEED ETC) (NO.2) ORDER, 2001

In pursuance of the provisions of section 13 of the Animals and Animal Products (Import and Export) Ordinance, 1952, as amended, I lay before you herewith the Prohibition of Import (Meat, Animal Feed etc) (No.2) Order, 2001, made by the States Agriculture and Countryside Board on the 28th February, 2001.

EXPLANATORY NOTE

This Order prohibits the importation of any animal carcasses from the United Kingdom or the Republic of Ireland.

These measures are revised precautionary measures introduced following the outbreak of Foot and Mouth disease in the United Kingdom and on a farm in Northern Ireland near the border with the Republic of Ireland.

DE V. G. CAREY
Bailiff and President of the States

The Royal Court House,
Guernsey.
The 9th March, 2001.

APPENDIX I

STATES ADVISORY AND FINANCE COMMITTEE

STATES AUDIT COMMISSION: THIRD ANNUAL REPORT

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

9th February, 2001.

Sir,

States Audit Commission: Third Annual Report

The States Audit Commission (Guernsey) Law, 1997 requires the Commission to “prepare and submit to the Committee an annual report outlining the exercise of the Commission’s functions, which annual report the Committee must within three months submit for inclusion as an appendix to a Billet d’État.” The Advisory and Finance Committee has received the third annual report of the Commission.

The Committee supports the work of the Commission and is confident that, with the cooperation of States Committees, the Commission will continue to make a valuable contribution to ensuring that States resources are better safeguarded and used more effectively, efficiently and economically.

The Committee therefore recommended as part of the 2000 Policy and Resource Planning Report, and the States agreed, that the Commission’s funding should be increased by £150,000 and £200,000 in 2000 and 2001 respectively (total authorised budget for 2001: £420,000).

The Commission was formed with effect from 1 March 1998 and in light of its experiences during this time, and in view of the ongoing review of the machinery of government, the Committee believes that it is now appropriate to consider what, if any, changes need to be made to the mandate and operation of the Commission.

The Committee therefore intends, in co-operation with the Commission, to carry out such a review to ensure that the audit arrangements for the States are appropriate and continue to be in accordance with modern best practice.

I would be grateful if, in accordance with the Law, you would arrange for the publication of the States Audit Commission’s third annual report as an appendix to a Billet d’État.

I am, Sir,

Your obedient Servant,

L. C. MORGAN,

President,

States Advisory and Finance Committee.

The President,
Advisory and Finance Committee,
Sir Charles Frossard House,
La Charroterie,
St. Peter Port,
Guernsey.

17th January, 2001.

Dear Deputy Morgan,

THIRD ANNUAL REPORT OF THE STATES AUDIT COMMISSION

1 Introduction

The States Audit Commission was established with effect from 1st March 1998 under the States Audit Commission (Guernsey) Law, 1997.

The functions of the States Audit Commission are:

- a) to oversee, co-ordinate and evaluate the internal audit of States interests;
- b) to receive, on behalf of the [Advisory and Finance] Committee, all reports made by external auditors of States interests;
- c) to monitor the selection and application by States committees of accounting standards, accounting policies and accounting procedures;
- d) to assist and encourage States committees, where appropriate by commissioning studies and reports, in the effective, efficient and economical management of States' assets and finances;
- e) to report to the [Advisory and Finance] Committee in relation to all of the above matters.

A summary of the legislation and mission statement is set out in Appendix I of this report. Appendix II sets out the current membership of the Commission.

The States Audit Commission (Guernsey) Law, 1997 ("the Law") requires the Audit Commission to prepare and submit to the Advisory and Finance Committee an annual report outlining the exercise of the Commission's functions." The Law also requires that the Commission's report must be presented to the States within three months as an appendix to a Billet D'État.

Although the primary purpose of this annual report is to set out the activities of the Commission, the members of the Commission believe that they should also take the opportunity to make some general comments on the standard and adequacy of States financial procedures and controls and on relevant issues in which the Commission has an interest. In this way, the Commission believes it will be fulfilling its primary objective of assisting committees in ensuring the good management of States' assets and finances.

2 General Observations

2.1 Control Assessment

Since the introduction of standard audit opinions during 1999, the majority of audits have resulted in a 'Marginally Deficient' opinion (see section 4.2). Of the audit reports considered by the Commission during 2000 (see Appendix III), only 31% achieved a 'Satisfactory' opinion. Of this 31%, audits of areas within the Board of Health accounted for 19%, indicating that only 12% of audits in other areas of the States achieved a 'Satisfactory' opinion at first audit.

This is countered somewhat by the statistics at follow up. Of the fourteen follow up audits considered by the Commission, 50% achieved a satisfactory rating.

Given the results noted above, it is the opinion that the state of the control environment as a whole within the States of Guernsey is currently "Marginally Deficient".

Where less than 'Satisfactory' internal audit opinions have been expressed, a frequent management response has been to blame the lack of adequate manpower to create a proper management and control environment. Sometimes this has been due to the failure of committees to assign, what the Commission believes to be, appropriate priority to financial control and good management. However, in other cases, it is due to a genuine lack of availability of appropriate numbers of suitably trained staff. This problem is mirrored in the private sector, and the States as a whole must address the challenges of inadequate skilled manpower resources if committees are to provide an acceptable level of value for money and adequately protect States assets and finances.

There is still much improvement to be made and the Commission encourages all committees to seek to improve their control environment. Also, to maintain the fortunately low level of frauds and other such irregularities the States of Guernsey has experienced, it becomes all the more important to maintain a tight control structure.

2.2 Best Value

The concept of 'Best Value' has become increasingly recognised over the past year, and committees are taking onboard the challenge of seeking to maximise the value provided to their service recipients. The concept is based on the following key areas:

- **Challenge** – the Commission is encouraged to note from Internal Audit reports, that committees are becoming increasingly professional in the way they run their individual businesses, evidenced by greater awareness of the need for stated objectives and business plans. The Commission encourages those committees which do not yet have a comprehensive business plan prepared to consider (and challenge) their stated objectives and set of services provided, and to develop a comprehensive business plan for delivering those objectives and managing the associated risks.
- **Consult** – the Commission has seen increasing instances of committees consulting with the public on a whole range of matters concerning the services they receive, in an attempt to provide a more open and accountable government. Notable instances include the Education Council's consultation on the provisions for secondary and tertiary education, and the Housing Authority's survey on future housing stock requirements.
- **Compare** – the Commission's report on "Performance Measurement", published in 1999, encouraged committees to set meaningful performance targets for service delivery, and to be

open in publishing the results achieved. As a result, committees were asked to devise their own set of “Key Performance Indicators” for inclusion in their 1999 year-end accounts submissions as a dry run, prior to publication of such measures in the 2000 year-end set of accounts presented to the States in 2001. Several committees, including the Guernsey Social Security Authority, Board of Health and Board of Administration, demonstrated real effort in generating meaningful key performance indicators. As the 2000 year-end process will no longer be a dry-run, the Commission encourages other committees to recognise the value of setting stretching but achievable targets for improvement, to benchmark performance against other providers, and to be open about the levels of performance achieved.

- **Competition** – in the aim of achieving best value, committees are encouraged to embrace open competition in the sourcing of goods and services. The follow up review of the Commission’s report on “Purchasing in the States of Guernsey”, published in early 2000 (see section 3.4 below), noted significant improvements in purchasing processes, that encourage more business-like procurement and fair competition.

Furthermore, the Commission has been encouraged to note increasing numbers of committees seeking to achieve recognise accreditation of various Quality Standards. Following on from the success of the States Works Department last year in achieving ISO9002 accreditation, the Commission was pleased recently to be informed that Beau Sejour Leisure Centre had achieved accreditation under the “Quest” quality standard, specific to leisure centres. The Commission is also aware of a number of committees seeking to achieve the “Investors in People” mark and the work continuing at the Board of Health to achieve HQS (Health Quality Standard). In the absence of competition for many public services, it might be tempting for committees to rest on their laurels, and the Commission is encouraged to note the commitment of committees in seeking to achieve the best possible service for the people of Guernsey.

2.3 Corporate Governance

Following the great interest last year at the release of the Turnbull guidance on good corporate governance, committees this year have been considering various practical means by which they can improve their stewardship of the public funds entrusted to them.

A key element of the Turnbull guidance was the management of risk. Following the release of the Commission’s report on “Risk Management & Insurance” (see section 3.1 below), the Commission has been encouraged to note the increasing awareness of the need to identify and manage those risks which threaten the provision of services to the public. The Commission was encouraged by the creation of a Risk Management & Insurance Task Force, consisting of senior members of Advisory & Finance Committee and the Board of Administration, tasked with taking forward the recommendations of the report, and will continue to monitor very carefully progress in implementing the Commission’s recommendations.

However, there is a long way to go. In particular, committees need to take ownership of their own set of risks, and implement sound frameworks for the identification and management of those risks. Equally important, is the need for an increasing awareness of the range of risks needing management. Financial risks, such as fraud, and health & safety risks are readily recognised. However, equally important are more subjective risks such as reputational risks, and the risks threatening business continuity or service interruption.

The Commission was pleased to note the increasing priority paid to business continuity (disaster recovery) planning, especially as demonstrated by the Advisory & Finance Committee in the latter

part of 2000. The Committee not only produced a comprehensive updated disaster recovery plan for the committees accommodated within Sir Charles Frossard House, but it also delivered a set of awareness training sessions followed by disaster simulation exercises. The Commission encourages committees to recognise the need for comprehensive, realistic and tested business continuity plans on an on-going basis.

A notable development in the corporate governance arena during 2000, was the release of a position statement on the role of Audit Committees and Internal Auditors, published by the Institute of Internal Auditors in August 2000. This statement supports the comments in the Commission's Strategic Business Plan (see section 3.3 below), that committees will be encouraged to set up their own audit sub-committees to take specific responsibility for audit related matters.

The position statement is reproduced at Appendix V to this report, but of particular note is the comment;

“It is the IIA's position that ... every organisation (irrespective of their size and nature) should have an Audit Committee (or an appropriate equivalent).”

2.4 Review of the Machinery of Government

The Commission welcomes the release of the Harwood Panel's report on its review of the machinery of Government, and observes with interest the consultation process currently on-going at the time of writing this report. The Commission fully supports the principle of allowing greater scrutiny of States matters and will work with

Advisory & Finance to achieve a suitable mechanism for achieving this alongside the work of the Commission.

2.5 Commercialisation of Trading Boards

As stated in its second annual report, the Commission has no concerns about commercialisation as a concept. However, the Commission was concerned to note the policy letter presented to the States in March 2000, concerning the proposals for audit arrangements in respect of the newly commercialised trading entities, which effectively remove those bodies from the remit of both the Commission and the Internal Audit Department.

The Commission supports the principle highlighted in the recent review of the audit arrangements for the States of Jersey (commonly referred to as the “Hepworth Review”), that all public services, no matter what the vehicle for delivering that service, should be subject to the same States audit arrangements.

The Commission believes that it is uniquely placed to provide the necessary level of independent assurance to the shareholder (i.e. the States) that the bodies have an adequate control environment in place, achieve value for money for the public and, moreover, continue to do so.

2.6 Accounting Standards

In its second annual report, the Commission noted that the external auditors were still not in a position to issue a ‘True & Fair’ opinion on the States financial accounts due to the absence of proper accrual accounting, as well as accounting for fixed assets. The Commission was concerned to note from the results of internal audits that a large proportion of committees do not have any meaningful register of the fixed assets in their care. It is our opinion that proper stewardship of the

assets placed in the care of committees requires the need for an accurate and up-to-date fixed asset register, and we urge all committees to address this gap.

2.7 Resources

The Commission has noted throughout 2000 the increasing pressures on committees to provide an ever-expanding range of services with restrained resources. Of particular concern is the severe problems many of the major committees are experiencing in respect of recruitment and retention of staff.

The Commission recognises that staff resources are primarily a matter for the States, but is concerned that committees are employing a range of short-term stop gap measures to meet demand, which can only be considered unsatisfactory in terms of quality and continuity of service, and at the least are uneconomic in terms of cost.

The island infrastructure depends heavily on its quality civil service. Whilst pay is a recognisable factor in this issue, we also encourage committees to review the workloads, work patterns and conditions of service of their staff, to ensure that staff are engaged in truly value-adding work and that non-essential work is eliminated.

3 Activities of the Commission

3.1 Risk Management & Insurance within the States

In April 2000, the Commission published its report on “Risk Management & Insurance within the States of Guernsey”. The report stresses the need for committees, once they have identified their business objectives, to identify the threats to achievement of those objectives and manage these accordingly.

Risk management is not a one-off exercise. It should be an on-going process of identifying risks, evaluating their potential impact, and analysing how best to manage them. Some minor risks may be accepted as a business reality, depending on committees’ own risk appetite or tolerance. Other risks may be managed in house, transferred via insurance, or avoided all together, by withdrawing from particular activities for example.

As noted in section 2.3 above, this report has been acted on by the creation of a Risk Management & Insurance Task Force, consisting of senior members of the staff of Advisory & Finance Committee and the Board of Administration. The group is currently considering tenders from companies seeking to enter a two-year contract for the creation of a risk management framework for the States as a whole.

The framework will seek to set the standards for the necessary controls and procedures committees need to employ to ensure that their individual set of business risks are identified and managed on an on-going basis. Whilst the driving force for this initiative may be seen as a centralised function, committees must recognise that they retain ownership and responsibility for their own set of risks.

3.2 Review of Information Technology within the States

At the time of writing this report, the Commission is preparing a report on the use of Information Technology (IT) within the States. The review was performed by external consultants PricewaterhouseCoopers, who were given a wide-ranging remit to look at all aspects of IT. The

report indicates that significant issues exist regarding duplication of effort and lack of strategic management over expenditure on IT and that the present arrangements are unacceptable. The final report is due for publication in the near future.

3.3 Strategic Business Plan

The Commission has been committed for some time to producing its own comprehensive business plan to assist in the achievement of its own set of objectives. In September of this year, the Commission was pleased to produce its first Strategic Business Plan in draft format for consultation with staff and members of States committees. As a result of that consultation process, the final version of the plan was published as an appendix to the November Billet D'État.

The Commission hopes that this will act as an encouragement to committees to produce their own business plans, and the Commission will be monitoring and reporting against the targets it has set itself within the plan. The performance measures established in the plan are reported on in Appendix IV.

3.4 Follow Up Review of the Commission's Report on Purchasing in the States

Although the Commission monitors progress against all its previous reports, during 2000 it performed the first formal follow up of its report on "Purchasing within the States of Guernsey". The follow up report was published as an appendix to the June Billet D'État, and concluded that significant progress had been made in the way the States purchases goods and services. The Commission is pleased to note that its report has prompted greater value for the public.

Specific examples of these improvements include the introduction of States of Guernsey purchasing cards, a Suppliers' Charter, and clarification of the guidance on the use of local suppliers by States committees. •

It is noted that the current Advisory & Finance Committee proposal to introduce a comprehensive business re-engineering project (supported by a finance & procurement software package which will enable web-based procurement and automatic electronic approval processes) is anticipated to generate real benefits in terms of purchasing economies and significantly reduced processing time.

3.5 Progress on Other Previous Commission Reports

In respect of the Commission's 1999 report on "Performance Reporting", which encouraged improvements in the accounting and reporting of States income and expenditure, and measurement of performance against pre-defined targets and benchmarks, the Commission was pleased to note some of its recommendations acted on within the 1999 year-end accounts. As noted in section 2.2 above, several committees put effort and thought into developing meaningful performance measures as part of the 1999 year-end accounting process. The Commission awaits with interest the results of the 2000 year-end process, in which all committees are expected to produce similar measures for the first time.

Also of note in the 1999 accounts, was the introduction of the Treasurer's Report, which provides commentary on the financial highlights within General Revenue. This narrative adds value and understanding to the readers of the States financial accounts and is a noteworthy addition.

At the time of writing this report, the Commission is currently undertaking a formal follow up review of its report on the "Administration of Property within the States", and hopes to report its findings this year.

3.6 *Presentation to Members of States Committees*

On 5th September 2000, the Commission delivered a presentation to States members and members of States committees at Les Cotils. The presentation was also delivered to committee Chief Officers and Senior Finance Officers.

The presentation covered the aims and objectives of the Audit Commission (both present and future), the structure and remit of the Internal Audit Function, the responsibilities of committees in respect of internal control and risk management, and recent developments in corporate governance.

The presentation generated much debate, and extremely useful feedback was obtained. The Commission hopes that the presentation assisted committee members in their understanding of the Commission and the Internal Audit Department and their own responsibilities. The Commission intends to repeat such presentations after each general election, but is happy to provide guidance to any States Member on request.

3.7 *Meetings*

The Law requires the Commission to hold regular meetings. During 2000, the Commission met formally on fourteen occasions.

The Commission also invited a number of senior civil servants to make presentations or submissions at its meetings, including:

- States Head of Policy Unit re Commercialisation and E-Commerce
- Personnel Director and Chief Nursing Advisor, Board of Health re Recruitment & Retention of Nurses
- States Supervisor re various matters
- Internal Audit Manager re Audit Framework in the Isle of Man
- Strategic Property Advisor re Alderney Breakwater
- Chief Executive, Board of Industry re Town Centre Partnership

In addition, Commission members also held or attended meetings with the following:

- Representatives of the Board of Administration
- States of Jersey Audit Commission
- Deloitte & Touche External Auditors
- Deloitte & Touche Consultant re Audit Committees
- PricewaterhouseCoopers Consultants re IT Review
- President & Finance Director of Guernsey Telecoms

3.8 *External Auditors*

The Commission confirms that, in accordance with the provisions of the Law, the States' external auditors (Deloitte & Touche) have attended a meeting of the Commission.

The Commission also confirms that, again in accordance with the Law, it was consulted by the Advisory & Finance Committee in respect of the reappointment of the external auditors.

3.9 *Website*

The Audit Commission website has continued to be updated throughout 2000, and all reports of the Commission are posted on the website when published. The text of the presentation to members of States committees is also included on the site. The website may be visited within the States of Guernsey website at www.gov.gg under the 'Government' section.

4 Review of the Internal Audit Department

4.1 Audit Reports

An important aspect of the Commission's work is to receive the reports produced by the States Internal Audit Department on the financial affairs of States committees. During the year, the Commission has considered 31 reports, (see Appendix III/IV).

During 1999, a new system of standard audit opinions was introduced to enable the Commission, and the committees themselves, to assess their overall standard of control environment against a defined target. The system allows for the following five standard opinions: good, satisfactory, marginally deficient, deficient and seriously deficient.

The target is for all committees to achieve at least a 'Satisfactory' opinion, satisfactory meaning that the committee has a financial control structure appropriate to the size and complexity of the department or committee being audited.

Of the audit reports considered by the Commission during the year, (see Appendix III), only 31% achieved a 'Satisfactory' opinion. No 'Seriously Deficient' opinions were expressed. To expand on the statistics, the majority of 'Marginally Deficient' opinions given were as a result of the lack of a Business Continuity Plan or a Fixed Asset Register, which are considered key controls in terms of the protection of assets and operations.

In its second annual report the Commission stated that it was frustrated on a number of occasions to note little improvement or progress when following up previous Internal Audit reports. Whilst the Commission remains concerned to note the number of 'Marginally Deficient' and 'Deficient' audit opinions given, it was encouraged that the performance at follow up stage was significantly improved.

Of the fourteen follow up audits considered during the year, 50% had achieved a 'Satisfactory' opinion. However, a portion of these follow-ups were of audits performed prior to the introduction of the standard audit opinions. Of those audits originally performed under the new opinion structure, 100% achieved a 'Satisfactory' opinion at follow up stage, indicating the success of the initiative at driving improvement. Of particular note was one department, which achieved an exceptional improvement in their control environment over a period of six months, moving from a 'Deficient' opinion to 'Satisfactory' within that timescale.

As in previous years, the Commission wishes to re-emphasise that it is the responsibility of Committee members and staff to ensure that each committee maintains a sound control environment to ensure the safeguard of States' assets and finances. Committee members must also take ownership of the financial matters of their committee, and ensure that they are provided with regular, meaningful commentary on the committee's financial affairs.

4.2 Customer Feedback

In line with the recommendations in the Commission's report on "Performance Reporting", the Internal Audit Department has developed a customer feedback process to monitor the quality of audit service provided.

The feedback questionnaires ask auditees to grade the quality of service provided by the Internal Audit Department under a range of categories, such as the usefulness and quality of the report and its recommendations, the communication and conduct of the audit team etc. Each category is

graded on a points scale ranging from 1 (Poor) to 4 (Excellent). Of the total points attainable, the average score achieved throughout 2000 was 75.9%. Whilst a pleasing result, and a significant improvement on the average for 1999 (66.9%) there is still room for improvement, and the Internal Audit Department will continue to strive to improve the service it provides to committees.

4.3 System Implementation Audits

During the year, the Internal Audit Department has become increasingly aware of the risks facing the States of Guernsey when it implements new IT systems. The risks are diverse, ranging from the significant risk of overspending on the projects' budgets (in terms of time and cost), to the risk of implementing a new system with inadequate in-built control mechanisms and insufficient training for users.

With this in mind, the Internal Audit Department has focussed increasing resources to this area of States activity. Of particular note is the proposed integrated finance and purchasing system being implemented initially within Advisory & Finance Committee and the Board of Health. The Internal Audit involvement in this project has been more comprehensive than has been the case in previous systems implementations, and the proposed internal audit work has been documented and agreed in a comprehensive audit planning memorandum. The aims of the work are to seek to mitigate the risks noted above, and to provide assurance to management that the project and its inherent risks are being adequately managed.

We would encourage all committees, when considering implementing or developing new IT systems, to call on the assistance of the Internal Audit Department to avoid the pitfalls encountered in many previous States IT projects. It is proven to be more cost effective to consider and build in controls and manage risks prior to implementation, than to have to re-think these matters once the system is in place and running.

4.4 Resources

The Internal Audit Department, like the majority of States departments, is suffering from an ever-increasing workload under constrained resources. The Commission was grateful to the Advisory & Finance Committee and Civil Service Board for approving an additional established post during 2000. However, recruitment of trainees remains a real issue and, at present, two of the six posts within the department are vacant. The gap is currently being filled by outsourced services, which has the benefit of bringing in specialist expertise, but is costly and inadequate as a long-term solution.

During the year, the department was successful in recruiting a new internal Audit Manager, working under the Director of Audit Services, from within the Internal Audit Department of the Isle of Man Government.

5 Future Work of the Commission

5.1 Strategic Business Plan

Having recently issued its first Strategic Business Plan, the Commission intends that it will remain a working document. Progress against the targets included in the plan will be continually monitored, and it is intended that the plan will be subject to formal review every three years.

5.2 Value for Money

In its second annual report, the Commission stated its intention to make use of any additional resources to implement a programme of 'value for money' reviews. Unfortunately, given the continuing lack of staff, this has not been possible as the programme of control improvement must remain a priority. However, the Commission carries forward this intention and will increase its value for money studies as resources allow.

5.3 Future Reports

Last year, the Commission highlighted a number of areas it was considering as subjects for future reviews. The list remains relevant and so is reproduced here:

- The management of capital expenditure throughout the States
- Project management within the States
- Employment practices and procedures within the States
- Income generation within the States
- A risk review of the work of the States audit function

An addition to this list is the topic of stock and inventory management, which the Commission is aware needs attention.

6 Acknowledgements

The Commission wishes to acknowledge the important contribution of the Director of Audit Services and her staff in carrying out its functions.

Yours sincerely,

For and on behalf of the
States Audit Commission,
A. P. WILLS,
Chairman.

APPENDIX I

SUMMARY OF LEGISLATION AND MISSION STATEMENT

The functions of the States Audit Commission are to be carried out in cooperation with States committee with the primary objective of assisting committees to ensure good management of States finances.

The States Audit Commission is an agency of the States without a separate legal identity. However, the Commission is not a Committee of the States.

The Commission will seek to assist and encourage States committees, where appropriate by commissioning studies and reports, in the effective, efficient and economical management of States assets and finances.

In carrying out its function, the Commission will pay particular attention to ensuring that all committee members are aware of their responsibilities and that they act promptly to address any issues raised in audit reports. Therefore, the review of the work of the internal and external auditors will form an important part of the Commission's activities.

The Commission will monitor the selection and application of accounting standards, policies and procedures to ensure that the accounts of States bodies are prepared in accordance with modern best practice.

The Commission may require any report which it has received, together with its comments thereon, to be placed before the States. The Commission would consider such a step if a committee's response to a report was unsatisfactory or the report raised a matter of exceptional public interest. In addition, the Commission will prepare an annual report of its activities, which will be included as an Appendix to a Billet D'État.

All communications to the Commission should be in writing and addressed to the Chairman, States Audit Commission, Sir Charles Frossard House, La Charroterie, St. Peter Port.

The Commission's role is not to deal with specific individual complaints. If members of the public have any complaints they should be addressed to the appropriate States committee in the normal manner.

APPENDIX II**MEMBERSHIP OF THE STATES AUDIT COMMISSION**

The States Audit Commission consists of five members; the President of the Advisory and Finance Committee ex officio, and four “ordinary members” elected by the States from persons nominated by the Advisory and Finance Committee. Three members of the Commission shall constitute a quorum.

The ordinary members of the Commission must not be members of the States. Each ordinary member shall normally hold office for three years, but may stand for re-election.

The Commission shall elect annually a Chairman and Vice-Chairman, both from the ordinary members.

The membership of the States Audit Commission, during the year ended 31st December 2000, was as follows:

Mr. Tony Wills (Chairman)

Mr. John Lee (Vice-Chairman)

Mr. Rodney Benjamin

Mrs. Mary Perkins

Deputy L.C. Morgan, President Advisory and Finance Committee (ex officio)

APPENDIX III**INTERNAL AUDIT REPORTS CONSIDERED BY THE COMMISSION IN 2000****Full Scope Audit Reports**

- Law Officers' Chambers
- States Dairy
- Education Council - School Cheques System
- Guernsey Financial Services Commission
- Board of Administration: Waste Services
- Probation Services Committee
- Treasury: Cash Sorting Procedures
- Gambling Control Committee
- Housing Authority
- Board of Administration: Airports
- Home Affairs Committee: Fire Brigade
- Board of Health: Victoria Wing
- Board of Health: Nurse Education Centre
- Water Board
- Board of Health: Payroll
- Board of Health: Expense Claims

Follow Up Audit Reports

- Post Office
- College of Further Education
- Guernsey Social Security Authority
- Alderney
- Board of Health: Cash Handling
- HM Greffier
- Board of Health: Estates Department
- Electricity Board Tourist Board Board of Health: Administration & Support Services
- Law Officers' Chambers
- Education Council: Careers Service & School Sports Facilities
- Public Thoroughfares Committee
- Public Assistance Authority: St Julian's House

APPENDIX IV

PERFORMANCE MEASURES

	1999	2000
Average customer feedback results (%age of total possible marks awarded)	66.9%	75.4%
Number of audit reports issued	11	16
Number of value for money studies issued	2	0
Number of follow up reports issued	7	14
Number of ad hoc reports issued	1	1
Number of Audit Commission reports published	2	4
Percentage of audits achieving 'Satisfactory' opinion at first audit	45%*	31%
Percentage of audits achieving 'Satisfactory' at follow up	40%*	50%

* NB: Figures incomplete as audit opinions only introduced part way through 1999.

APPENDIX V

Institute of Internal Auditors – UK and Ireland

**Audit Committees and Internal Auditors –
a Position Statement - August 2000**

This position statement relates specifically to the role of Audit Committees and, in particular, their relationship with internal audit. This statement replaces Professional Briefing Note 4 'Audit Committees of the Board'

It should be noted that an Audit Committee for some organisations may mean an alternative committee that adopts those responsibilities more commonly adopted by an Audit Committee. However, current best practice recommends that organisations should establish a separate and independent Audit Committee to deal with such issues.

This position statement covers all sectors and sets out best practice as determined by the Institute of Internal Auditors - UK and Ireland.

The Issues

There is a growing recognition that non-executive directors, particularly those that are independent of the organisation, can play a key role in providing a bridge between management and stakeholders. For governance in any organisation to work effectively, there needs to be a board committee with oversight responsibility for governance. In many organisations this will be designated as the Audit Committee.

Recent governance publications such as the Combined Code and the Turnbull report have encouraged organisations to review the constitution and role of their Audit Committee. This is of particular relevance to internal auditors, many of whom report in directly to the chair of the Audit Committee.

There is also currently much debate over the role that the Audit Committee should or might play in achieving effective corporate governance. Finally, there is an issue around the relationship that there might or should be between the Audit Committee and the organisations internal auditors.



The Institute of Internal Auditors
UK and Ireland

APPENDIX V cont.**The IIA Position**

It is the IIA's position that:

Role and Constitution

- Every organisation (irrespective of their size and nature) should have an Audit Committee (or an appropriate equivalent)
- The Audit Committee has a key oversight role to play in organisational corporate governance, in particular those aspects relating to internal control and risk management
- The role of non-executive directors within an Audit Committee is crucial and we recommend that the guidelines of the Stock Exchange Combined Code be followed in this i.e. the Audit Committee should comprise at least three members all of whom should be non-executive directors; 3 majority of these members should be independent non-executive directors. The chair of the committee should be an independent non-executive director and the Company Secretary should be encouraged to provide the secretary to the committee. Non listed organisations should follow equivalent guidelines
- Audit Committees have wide ranging responsibilities which may include the following. It should be noted that there is no 'one size fits all' solution and each organisation should ensure that the work carried out by the audit committee meets its own overall requirements:
 - assisting the board of directors in ensuring that annual reports and accounts are balanced and fair and conform to accounting standards
 - reassuring the board about the adequacy of the work of the external auditors
 - recommending to the board the reappointment or otherwise of the external auditors
 - satisfying the board that there is a sufficient, systematic, embedded risk based review of the internal control arrangements for the organisation
 - satisfying the board that weaknesses in internal control are being corrected
 - satisfying themselves that adequate controls exist and operate effectively in connection with the production of the annual report and accounts
 - reviewing and advising the main board on the content of the corporate governance report in the annual report and accounts
- Where the Audit Committee undertakes the review of internal control and risk management on behalf of the board, the outcome should be reported to the board so that it can make its own judgement
- With particular reference to internal audit, the Audit Committee should focus on obtaining a clear understanding of the internal audit activities, functions and organisational structure as well as ensuring that the planned programme of work is appropriate. In doing this, the Audit Committee may wish to consider
 - internal audits charter, scope of work, planning and reporting
 - qualifications of the internal audit function, particularly the head of internal audit
 - internal audit effectiveness
- The Audit Committee should hold sufficient meetings each year to enable it to discharge its duties adequately and effectively.

APPENDIX V cont.**Audit Committee Effectiveness**

- Audit Committees must be adequately trained in their responsibilities
- The committee should be quorate at each of its meetings
- The Audit Committee must be fully briefed and kept up to date on any significant matters relating to their terms of reference
- Audit Committee independence is vital to the committee's ability to provide effective oversight of the organisation, its policies and procedures, its internal controls, its vulnerabilities and risks, its ethics and its 'tone at the top'
- The Audit Committee should periodically conduct a self assessment to evaluate its own performance and to determine its effectiveness
- An annual Audit Committee report to stakeholders helps to clarify the committee's roles and to focus attention on its major responsibilities and activities

Linkage between the Audit Committee and internal audit

- The head of internal audit should have access to the chair of the Audit Committee
- The head of internal audit and the chair of the Audit Committee should have the opportunity to meet alone outside of the normal Audit Committee meetings
- The head of internal audit should report to the chair of the Audit Committee all significant concerns that he/she may have over the adequacy and effectiveness of internal controls and risk management activities within the organisation

Attendance at Audit Committee meetings

- The head of internal audit should be invited to attend each Audit Committee meeting
- The external auditors, together with any relevant directors and/or managers should be invited to attend meetings as appropriate
- The Audit Committee should be able to hold a part of their meeting for members only if they so wish
- There should be provision for both the internal and external auditors to have access to the Audit Committee in private at least once each year to raise any unresolved issues of concern
- The Audit Committee should be allowed access to any individuals who can supply relevant information or explanations, including outsiders with appropriate professional experience

APPENDIX V cont.**Further Reading:**

The following are useful documents that set out in more detail the role and responsibilities of Audit Committees:

Terms of Reference: Audit Committee

Institute of Chartered Secretaries
and Administrators

Audit Committees: Good Practices for Meeting Market Expectations PriceWaterhouseCoopers

Improving the Effectiveness of Audit Committees

US Blue Ribbon Committee
Report



The Institute of Internal Auditors
UK and Ireland

The Institute of Internal Auditors – UK and Ireland
13 Abbeville Mews, 88 Clapham Park Road, London, SW4 7BX
Tel 020 7498 0101 Fax 020 7978 2492
email iia@easynet.co.uk www.iaa.org.uk

APPENDIX II

STATES ADVISORY AND FINANCE COMMITTEE

EMERGENCY DISASTER RELIEF – EARTHQUAKE IN GUJARAT, INDIA

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

9th February, 2001.

Sir,

EMERGENCY DISASTER RELIEF

On 15 July 1999 the States approved the recommendations in the Policy and Resource Planning Report, including the following with regard to Emergency Disaster Relief:

“That as regards emergency aid for disasters overseas:

- (i) to authorise the Advisory and Finance Committee, in consultation with the Overseas Aid Committee, to increase the budget of that latter Committee by a total of up to £200, 000 in any one financial year for the purpose of providing aid in respect of specific emergency disasters;*
- (ii) to direct the Advisory and Finance Committee to inform the States on each use of the above delegated power by means of a report appended to a Billet d’État for submission at the next available States meeting.”*

The Advisory and Finance Committee wishes to inform the States that on 7 February 2001 it considered a letter dated 2 February 2001 from the President, Overseas Aid Committee suggesting that that Committee’s 2001 budget be increased by £100,000 for the purpose of contributing to the Disaster Emergencies Committee’s Emergency Appeal in respect of the catastrophic effects of the recent earthquake in Gujarat, India. In view of the scale and nature of the disaster, the Advisory and Finance Committee agreed to the budget increase as requested.

It should be noted that the Overseas Aid Committee has made a grant in respect of one project only in the area amounting to £10,500 in the last six years and considered that it would be entirely appropriate for the States of Guernsey to make a significant contribution under the terms of the above resolution.

I have the honour to request that you be good enough to include this Report as an Appendix to the Billet d’État for the States meeting for March 2001.

I am, Sir,
Your obedient Servant,
L. C. MORGAN,
President,
States Advisory and Finance Committee.

APPENDIX III

STATES OVERSEAS AID COMMITTEE

ANNUAL REPORT 2000

States Overseas Aid Committee – Annual Report

In accordance with Resolution XIII on Billet d'État III 1980

The Committee's budget for contributions to development aid overseas in 2000 was £858,000 plus the sum of £915 taken from the Committee's savings and the sum of £1,615 transferred from the Committee's Administration Expenses vote. This was used to fund the following types of projects: Agriculture Fisheries, Education Training, Health and Integrated Development.

In March the Committee, with the approval of the Advisory and Finance Committee, provided a grant of £25,000 to the Disasters Emergency Committee's Mozambique Floods Appeal, following the catastrophic effects of the hurricane-related flooding which occurred in the coastal area combined, principally, with unprecedented rainfall in Mozambique and neighbouring countries which resulted in the Limpopo and Save Rivers bursting their banks.

Projects Supported - 2000

Agriculture/Fisheries

CAMBODIA

Spurgeon Memorial Baptist Church

Widows in God's Hands: Small Scale Community Development, £630
Assistance and support, Takeo Province

To build the capacity of 11 villages in Takeo Province, South Cambodia, the most densely populated of Cambodia's 24 provinces, of which ninety per cent of the population are rice farmers and where the standard of living is low compared to the other provinces, with an average food (rice) shortage of three months per year. The object is to improve food production through the provision of funds for: training to grow alternative crops; the purchase of initial seeds; the building of a rice bank for one village; the provision of rice capital for all villages.

Spurgeon Memorial Baptist Church

Widows in God's Hands: Small Scale Community Development, £1,900
Assistance and Support, Takeo Province

Following the Committee's support of this project in 2000, to build the capacity of 11 villages in Takeo Province, South Cambodia, the poorest and most densely populated of Cambodia's 24 provinces with the aim of improving food production through the provision of funds for: training to grow alternative crops; the purchase of initial seeds; the building of a rice bank for one village; the provision of rice capital for all villages; funding is now provided to replenish the stock of rice in the rice banks of the 11 villages in the aftermath of the severe flooding caused by a massive tropical storm at harvest time in northern Takeo Province in December 2000.

MOZAMBIQUE**Trocaire****Community Grinding Mill, Gile District, Zambezia Province****£9,209**

To establish a community grinding mill in Gile District, Zambezia Province, one of the worst areas affected by the Mozambican war. The grinding mill will be used by all of the community at a price they can afford. The mill will reduce the amount of time women and children spend pounding maize and allow them more time for other activities. The mechanical grinding process will extract more flour and retain more of the nutritional value of the cereals than if done by hand, thus improving the nutritional status of the family. It will also reduce the cost of purchasing cereal flour. The funds generated by the mill will be used for running and maintenance costs and any profits will be used for small community projects. The project includes the cost of rehabilitation of one of the old mission buildings to house the mill and the operating costs for the first 6 months to allow the project to become established.

SUDAN**SOS SAHEL International (UK)****Agricultural Extension and Training Support, the Beja People, Khor Arba'at Delta, Red Sea State****£10,000**

The aim of the Khor Arba'at Rehabilitation Project in the Red Sea State, Sudan, is to enable farmers to more fully realise the agricultural and environmental potential of the Khor Arba'at Delta, potentially a fertile agricultural area but at present under utilised. The main constraint stems not from a lack of land or water, but rather the distribution and management of the water available. Specifically, funding is required to firstly: manage the distribution of annual flood waters by constructing simple earth embankments to: distribute the waters equitably to farmers in the area for crop irrigation; combat soil erosion; increase the cultivable area. Secondly, to improve farming practice, raise environmental awareness and diversify crop production through agricultural extension and training. Local farmers' access to quality seeds will also be increased. The Project works directly with 470 farmers in the Delta.

Education**BOTSWANA****Skillshare Africa****Construction of Education and Training Unit, YWCA, Maun, North-West Region****£8,609**

The overall aim of the project is to provide sustainable support to the North-West Young Women's Christian Association (YWCA) in Maun, in its work with young people. The work includes raising awareness of issues of sexual health and abuse, as well as offering opportunities for self development, education and training. The long term goals are to decrease the incidence of sexually transmitted diseases, HIV/AIDS, teenage pregnancies, teenage mothers dropping out of schools and juvenile delinquency. This project brings together two of the YWCA's activities concerning young people and sexual health in the North West Region. The activities are the Peer Approach to Counselling by Teens, and the Educational Centre for Adolescent Women. Specifically, funding is for the provision of the balance of funds required to complete the construction of the Education and Training Unit.

GUINEA**PLAN International UK****Renovation and Equipping of Primary School, N'Zerekore District****£24,390**

Guinea has one of the lowest rates of primary school enrolment in West Africa. The project aims to provide the children of the town of N'Zerekore, N'Zerekore District, with retainable basic learning and life skills by providing facilities where they can complete good quality primary education. The project will renovate and equip 11 classrooms and provide water and sanitation facilities at the Mamadou Konate Primary School which was built during the colonial days and has since fallen into disrepair. The project will benefit over 1,100 pupils attending the school along with their families and the wider community. Funding is for the provision of materials, labour costs and school desks and benches.

INDIA**The Leprosy Mission****Extension of Workshop Block to Vocational Training Centre, Nashik, Maharashtra State****£11,111**

To build an extension to the original Vocational Training Centre, to cope with the growth in student numbers from 114 to 154, and an extra range of courses. The Centre was established in 1979 to provide job training for young people affected by leprosy and assist their rehabilitation into the community. Because of the stigma and disabilities which many of them suffer, there was very little opportunity for such training in other institutions. The 13 courses offered receive government recognition and include tailoring, mechanical and electrical engineering, printing, welding, computer technology and weaving. Training is provided free of charge along with board, lodging, clothing, medical care and a little pocket money.

World Vision UK**Rehabilitation of Schools Affected by Cyclone, Orissa State****£25,000**

Following the cyclone which hit Orissa State in October, 1999 and the provision of immediate disaster relief to those most affected, longer term needs must now be met. Over 644 kms of panchayat roads, 149 irrigation points, 1,079 open wells, 1,111 primary schools, many bridges and culverts and other public utility services have been seriously damaged in the cyclone. With all means of livelihood destroyed in the cyclone, the backbone of the economy of the rural villagers has been badly affected. This particular project will rehabilitate 7 semi-permanent school buildings, one in each of the 7 most severely affected villages of the Erasama Block. Each school will have 8 rooms with modern asphalt sheet roof, bamboo and cladding, and will assist up to 1,100 children to further their education. School furniture will also be provided. Temporary employment will be provided to up 400 people in the construction work; school uniforms and textbooks will be provided to some 1,100 poor and needy schoolchildren.

MOZAMBIQUE

Concern Worldwide

School Construction, Nhamaonha Neighbourhood, Chimolo, Manica Province **£15,497**

The aim of the project is to improve the access of poor children living in Nhamaonha neighbourhood to primary schooling in a sustainable way. There are not enough school vacancies for the number of primary school aged children living in Nhamaonha. There are approximately 11,000 children and only 4 State School classrooms, supplemented by the church chapel that provides another two rooms. Even in a three shift system of 50 children per shift, the six rooms provide places for less than half of the neighbourhood children. Although some of them have managed to secure vacancies in other neighbourhoods, at least 830 children aged 6-9 do not attend school. Funding is for the construction of a four-room school in Nhamaonha, including six latrines, a school well and office, and school furniture benefiting 600 children. Classroom construction provides not only the physical space for schooling, but provides the city Education Directorate with the tool it needs to negotiate the funds to contract more teachers. It also provides a very concrete task for the community to organise around and learn about what can be achieved by working together.

Oxfam

Zambezia Education Programme, Gurue, Zambezia Province **£24,896**

To rehabilitate a primary school in Gurue District, an area which bore the brunt of the destruction of Mozambique's Civil War and during which 85% of schools in Zambezia Province were destroyed. The object is to fund the cost of materials for 4 classrooms, 6 latrines, 2 rainwater collection tanks, and a school house. This will provide permanent structures to replace mud and thatch, and supply clean water and sanitation, for 500 pupils. This is part of a wider 4-year programme in 4 districts in Zambezia. Through training, and the building and equipping of schools and resource centres, the programme aims to increase school attendance by 20%, improve teaching quality and management, and increase community participation in education.

NEPAL

Save the Children Fund (UK)

Construction of Community Early Childhood Care and Development Centres, Surkhet District **£13,300**

The construction of 50 community Early Childhood Care and Development (ECCD) Centres, serving 35 Village Development Committees (VDCs) throughout the Surkhet District of Nepal. The Centres will form part of an integrated ECCD programme being implemented throughout the District, with the aims of providing over 2,000 young children aged 3 to 5 years with the opportunity for physical, mental, and social development, easing the workload of women and older girl children, and improving the rearing and caring practices in the local communities. As each VDC covers 15 to 20 villages, the project will provide ECCD facilities to an extensive area of mid-western Nepal. The Nepalese Ministry of Education would like to establish 10,000 ECCD Centres across the whole country. Funding is for the provision of 30 ECCD Centres.

RWANDA

ActionAid

School Rehabilitation in Nyabisindu Commune, Butare Prefecture

£25,000

Nyabisindu Commune, Butare Prefecture, was severely affected in the civil war and genocide of 1994 and much of the infrastructure in the area was destroyed. The few schools in the Commune are currently poorly equipped with furniture and learning materials and buildings are dilapidated. There is a high dropout rate and only 47% of the child population attends school. This project will rehabilitate three schools in Runga, Cyaratsi, and Rwabicuma, repairing the buildings and constructing pit latrines in each school. The number of children currently enrolled in these schools is 1,215 and the improvement of the physical structure and sanitation facilities of the schools will lead to a significant increase in this number. It will also encourage children of different groups to interact, promoting peace and reconciliation.

SRI LANKA

International Childcare Trust

First Year Revenue Costs, Equipment for Sick Bay, and Books for New Dormitory for 50 Children in Crisis, Dikkelle, Kurunegala District

£16,521

Further to the Committee's funding in 1998 to improve the provision of child rehabilitation at the Dikkelle Children's Centre, Kurunegala District, through the purchase of land and construction of a new dormitory which will function as a stable transitional Home with rehabilitation, to sleep and house an additional 50 youngsters - homeless, neglected, deprived and impoverished street children, war refugee children, unskilled school children and children from single parent or dysfunctional families. Funds for support and facilities are needed now that the Dormitory is virtually completed, in particular first-year revenue costs for food, education, recreation, fuel, staff, medicine etc; beds, mattresses and other furniture for the Sick Bay; books, shelving, tables and chairs for the Library.

TANZANIA

Help an African Schoolchild Trust

Construction of Two Classrooms, Two Teachers' Houses and a Sanitation Block, Bishop Stanley Primary School, Mijuji, Dodoma District

£26,605

In 1998 the Committee funded the construction of a two-classroom primary school, and two teachers' houses at Mijuji, to serve Msalato village and surrounding farms, Dodoma District. The construction of the new primary school at Mijuji, now called the Bishop Stanley Primary School, has helped overcrowding at Msalato School some 8 miles distant and allowed younger children to obtain an education which previously was denied them as it is too far for them to walk. However, in order to allow 200 more children to be educated, the school needs to develop the education facilities, and to provide additional accommodation for teaching staff. The Tanzanian Government will only provide teachers to schools where on-site accommodation already exists. Funding is for the construction of two classrooms and accommodation for two teachers.

UGANDA

Namirembe Resource Centre c/o Uganda Development Services

Provision of Staff Accommodation, Namirembe Hostel for Girl Students, Kampala **£19,000**

Subsequent to the Committee having funded in 1999 the completion of outstanding building works in respect of Phase I of the Girls' Hostel Project at Namirembe, Kampala, the aim of the project is to fund Phase 2 in respect of the provision of 3 units of staff accommodation to serve the Hostel. Girls are generally marginalised in formal education particularly in upcountry Uganda, and there is an alarmingly high drop-out rate when these girls are only able to study in schools near their homes. Secondary education is generally of a poorer standard outside the Kampala area so many students seek better schooling in city day schools. They then are led into poor or even dangerous situations seeking residential accommodation. The aim of this joint project between the Education Department, Church of Uganda and the Boys' and Girls' Brigade of Uganda in setting up a Girls' Hostel in Kampala, is to provide suitable and affordable accommodation for 80 girl students while continuing studies in the Kampala area, either at secondary school or approved vocational training. Priority will be given to orphans, refugees, the disabled and disadvantaged. The accommodation provided will be secure, conducive to serious study, and maintained to a high standard. It is therefore essential to have residential staff to operate the Hostel and, in this respect, to provide on-site accommodation to recruit and retain good quality staff, especially in Kampala with a shortage of affordable housing. The Centre is to offer a study room including relevant text books. Planned future expansion will also include a reference library, classroom and reading room and will provide other organisations with well-equipped conference facilities. Also, there will be opportunities for extra-curricular activities such as health care, skills such as needlework, sports and other recreational activities. Funding is for the provision of pit latrines, foundations, walls and roof.

Emergency Disaster Relief

MOZAMBIQUE

Disasters Emergency Committee

Donation to Mozambique Floods Appeal **£25,000**

To enable the eleven British aid agencies participating in the Disaster Emergency Committee's Mozambique Floods Appeal to provide emergency relief following the catastrophic effects of the hurricane-related flooding which occurred in the coastal area combined, principally, with unprecedented rainfall in Mozambique and neighbouring countries which resulted in the Limpopo and Save Rivers busting their banks. The funds will assist to provide immediate essentials such as food, clean water, shelter, medicines etc.

Health

BURKINA FASO**PLAN International UK****Potable Water for Four Villages, Poni Province****£22,909**

To reduce mortality and morbidity from water-borne diseases in the villages of Dakoura, Obire Kouteng and Batie Nord, Poni Province, by providing clean drinking water to the four villages total population 7,614 inhabitants. Four boreholes will be provided, one at each village, and will be sited at the village school in each case. The high incidence of water-borne diseases particularly affects younger and weaker members of the community: diarrhoea for example is the cause of 20% of infant deaths. The provision of water will also save women and children from walking 6 kilometres or more every day to collect water. Women will use the water supplies for market gardens, thus improving nutrition among children and the wider community.

CAMBODIA**Cambodia Trust****Patient Costs, Two Provincial Prosthetic Clinics, Kompong Som & Kompong Chhnang****£21,720**

To fund the patients' costs of attending the two provincial rehabilitation clinics of Kompong Som and Kompong Chhnang for one year to enable some 1,850 people who have lost their arms and legs, and latterly children disabled through the disease, polio, to receive all prosthetic and orthotic services provided by the Trust free of charge; facilities are provided, including dormitory accommodation and food, to enable patients and families to stay during a course of fitting orthotic devices and new limbs (sometimes up to two weeks) or for routine repair work, which is likely to be of a similar duration.

EAST TIMOR**Just World Partners****Re-instating Health Care Services, Kovalima, Manufahi and Ainaro Districts****£1,224**

To support the primary and acute health services in the priority Districts of Kovalima, Manufahi and Ainaro, East Timor, severely affected by the instability and genocide during the latter part of 1999. In conjunction with Timor Aid, the project will provide medical kits for the mobile clinics, refrigerators for medicine storage, in addition to training costs of village level nurses and nurse aids in treatment, disease prevention education methods and health management. It is estimated that the total number of beneficiaries will be between 7,000 to 10,000 in the first three months. Funding is specifically for the provision of 4 refrigerators for medicine storage.

ETHIOPIA**ORBIS Charitable Trust****Ethiopian Regional Eye Care Project, Southern Nations Nationalities & Peoples Region****£6,000**

Some 80% of blindness in the developing world, with its consequent social and economic burden, could be treated, or prevented, using methods common in developed countries. The aim of this project is to develop a model programme to improve access to eye care for rural communities in the Gurage Zone, Southern Nations, Nationalities & Peoples Region. One of the core elements of the project is to increase the skills and resources of the existing eye care workers in the Region, and will include rotating State ophthalmologists from Addis Ababa to the Zone on a monthly basis. Another key element involves the training of the 520 local Community Health Agents (CHAs) currently employed by the Ministry of Health to provide basic health care to the villages. Each CHA is responsible for a community of around 3,000 people. Currently, these Community Health Agents do not have any training in primary eye care. Specifically, funding is required for the cost of designing and producing appropriate primary eye care education materials for the CHAs to assist them in informing and educating their local communities, thus strengthening the eye care infrastructure in the Region.

HAITI**HelpAge International****Health Clinic for Poor Older People, Port au Prince****£16,245**

To provide basic health care to the poorest older people through a health clinic service, offering screening, treatment, education and referrals. Haiti is the poorest country in the western hemisphere. Until 1995 it was ruled by a brutal military dictatorship and, as a result, today lacks infrastructure, decent housing or employment for its citizens. Older people are especially disadvantaged. The few state health services cannot even cope with emergency cases - any other types of illness must go untreated amongst the poor who cannot afford private care. This project will develop a small health clinic for the poorest older people, providing low cost or free health care, information and referral to the destitute, poor and aged. This is a desperately needed service for the poorest older people in an exceptionally poor country and will benefit some 2,880 clinic users in its first year of operation.

Sight Savers International**Equipment and Consumables for Artibonite Eye Care Programme, La Providence Government Hospital, Artibonite Department****£11,410**

Blindness imposes a huge social and economic burden on individuals, their families and on national governments. Yet 80% of blindness is avoidable through either prevention or treatment. This project aims to reduce the level of curable blindness in Artibonite Department (one of Haiti's nine administrative departments) through increasing the number of cataract and other surgeries being performed at La Providence Government Hospital. At present only 12 cataract surgeries per year are conducted in Artibonite. This project will provide equipment, consumables, training and technical/management support with the aim of increasing the number of surgeries conducted in 2000 and 2001 to 570 per year. In addition, the project will support 5,200 treatments per year for non-surgical eye conditions. It supports the aims of the recently-launched WHO Vision 2020 global initiative to eliminate avoidable blindness by 2020.

INDIA**Arpana Charitable Trust (UK)****Laparoscopic Cholecystectomy System, Arpana Hospital, Madhuban, Haryana** £26,080

The provision of laparoscopic cholecystectomy equipment to Arpana Hospital, Madhuban, Haryana. Arpana has a very active obstetric service based at Madhuban. There is an extensive outreach network through the Traditional Birth Attendants and village health workers. Their work is supervised through the mobile clinics which travel to each village in turn, and, where necessary, refer villagers back to the base hospital. Arpana does not have any laparoscopic equipment, which is so necessary for outpatients investigation of gynaecological problems and for day surgery. The equipment requested is basic and fundamental for an effective obstetric/gynaecological service. Although the procedures are carried out in hospital the treatment forms part of the ongoing care of the female population. Planned parenthood is a very important part of this care. Villagers are naturally reluctant to spend time in hospital away from their families and work. This means that the equipment is especially valuable as it enables many people to be treated as day patients or greatly reduces the length of time they need to remain at the hospital. Treatment is free to the vast majority of Arpana's patients. No-one is ever turned away. Only those who can afford to contribute to the cost of their treatment are asked to do so. Such contributions help to pay for the majority who cannot pay and therefore help to make the medical care more sustainable.

Water Aid**Society for Community Organisation and Peoples Education: Clean Water and Sanitation Project, Ramalinganagar District, Tamil Nadu** £30,185

To support the provision of sustainable water supplies in Ramalinganagar District, Tamil Nadu, through hygiene education promotion, sanitation and the provision of improved access to potable water, including the construction of 15 wells with handpumps and 300 domestic latrines, covering 3,000 people.

KENYA**Cooper, Bryan & Marjorie – “Wishing for a Well” Appeal****Construction of Two Dams, Mwingi District** £11,000

The construction of a further two rock catchment dams, one each in the villages of Kilulu and Ivonangya in the Mwingi District of N E Kenya, to serve the Akamba people, in this very arid and famine-stricken area.

Marie Stopes International**Reproductive Health Care Centres, Rift Valley, Eastern and Western Provinces** £25,091

To provide material and child health care and family-planning services to low-income women and their families in the Rift Valley, Eastern and Western Provinces. The need in Kenya is huge. Despite the Kenyan Government's commitment to provide family planning, the reality is that it does not have sufficient resources. The population is set to double within the next 35 years and without a corresponding increase in services, Kenya faces a large-scale health-care crisis. In addition, almost half the population is under the age of 15 and all of these people will need access to family planning in the next few years placing even more of a strain on existing facilities. Funding is for the provision of refurbishment and plumbing costs, and the purchase of medical equipment, for 4 centres in the project area.

SIERRA LEONE

Sight Savers International

Urban Eye Care Project, Freetown

£19,718

Sierra Leone is the poorest country in the world and loss of sight from avoidable blindness is increasing here. This project aims to reduce avoidable blindness in Freetown by increasing the level of eye care service provision in Freetown and its environs which have a population of at least 1.25 million people, many of whom are internally displaced persons living in camps and slums. Funding is for the refurbishment and extension of the Eye Clinic at the Connaught Hospital in Freetown, and for the purchase of drugs and equipment to facilitate the planned increase in treatment and surgeries at the Clinic. By increasing the capacity of the Eye Clinic at Connaught Hospital, and through outreach work to the camps, the project is aiming to conduct 1,000 cataract surgeries and examine and treat 250,000 people for eye conditions in 2000.

SRI LANKA

PLAN International UK

Construction of Neonatal and Infant Care Unit, Gampola Base Hospital, Kandy

£23,750

To provide a neonatal and infant care unit at Gampola Base Hospital, Kandy, to serve over 28,000 children under the age of 5 years. This facility will save and enhance hundreds of young lives every year. The care unit will look after children who are born prematurely, have tuberculosis, are chronically malnourished, suffer respiratory and gastrointestinal diseases and other life-threatening illnesses. Funding is for the provision of building costs, ward furniture, beds/cots and electrification.

SUB-SAHARAN AFRICA

United Nations Children's Fund (UNICEF)

Sara Communication Initiative for the Adolescent Girl, Ten Countries, Sub-Saharan Africa

£23,653

The overall aim of the project is to produce and disseminate a series of materials (including a radio series, animation series, comic books, posters, etc) to be used in Sub-Saharan Africa, to promote the health and welfare of adolescent girls. The project extends throughout Eastern and Southern Africa, and parts of Western and Central Africa, and is in respect of the development of educational materials for use across the region and printing costs to distribute these materials in the least developed countries. These materials contain stories about a girl called Sara, who has become a symbol and a role model for adolescent girls in Africa. Specifically, funding is for the development and production of the print materials for Episode 6 of the series which will deal with the issue of AIDS orphans. Forthcoming episodes will deal with the issues of child labour and access to education. Vital messages are conveyed through entertaining stories, which enable adolescents to relate the issues to their own lives, helping young readers to recognise their needs, assert themselves and negotiate for their rights. The materials are in an accessible and appealing form that find an eager audience among adolescents in the many countries in which they have been carefully developed and tested.

SUDAN

The Leprosy Mission

Provision of Toyota Jeep, Leprosy Control Programme, Darfur District, West Sudan

£12,053

To provide a Toyota Jeep to enable the Leprosy Control Programme in Darfur, West Sudan, to establish 10 new treatment centres in the area. There are an estimated 3,000 leprosy cases in Darfur District. The Jeep will enable essential travel between the treatment centres.

UGANDA**Christian Engineers in Development****Byanyamira Valley Dam Water Supply, Mbarara District****£32,200**

To provide a clean water supply for the domestic needs of the people of Byanyamira, numbering approximately 1,000, who presently have to rely on heavily polluted seasonal water holes for their supplies. These existing sources dry out during part of each year and the women then have to travel long distances for water. Relatively clean rainwater will be diverted from a semi-protected catchment into a fully protected 'charco' type valley tank where silt settlement would occur. The water will then be filtered through a series of gravel and sand layers set into the bed and the bank of the 'charco'. This filtration will improve the quality of the water, which will then pass by gravity to an enclosed concrete sump with a pipe outlet fitted with a tap. Members of the community have arranged to be responsible for the maintenance of the 'charco' and its catchment, and water hygiene awareness instructions will be given to the people by the local Health Authority. Funding is for the cost of site investigation, survey, design, and capital costs including site supervision, plus training and monitoring.

World Vision UK**Rukiga Water and Sanitation Improvement Project, Kabale District****£22,275**

To increase accessibility of safe water to 3,880 pupils and teachers in 7 targeted primary schools in Kabale District, South-West Uganda, in order to enhance prevention of diseases that are caused by unhygienic conditions, in particular by reducing the ratio of pupils to latrines from 121:1 to 40:1 as per the UNICEF recommendation. Specifically, one 8,000 litre plastic rain harvesting water tank will be provided to each of the 7 targeted schools and children and teachers will be trained and sensitised on the maintenance and use of safe water sources. Funding is for the provision of the water tanks and necessary materials.

ZAMBIA**St Francis' Hospital, Katete District****Construction of Additional Housing Units, St Francis' Hospital, Eastern Province****£20,000**

St Francis' Hospital, Katete District, Eastern Province, is administered jointly by the Anglican and Catholic Churches in Zambia. It is a general hospital of 360 beds. Katete District has a population of 175,000 of mainly subsistence farmers (maize, ground nuts, sunflowers and cotton) and small traders. St Francis' is the only hospital in Katete District, and also acts as referral hospital for the Eastern Province (pop. 1 million), particularly for surgical, orthopaedic, obstetric and eye patients. The Hospital not only provides curative services, but also preventive services, both at the Hospital and through outreach visits. Training of medical students, surgical registrars, enrolled nurses and midwives is undertaken. Zambia has a tropical climate and the spectrum of common diseases is determined by poverty and climate: malaria, schistosomiasis and other parasitic infestations as well as gastro-enteritis, respiratory tract infections and tuberculosis are rife. HIV is endemic and puts its mark on the entire society, not only in the city but also in the rural areas. An example of the impact of HIV/AIDS is that the incidence of tuberculosis has quadrupled in the period 1985-1995. The Hospital receives a monthly grant in aid from the Government which cannot cover all costs. Donations from Zambia and abroad are vital for the running of the Hospital. Patient's fees are a small contribution to the total budget. Capital projects are entirely funded from donations, mostly as projects. Specifically, funding is for the construction of a further 2 staff houses, in addition to the 2 funded by the Committee during 1999, which will enable the Hospital to attract and retain the staff required to help it to deliver quality medical care to the District and Province.

Integrated Development

BANGLADESH**CAFOD****Institution Building and Income Generation, Barguna District****£11,459**

The overall aim of the programme is to ameliorate the conditions of poor and disadvantaged groups of people in rural areas of Barguna District, especially girls and women, and to promote human development. More specifically to: reinforce newly-acquired literacy skills; provide training about gender, social, environmental, health and legal matters; encourage the formation of, and strengthen existing groups; enable the beneficiaries to become active socioeconomic agents. The programme targets those who are landless or who own a maximum of half an acre of land including homestead land, those who earn a living from physical labour, and those who sell their labour for around 180 days per year. The programme aims to directly reach 3,600 beneficiaries, 75% women. These people are expected to pass on their knowledge to members of their families so that the total number of beneficiaries is expected to be around 18,000 people. Out of the 3,600 direct beneficiaries, around 900 women will be selected for credit activities. Women are particularly disadvantaged and the programme attaches high priority to improving the quality of life and status of women. Funding is principally for reading materials and books for 36 literacy centres and credit for income generation.

International Planned Parenthood Federation**Income Generation for Poor Rural Women through Micro Credit, Nineteen Districts, Bangladesh****£23,091**

To address the poor health status and low quality of life of poor, rural women by increasing the funds available to establish Family Development Centres for the provision of an increased number of loans to poor disadvantaged women in 19 Districts of Bangladesh. It is recognised that the status of women cannot be raised significantly without addressing economic issues. The intention is to increase the ability of poor women to participate in family decision making, including decisions relating to reproductive health, and the exercise of the right to plan their pregnancies. Each woman who receives a loan will also receive skill training, and the loan money is then invested in a low-cost profitable business. Some 800 women will receive loans, averaging £22.00 each, for one year. Funding is for the provision of such loans; for the provision of a two-day Women's Development Workshop, and for the production costs of a documentary video to be used to motivate other women in developing their status and health through micro credit and income generation.

BURUNDI**Children's Aid Direct****Assistance to Unaccompanied Children, Bubanza Province****£24,650**

To provide assistance to unaccompanied Children in Bubanza Province by: tracing and reuniting them with their families; working with children's groups to help them to become self-sufficient. More than 50% of the population of Bubanza Province live in Internally Displaced Person's sites (IDP's). The population of Bubanza has been displaced several times. In 1997 there were around 340 IDP sites in the Province. This movement has resulted in many children becoming separated from the parents, and other children losing their parents to the fighting. Also, many families no longer have access to their crops, and there is a high level of malnutrition. In July 1998 the population began to return to their homes, but this is a very slow process. Unaccompanied children are the most vulnerable group within the community. Many of these children are living in brotherhoods of 2 or 3 and they have refused individual fostering, as they do not want to be separated from their brothers and sisters. Other children have been temporarily fostered in families

and have little access to education. Children's Aid Direct is continuing to identify these children so that they can trace their real families and be reunited. Children who cannot be reunited will become members of the "Children's Group". These Groups will be set up so that the children can provide support for each other and will produce income from a range of activities including agriculture and sewing. The children receive free health care at the health centres, and the malnourished children attend the supplementary feeding programme. Funding is for the provision of staff costs and vehicle support.

CAMBODIA

HelpAge International

Livelihood, Health and Agricultural Support for Older People, **£25,000**
Battambang Province

The project's overall aim is to improve the quality of life of some 800 older Cambodian people living in the Battambang Province in the North-West of the country. The specific objectives are: to increase food and income security for older people by developing income-generating activities for older people, and through agricultural assistance, including chicken raising and vegetable gardens. Reconstruction of community ponds and other water supplies will also be included; to improve the health of older people by providing basic training to carers; organising transport to medical facilities and distributing medicines; by constructing latrines; and supporting access to ophthalmic services for older people from the HelpAge International trained Provincial Eye Unit staff; to provide particular support, such as HIV/AIDS training information and advice, to around 15 Older People's Associations so that members understand what the disease is, how it is transmitted and how to care for someone living with HIV/AIDS.

Save the Children Fund (UK)

Irrigation Rehabilitation and School Repair Project, Kratie Province **£20,358**

To help address the urgent needs of vulnerable children in 19 selected villages in Kratie Province, North-East Cambodia - specifically, to provide an improved level of food security for vulnerable families and better access to primary education by targeted rural children. The project is an important complement to on-going programming by Save the Children in Kratie Province, and will include the repair of 15 eroded schools with 35 rooms within 15 villages, and a small irrigation-rehabilitation component in 4 villages, including dam repair and water-gate and canal construction. Direct beneficiaries of the project will be 2,471 children who will receive a proper place for learning, and 279 families (1,312 people) who will benefit directly from the small irrigation-rehabilitation component.

ETHIOPIA

HelpAge International

Income-Generating Support for Pensioners' Clubs, Various Districts **£12,000**

Older people in Ethiopia face desperate poverty and a lack of state support. Despite their hardship, many have chosen to organise themselves into Pensioners' Clubs which attempt to offer mutual support. However, the Clubs have almost no resources and are severely restricted in their efforts to help members lift themselves out of poverty. This project will provide small grants to five such clubs to help them develop income-generating activities. These activities will benefit up to 5,000 older people who will gain income, see their organisations strengthened, and thus will enable the development of better mutual support among older people belonging to these groups.

GHANA

ActionAid

Improving Education and Health Delivery, Sunson, Yendi District

£24,196

This project will improve access to education and health delivery for communities in the remote rural area of Sunson, Yendi District, in Ghana's Northern Region. In the area there is one school but only for children up to the age of nine and just 500 people in the area are literate. The project will construct a three-classroom block and provide reading books and teaching and learning aids, improving the chances of education for the 3,500 children in the area, with the government providing staff. In addition, using the REFLECT programme, ActionAid-Ghana will establish five adult literacy circles for 105 learners and provide the necessary learning materials, therefore improving the chances of an access to education for adults. The area suffers from poor and erratic rainfall leading to annual hungry periods. In addition a lack of health delivery systems contributes to common diseases, such as diarrhoea and typhoid, with women, children and the elderly being the worse affected. The project will also construct a health outpost and establish a medical drugs fund therefore improving the accessibility and affordability of health delivery for 10,000 inhabitants.

Opportunity International UK

Support to Expansion of Credit and Community Development for Marginalised Women and Men, Greater Accra, Ashanti and Brong Ahafo Regions

£19,000

Following on from the support given by the States of Guernsey in 1998, Sinapi Aba Trust's group lending methodology (Trust Banks) is growing. This project will support the continuing expansion of credit and community development for marginalised women in the Ashanti and Brong Ahafo regions, providing 120 men and women entrepreneurs in the Greater Accra region with group loans and community support plus employment for an additional 20 people, in order that: they are able to provide regular income for their families (total beneficiaries will be around 700 people; they gain self-confidence and self-esteem through attaining self-sufficiency; community structures are established and developed. Programmes in the three areas mentioned above will be implemented using the Trust Bank group lending methodology, with one Trust Bank in each region and a maximum of 40 clients attached to each Trust Bank.

INDIA

Opportunity International UK

Support to Expansion of Micro Enterprise Development for Poor Women and Marginalised Youth, Madras

£20,000

Opportunity International's partner organisation Inter-Mission Micro Enterprise Development has been successfully working in the slum areas of Madras and towns in Andhra Pradesh providing basic credit services and business support to struggling and potential micro-entrepreneurs through regular meetings and training. Previous funding in 1997 from the States of Guernsey was used to strengthen the businesses of 325 needy individuals, which in turn has generated a considerable increase in client's incomes. This project will similarly provide credit both for the creation and strengthening of such micro enterprises. Some 250 loans will be provided, plus employment for an additional 40 people, benefiting approximately 2,900 people. The beneficiaries will be struggling or would-be entrepreneurs of the lower strata of society, particularly women, young people and others keen to improve their economic lot. In addition to the funds necessary for the loan fund, operational expenses and client training, funding is necessary for two project motorcycles, and two personal computers.

SCIAF**Agricultural Development with Tribal Peoples in the Pachai Hills, Tamil Nadu****£12,007**

To benefit approximately 3,000 tribal people from 18 remote villages in the Pachai Hills, Tamil Nadu, by working through their local community groups, known as “sanghams”, to achieve better income, health and quality of life. It is an integrated programme of land and water conservation, education, savings schemes and health promotion, the main activities being: strengthening of local organisation to build effectiveness and confidence in dealing with the authorities; skills training and practical assistance with soil and water conservation and use of natural farming methods; setting up savings & credit schemes to develop agricultural and other income generating activities; health/nutrition education and advocacy for improved government health services; education classes for the children, while also lobbying the government to provide schools and teachers.

War on Want**Ragpickers Development Programme, Greater Bombay****£8,960**

To improve the lives of 2,000 women ragpickers, slum dwellers from the hariyan caste, known as “untouchables”, who form India’s most destitute, vulnerable and neglected citizens. These women, working in 25 slum areas in Greater Bombay, make their living by collecting, sorting and selling recyclable waste for around £1 a day. The programme is co-ordinated by a local NGO that has worked towards women’s empowerment since 1975. The goals of the project are to: help organise ragpickers and improve their knowledge of their rights as citizens; provide literacy classes and vocational training; set up small savings groups; raise awareness about basic health and sanitation issues; and to provide nursery facilities for the children of ragpickers. The involvement of ragpickers in all stages of the project process will enable lasting and sustainable change. Funding is for staff salaries, running costs of the community centres, safety equipment and materials.

KENYA**International Widows and Orphans Welfare Society of Kenya****Development of Sustainable Livelihoods in Rural Areas, Kisumu and Neando Districts****£3,850**

To provide sea freight costs for a consignment consisting of a farm tractor, tools, and 200 bicycles to Kenya. The tractor was donated by an individual from Jersey, the tools by Tools with a Mission (UK), and the bicycles by Re-Cycle (a charity that relieves poverty by providing old bicycles to new territories). The tractor, tools and bicycles will be used to support skill development amongst the disadvantaged section of the community. The general aim of the project is to provide means for sustainable human development, which will result in poverty eradication amongst widows and orphans who will undergo training in a range of skills and trades based on their own choice, ranging from carpentry, knitting, tailoring, motor vehicle mechanics to typing. Those trained will be loaned these tools to start their own income-generating businesses. The project uses and support talents, the knowledge and the expertise of individual men and women. This creates an environment, in which Widows and Orphans can use their abilities and fulfil their potential.

PERU**HelpAge International****Income Security for Older People Living in Slum Areas, Lima****£9,750**

To improve the quality of life of poor and vulnerable older people living in slum areas of Lima, by providing credit, business and job training, and follow-up support to help them earn a living. Older people living in urban slum areas of Lima face serious problems in earning a living and looking after themselves. Many have lost contact with family members or cannot rely on them for support, so the ability to work is vital. Unfortunately the difficult economic climate in Peru and the prevalence of age discrimination mean that, despite their skills and experience, older people can rarely find work. HelpAge International's partner organisation, Pro Vida Peru, plans to implement a revolving fund scheme to enable older people to set up small businesses, together with a training programme that will especially target older women. The project will allow at least 360 older people to improve their skills, start businesses, and reduce their severe poverty and dependence.

PHILIPPINES**One World Action****Improved Water Supply and Irrigation Project, Island of Negros****£14,048**

To improve the health, food security and self-sufficiency of three communities on the Island of Negros by developing water supply and irrigation systems. Poverty remains a rural phenomenon in the Philippines where 68% of the rural population remains below the poverty line and rural poverty represents two-thirds of the country's total. Following agrarian reform, some land has been redistributed more equitably, but even if distributed much of this land is of low quality and needs a great deal of work to produce food. An inadequate water supply forces farmers to pay local traders exorbitant prices for water. This results in food security problems, and a cycle of dependency begins as farmers borrow from traders, become indebted, and are often eventually forced to sell their land. Funding is for the provision of (i) a small concrete mini-dam to fully irrigate 40 hectares of cropland at Barangay Pingot. The existing dam is inadequate and does not provide enough water to grow a full crop of rice. This will enable the 120-strong community to feed itself; (ii) the creation of 4 new deep wells to provide clean water for 2 of the communities, Hacienda Dorotea and Hacienda Cumabat II. Both of these communities currently use an open well that is also used for washing clothes and preparing food. Given the high incidence of water-borne disease in the villages this well is suspected of being a major source of illness. The new wells will directly benefit 420 people.

SRI LANKA**International Childcare Trust****Shilpa Development Centre Colombo****£20,255**

To enable the Shilpa Development Centre, Colombo, which at present has an intake of only 35 girls, to offer a secure but transitional home: to an additional 50 girls who are the victims of conflict in the continuing separatist war in Sri Lanka; to those who have been abandoned or neglected by their family; to provide skills training for employment to young women from the local area who would not normally have an opportunity to train; to provide remedial education, training and motivation to groups of low-income women in the area, especially single mothers or female breadwinners and; to complete the building, purchase the equipment and develop the community programme as planned. Funding is for various capital costs, equipment costs, and operating costs for the first year, primarily in respect of the increased residential intake.

UGANDA**CAFOD****Hoima Village-Based Development Programme, Kibaale District****£17,462**

To improve the standard of living in four villages in Kibaale District, an area of Uganda that has been traditionally neglected, through income improvement and health improvement strategies. These strategies involve training in addition to the provision of inputs and were identified, in order of priority, through a process of consultation between the communities and the diocese. The specific initiatives are: to improve household incomes by increasing farming output, Improving access to markets and facilitating the start of viable rural enterprises; to improve standards of health by promoting the cultivation of fruit and vegetables, developing water sources, and promoting better latrines and other home improvements. Funding is for livestock, seeds, equipment, building materials and training costs.

Church of Uganda, Diocese of Soroti, c/o Mr Alan J Heard**Teso Kick-Start Programme, District of Soroti****£20,000**

To provide a revolving-loan system to finance a number of small-scale projects within one part of the Soroti District, Eastern Uganda. The project Kick-Start was established in 1999 and is managed by the Development Department of the Soroti Diocese, Church of Uganda. The aim of the project is to benefit directly local families who presently depend upon subsistence farming for their existence. The soil is generally fertile, yet without mechanical aids to agriculture (even ox-drawn ploughs), yields are low. The types of projects to be provided include the provision of two grinding mills; the provision of oxen and plough; fishing boat and nets; purchase of seeds; bicycle spares, etc. Funding is for the provision of revolving-loan capital for such small-scale projects, and the first-year salary costs of the administrator, a project motorcycle, servicing costs and office expenses. An estimated minimum of 350 families (some 1,800 - 2,000 individuals) will benefit directly in the first year.

SCIAF**AIDS Widows and Orphans Family Support, Nsambya Hospital Home Care Unit, Kampala****£15,152**

To help people with AIDS retain hope, dignity and quality of life, by assisting them to start sustainable small income-generating projects, which will enable them to remain self-reliant and make provision for the future of their children. The project also provides vocational training, AIDS education and counselling support to AIDS orphans. The target group is 150 families per annum, from the poorest HIV-positive parents diagnosed at Nsambya Hospital, Kampala. The key area of activity are: loans and business advice/training to enable people with AIDS to start income-generating projects which on their death can be maintained to provide an ongoing livelihood for their surviving family members; vocational training and post- vocational support for AIDS orphans and young people whose parents have AIDS; supportive activities: HIV/AIDS education for teenage children, counselling for adults and children, legal services, a mutual support organisation for people with AIDS, and a Youth Forum.

ZAMBIA**International Widows and Orphans Welfare Society of Kenya****Development of Sustainable Livelihoods in Rural Areas, Lusaka****£2,111**

To provide airfreight cost for a consignment of tools to Lusaka, Zambia. The tools are donated by Tools with a mission (UK). The tools will be used to support skill development amongst the disadvantaged section of the community. The project's aim generally is to provide means for sustainable human development, which will result in poverty eradication amongst widows and orphans, who will undergo training in a range of skills and trades based on their own choice ranging from carpentry, knitting, tailoring, motor vehicle mechanics to typing. Those trained will be loaned these tools to start their own income-generating businesses. The project uses and supports the talents, knowledge and expertise of individual men and women. This creates an environment, in which Widows and Orphans can use their abilities and fulfil their potential.

Distribution of Funding 2000

Africa

<i>Agriculture/Fisheries</i>	<i>£19,209.00</i>	
<i>Education</i>	<i>£143,997.00</i>	
<i>Emergency Disaster Relief</i>	<i>£25,000.00</i>	
<i>Health</i>	<i>£194,899.00</i>	
<i>Integrated Development</i>	<i>£138,421.00</i>	
Total Aid Given to Africa		£521,526.00

Indian Sub-Continent

<i>Education</i>	<i>£65,932.00</i>	
<i>Health</i>	<i>£80,015.00</i>	
<i>Integrated Development</i>	<i>£95,772.00</i>	
Total Aid Given to Indian Sub-Continent		£241,719.00

Latin America & Caribbean

<i>Agriculture/Fisheries</i>	<i>£0.00</i>	
<i>Education</i>	<i>£0.00</i>	
<i>Health</i>	<i>£27,655.00</i>	
<i>Integrated Development</i>	<i>£9,750.00</i>	
Total Aid Given to Latin America & Caribbean		£37,405.00

Other Asia & Pacific

<i>Agriculture/Fisheries</i>	<i>£2,530.00</i>	
<i>Education</i>	<i>£0.00</i>	
<i>Health</i>	<i>£22,944.00</i>	
<i>Integrated Development</i>	<i>£59,406.00</i>	
Total Aid Given to Other Asia & Pacific		£84,880.00

Total Contribution to Aid Overseas		£885,530.00
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APPENDIX IV

STATES EDUCATION COUNCIL

FOREST PRIMARY SCHOOL: VALIDATION REPORT

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

21st February, 2001.

Sir,

Forest Primary School: Validation Report

I enclose two copies of the summary of the validation report and the Council's response for the above school. I have the honour to request that you will be good enough to arrange for this to be published as an appendix to the Billet d'État for March.

Copies of the full report will be made available for any member of the public to inspect at both the school and the Education Department.

I am, Sir,

Your obedient Servant,
M. A. OZANNE,
President,
States Education Council.

SUMMARY OF THE VALIDATION REPORT

FOREST PRIMARY SCHOOL

Forest Primary is a single form entry school, taking children mainly from the Forest and Torteval parishes in the southwest of Guernsey. There are 183 pupils on roll, made up of 96 boys and 87 girls, aged from 4 to 11.

They are taught by 8 full-time staff, including the headteacher, and 2 part-time teachers. There are 7 classes with an average class size of 26.1 and a pupil/teacher ratio of 20.1:1.

Background

The school was visited by a validation team of 5 inspectors during the week of October 16th 2000. The school provided a comprehensive range of detailed documentation in advance of the inspection, having spent a year on a variety of well planned self-evaluation activities.

During the inspection all classes and teachers were visited and 74 lessons were observed, in addition to school assemblies and extra-curricular clubs. Planned discussions were held with teaching and non-teaching staff. Informal discussions were held with pupils and their current and previous work was scrutinised.

The 67 replies to a parental survey were analysed. Observations and recommendations were discussed with the headteacher and appropriate staff during the week and a report was made to the Director of Education.

Main Findings

- The headteacher has successfully guided Forest School through a demanding period of transition and change. It is now firmly established on its new site and is poised for the next phase of curriculum development and consolidation. An ethos and environment are being established which encourage good teaching and learning.
- The headteacher and his staff carried out their self-evaluation exercise in a thorough and professional manner. It was undertaken at a time when the school was adjusting to its new buildings, and to the demands of new curriculum initiatives in literacy, numeracy and ICT. The school's report is commendably accurate and sets a clear agenda for the next stage of development.
- Staff report that the VSSE process has helped to strengthen communication and team building within the school. The headteacher has made effective use of his own expertise as an IFES trained validator to develop the skills of his staff in reviewing and evaluating their work and in planning further progress.
- The headteacher receives good support from his deputy and the senior management team. The new role of the deputy as curriculum co-ordinator is currently being developed, together with the strengthening of the monitoring roles of subject co-ordinators. New job descriptions need to be established.
- Communications within the school are generally good, and a regular pattern of minuted meetings has been established. Valuable staff development interviews are held annually with the headteacher.
- The school development plan (SDP) reflects the aims and values of the school and sets appropriate targets for attention. The school rightly intends to involve all staff more fully in the development planning process during the post validation period.

- Budget spending and in-service training are suitably linked to the priorities in the SDP.
- Co-ordinators are being encouraged to assume greater responsibilities for their allocated budgets and for resourcing their subject areas.
- The school office is welcoming and efficient and the headteacher and secretary have good oversight of ordering and spending within the school's computerised financial systems.
- Daily routines run smoothly and staff undertake their duties conscientiously. There have been noticeable improvements in the cleaning and care of the buildings.
- The school provides a broad and reasonably balanced curriculum, which meets the requirements of the National Curriculum (NC) Guernsey and the RE Agreed Syllabus. Increased time is being devoted to the core subjects of English, mathematics and science. Staff are considering how best to provide for the foundation subjects once Curriculum 2000 is fully implemented.
- Curriculum planning has formed a major part of successful school development over the past two years. The school is adopting QCA schemes of work to assist with the provision of better continuity and progression in pupils' learning. More collaborative planning within the two key stages would assist with the sharing of knowledge and expertise.
- The curriculum is enhanced by a range of extra-curricular activities and by a variety of outside visits, including residential trips to Alderney and France.
- Of the 74 lessons observed during the inspection, 89% were found to be satisfactory or better, with 36% containing some good or excellent features. Most lessons are well planned and, in the best examples, learning objectives are shared with pupils and reviewed in a plenary session at the end of the lesson. Children are suitably encouraged and relationships are mostly good. Tasks and resources are often well matched to children's levels of ability.
- Lessons with unsatisfactory features included over-prescription by the teacher, an over-reliance on worksheets, a lack of investigative work and inconsistent application of school policies.
- The school's involvement as a pilot in the ICT Technical Implementation Project is leading to the establishment of high standards in this area, and ICT is being used effectively to support teaching and learning in a number of subject areas, such as literacy, numeracy, history and art.
- The school is making good progress in its implementation of the literacy and numeracy strategies, and at Key Stage 2 the school is attaining levels above the Guernsey averages in English, mathematics and science. The school is seeking to strengthen the performance of boys in particular in writing and mathematics at Key Stage 1. It also intends to develop a clearer homework policy.
- Good standards are also being attained in some classes in PE, history, art, music and design technology, while further work is needed to develop geography, PSHE, drama and some aspects of technology. The further development of the subject co-ordinators' roles is intended to help spread best existing practices across the school. The library is currently under-used for investigational work.
- The youngest children receive a sensitive and phased transition in to school, and they make sound progress towards attaining the early learning goals. A written policy relating to the foundation stage has yet to be produced. The outdoor play area awaits further development as an extension to the classroom and a resource to support all areas of learning.
- The school's self-review has correctly identified the need to strengthen assessment procedures in order to assist with planning, target setting and the establishment of common practices throughout the school.

- Children with special educational needs are making sound progress, and they receive good support from the SENCO and appropriate staff. Further work is needed to assist some staff with the differentiation of work and resources to match all levels of children's ability, and with the use of Individual Education Profiles. Existing arrangements for the withdrawal of pupils sometimes fragment curriculum continuity. The school's self-review rightly acknowledges the need to ensure that the most able pupils are suitably challenged.
- Relationships in the school are good. Most children behave well and have positive attitudes towards their work. A common behaviour policy is needed for the few children who are inattentive and cause low level disruption in some classes. Attendance is good.
- The school makes sound provision for the spiritual, moral, social and cultural development of its pupils. The PSHE programme is being updated, and includes circle time. Appropriate arrangements are made for pupils' support, guidance and welfare. Good use is made of the local clergy and other outside helpers to assist with the school's provision of assemblies and collective worship.
- The school has very good links with parents and the local community. The returns from the parental questionnaires (Appendix A) show that the headteacher and his staff receive high levels of support for their work. The PTA provides excellent financial assistance on an annual basis.
- Good value for money is provided through the school's use of its available staffing, in-service training opportunities, accommodation and resources. Purposeful support is provided by classroom assistants and parents.
- The planning and organisation of the move into the new buildings were meticulous, and staff made full use of the opportunities provided to become involved in discussions at the appropriate stages. The new school is a credit to the States Education Department and all those involved in the project.

Key Issues that the School Needs to Address

- The recommendations from the school's own self-evaluation review include a number of issues for attention which are endorsed by the validation team. These are related to the school's aims, assessment and recording, challenging the most able, standards of boys' writing, listening and concentration skills, process skills, behaviour, marking, homework, schemes of work For geography and PSHE, liaison with special school staff and training for subject co-ordinators.
- The validation team recommends that the school should continue to build upon the good practices established during the period of self-review. The school's next development plan should give a high priority to:
 - the continued development of the monitoring, evaluation and leadership roles of the curriculum co-ordinator and the subject co-ordinators, and the provision of updated job descriptions;
 - the establishment and implementation of agreed whole school policies on assessment, marking, homework and low level disruptive behaviour;
 - the adaptation and assimilation of the appropriate QCA schemes of work to assist with planning and the provision of teaching and learning experiences which will challenge pupils of all ability levels.

The school is responsible for drawing up an action plan after receiving the Report, showing what it is going to do about the issues raised and how it will incorporate them in the school's Development Plan.

A follow-up visit to the school will be made in autumn 2001 in order to monitor and discuss the progress the school has made, and a written report will be made to the Director of Education

STATES EDUCATION COUNCIL**RESPONSE TO THE VALIDATION REPORT****ON****FOREST PRIMARY SCHOOL**

The Education Council and the staff of Forest Primary School welcome and accept the Validation Report of October 2000. It is pleasing to note that the VSSE process has helped to strengthen communication and team building within the school.

The school is establishing an environment and ethos which encourage good teaching and learning. Relationships with parents and the community are a strength of the school.

The curriculum is broad and reasonably balanced and is enhanced by a range of extra - curricular activities and outside visits. At Key Stage 2 children are attaining levels above the Guernsey averages in English, mathematics and science. A combination of the school's commitment to ICT and the Education Council's investment has resulted in ICT being seen an area in which standards are high.

The school is now working diligently to address the areas for development which include:

- to continue to develop monitoring, evaluation and leadership roles of the curriculum co-ordinator and subject co-ordinators;
- to establish and implement agreed whole school policies on assessment, marking, and homework;
- to establish and implement agreed whole school policies for the few children who show low-level disruptive behaviour;
- to adapt and assimilate appropriate QCA schemes of work.

The school has successfully worked through a demanding period of transition and change, including the move into a new building, and is now poised for the next phase of curriculum development and consolidation.

APPENDIX V

STATES EDUCATION COUNCIL

THE LADIES' COLLEGE: ANNUAL REPORT 1999/2000

The President,
States of Guernsey,
Royal Court House,
St. Peter Port,
Guernsey.

21st February, 2001.

Sir,

The Ladies' College: Annual Report 1999/2000

The Principal of the Ladies' College has requested that I forward to you her Annual Report for the academic year 1999/2000. I should be grateful if you will arrange for this to be published as an Appendix in the March Billet d'État.

I am, Sir,

Your obedient Servant,
M. A. OZANNE,
President,
States Education Council.



THE LADIES' COLLEGE

Principal's Report to the States of Guernsey 1999 – 2000

Principal's Report to the States of Guernsey 1999 - 2000

The year 1999 - 2000 was an extremely exciting one with the implementation of the Sixth Form Partnership with Elizabeth College. A common timetable was established and Year 12 students were able to select their subjects from a range of options offered by both colleges. This increased the number of subjects taken by Ladies' College students to 22. Twelve girls attended Elizabeth College for one of their subjects and thirteen boys attended classes at the Ladies' College. Four Blanchelande girls also attended the Ladies' College for one or more subjects. The implementation of this partnership made necessary significant changes in the organisation of the school day for the school as a whole. Both Colleges feel very positive about the benefits arising from this partnership and planning for future development is ongoing. There was also encouraging development at KS3 where the rising number of students in Year 7 made it necessary to create three forms. This is in response to an unprecedented number of applications from good candidates for entry to the College at the age of 11.

Examinations, Destinations and Curriculum

At A-Level there was an outstanding 99% pass rate with 86.3% of these being at grades A - C. 32.6% of the passes were at A grade, well above the UK figure of 17.8%. There were 95 subject entries by 31 candidates in 17 subjects. Three girls studied one of their subjects at Elizabeth College and one at the Grammar School. Two girls achieved four grade A passes and three girls achieved three grade A passes. Philippa Dudley achieved the Rothschild Bicentenary Award for an outstanding record of achievement during her time at the Ladies' College.

At GCSE there was a 100% pass rate at grades A* - G, 98.4% of these being at grades A* - C. Seven girls passed all ten subjects at A* or A grade. Out of a total of 510 subject entries 55.7% were A* or A grade passes.

The National Curriculum Key Stage 3 test results were once again very satisfactory. 11 girls achieved Level 8 in Mathematics and 8 girls achieved Level 8 in English. It is not possible to enter girls for Level 8 in Science because there is not sufficient time for the girls to cover the additional work that is required at this level. 23 girls achieved Level 7 in Science, this is the highest available level to them at this stage.

In Key Stage 2 results at Melrose, 10 girls achieved Level 5 for Mathematics, 16 achieved Level 5 in English and 12 achieved Level 5 in Science.

A full list of the destinations of Upper 6 leavers is attached. Many girls were successful in securing highly competitive places. Philippa Dudley secured a place at Trinity Hall, Cambridge to read Natural Sciences and Louise Perrio a place at Penbroke College, Cambridge to read Anglo-Saxon, Norse and Celtic Studies. Hannah Copeland achieved a place at Glasgow University to read Veterinary Science and Charis Corbin a place at Sheffield to read Medicine.

Changes to the Board of Governors

Mrs Day retired from the Board of Governors after 12 years of service. Her place has been taken by Mrs Stephanie Nickolls who has had a long connection with the College, first as a pupil and now as a parent.

Changes of Staff

The following staff joined the College during this academic year: Miss Robertshaw, Teacher of English; Mrs Wheeler, part-time Teacher of PE; Mr Davis, part-time Teacher of Physics; Mrs Neale, part-time Teacher of Food and Textiles; Mrs Spurrier, Melrose Year 1 Class Teacher; Miss Le Ray, Librarian.

Three members of staff retired this year after many years of service to the College. Mrs Le Flem, Head of Music; Mrs Sweet, part-time Teacher of Textiles; Mrs McCord, Class Teacher for Year 6 at Melrose.

Three members of staff returned to the UK: Miss Dunn, Head of English; Mr Batum, Principle Teacher of Biology; Mrs Harries, Principal Teacher of Drama. Mrs Rigby, Teacher of French and Italian, left shortly before the birth of her baby and Mrs Joyce, Class Teacher for Year 5 in Melrose, has taken a year's maternity leave. A back injury prevented Mrs Neale from teaching more than a small amount of Textiles during the year and she left at the end of the Spring Term. It proved impossible to find a permanent part-time replacement. As a consequence, Food Technology is no longer taught at the Ladies' College.

The Reverend Mrs Le Vasseur has given up teaching Religious Studies at the College but she is still on the staff in her capacity as School Chaplain.

Resources and Buildings

For the first time in 15 years, the College gained some additional teaching space. Four huts from the Forest School were delivered in December and have provided an Upper Sixth Art Studio, a small Music Room and, by joining two huts together, a Drama Studio. The former Music building has been refurbished and transformed into a Sixth Form Centre, a necessity now that the Sixth Form has different lesson times from the rest of the school. Shortage of space remains a pressing problem however, with a rising school role and the presence now of an increasing number of Sixth Form boys.

The vehicle access to the school remains a source of anxiety and of potential risk especially to the younger pupils. It was a disappointment that the States voted against the College's request for part of the Old Girl's Grammar School site in Rosaire Avenue which could have provided a safer alternative entrance.

Highlights of the Year

As part of our Millennium Celebration, the History class prepared a Time Capsule with a selection of items that the girls felt represented the school as it is today. It has been deposited in the States Archives to be opened in 100 years' time. In addition to all the usual mementos it included a delightful portrait of life at the Ladies' College as seen through the eyes of two Year 8 pupils with photographs and comments from their friends.

It was a busy year for Drama with a production each term. In December, "The Wizard of Oz"; in March, "Much Ado About Nothing" and, at the end of the Summer Term, a light-hearted review entitled "Brush Up Your Shakespeare". A Music and Drama Day was held at the end of the Spring Term and the College gave a concert in the Forest Church to mark the start of Floral Guernsey Week.

The sports teams had a very successful year; over 20 girls represented the Island or the Channel Islands in various sports. Elena Johnson is a member of the Under- 14 and Under-15 England Squad in Badminton and Naveen Rahman is a member of the Junior British Fencing Team. Sailing

is a growing interest at the Ladies' College at present and Clare Chapple is the Southwest Region Champion in the Optimist Class. The College had a very successful season particularly in swimming. The hockey players enjoyed a very successful tour to Barcelona in the Easter holidays.

The Duke of Edinburgh's Award Scheme was, as ever, strongly supported. 18 girls completed their Bronze Award, 10 girls completed their Silver Award and 9 girls completed their Gold Award.

Young Enterprise was also very strongly supported this year and Rebecca Wightman won the ODL Award as the Young Achiever of the Year. She also won the Managing Director's Award. Ginette Lanyon won the Finance Director's Award and Emma Wilcockson won the Sales Director's Award. Seven girls were members of the successful company "Yeta" who won the company award and six girls were members of the company "Tsunami" who won the award for the Best Company Stand.

In the Young Environmentalist of the Year Award, both the Senior and Junior prizes went to Ladies' College students. Ladies' College pupils also featured very highly in the "Design an Ad Competition" with 18 winners in the Senior School and 11 winners from Melrose.

Alexandra Monkhouse achieved a high score in the Intermediate Mathematics Challenge and went on to the European Mathematics Kangaroo. Rachel Tracy scored highly in the Junior Mathematics Challenge and progressed to the second round of the Junior Mathematical Olympiad. There were several prize-winners at the Eisteddfod in the Literary and French sections as well as in Music.

This has been a year in which there has been a significant amount of change and important development. The quality of teaching is impressive and the commitment of the staff and students is excellent but the need for extension and modernisation of the school buildings becomes an ever more pressing issue. It is to be hoped that support will be forthcoming from the States to meet these urgent capital needs.

GCSE RESULTS

June 2000

Subject	Total Entered	A*	A	B	C	D	E
Art	27	1	16	5	5	0	0
Biology	51	6	20	20	5	0	0
Chemistry	51	8	11	22	6	4	0
Drama	24	0	11	13	0	0	0
English	51	13	23	13	2	0	0
Eng. Lit	51	7	22	16	6	0	0
French	46	18	15	9	4	0	0
German	18	8	10	0	0	0	0
Geography	23	16	3	4	0	0	0
History	38	6	14	9	7	2	0
Latin	8	0	2	4	0	1	1
Maths	51	9	18	18	6	0	0
Music	20	3	4	7	6	0	0
Physics	51	8	12	18	13	0	0
		103	181	158	60	7	1

A LEVEL RESULTS**June 2000**

Subject	Total Entered	A	B	C	D	E	N
Art	6	1	4	1	0	0	0
Biology	8	1	4	2	0	1	0
Business St.	8	2	4	2	0	0	0
Chemistry	11	4	4	1	1	1	0
Eng. Lit	11	2	5	4	0	0	0
Economics	2	1	1	0	0	0	0
French	4	0	3	1	0	0	0
Geography	5	3	2	0	0	0	0
History	7	3	0	1	1	1	1
Latin	4	2	0	1	1	0	0
Maths	10	4	1	3	2	0	0
F. Maths	2	2	0	0	0	0	0
Music	1	1	0	0	0	0	0
Physics	9	4	2	2	0	1	0
Textiles	3	0	1	1	1	0	0
Sports St. (<i>at EC</i>)	3	1	1	0	1	0	0
German (<i>at GS</i>)	1	0	0	0	1	0	0
		31	32	19	8	4	1

NATIONAL CURRICULUM KEY STAGE 3 RESULTS

Subject	Level 8	Level 7	Level 6	Level 5
Mathematics (2 girls absent)	11 girls	31 girls	10 girls	2 girls
English (1 girl absent)	8 girls	42 girls	7 girls	0 girls
Science (1 girl absent)	0 girls	23 girls	28 girls	5 girls

NATIONAL CURRICULUM KEY STAGE 2 RESULTS

Subject	Level 5	Level 4	Level 3
Mathematics	10 girls	12 girls	1 girl
English	16 girls	7 girls	0 girls
Science	12 girls	11 girls	0 girls

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 28TH DAY OF MARCH, 2001

The States resolved as follows concerning Billet d'Etat No. VI
dated 9th March, 2001

PROJET DE LOI
entitled
THE CRIMINAL JUSTICE (INTERNATIONAL CO-OPERATION)
(BAILIWICK OF GUERNSEY) LAW, 2001

- I. To approve the Projet de Loi entitled "The Criminal Justice (International Co-operation) (Bailiwick of Guernsey) Law, 2001", and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI
entitled
THE POST OFFICE (BAILIWICK OF GUERNSEY) LAW, 2001

- II. To approve the Projet de Loi entitled "The Post Office (Bailiwick of Guernsey) Law, 2001", and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI
entitled
THE TELECOMMUNICATIONS (BAILIWICK OF GUERNSEY)
LAW, 2001

- III. To approve the Projet de Loi entitled "The Telecommunications (Bailiwick of Guernsey) Law, 2001", and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI
entitled
THE COMPANY SECURITIES (INSIDER DEALING)
(BAILIWICK OF GUERNSEY) (AMENDMENT) LAW, 2001

- IV. To approve the Projet de Loi entitled "The Company Securities (Insider Dealing) (Bailiwick of Guernsey) (Amendment) Law, 2001", and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI
entitled
THE INCOME TAX (RESTRICTION OF TAX RELIEF ON INTEREST)
(GUERNSEY) LAW, 2001

- V. To approve the Projet de Loi entitled "The Income Tax (Restriction of Tax Relief on Interest) (Guernsey) Law, 2001", and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

PROJET DE LOI
entitled
THE SOCIAL INSURANCE (GUERNSEY) (AMENDMENT) LAW, 2001

- VI. To approve the Projet de Loi entitled "The Social Insurance (Guernsey) (Amendment) Law, 2001", and to authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction thereto.

THE REGULATION OF FIDUCIARIES, ADMINISTRATIVE BUSINESSES
AND COMPANY DIRECTORS, ETC (BAILIWICK OF GUERNSEY)
LAW, 2001 (COMMENCEMENT) ORDINANCE, 2001

- VII. To approve the draft Ordinance of the States entitled "The Regulation of Fiduciaries, Administrative Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2001 (Commencement) Ordinance, 2001", and to direct that the same shall have effect as an Ordinance of the States.

THE SOCIAL INSURANCE (RECIPROCAL AGREEMENT WITH
AUSTRALIA) ORDINANCE, 2001

- VIII. To approve the draft Ordinance of the States entitled "The Social Insurance (Reciprocal Agreement with Australia) Ordinance, 2001", and to direct that the same shall have effect as an Ordinance of the States.

THE PUBLIC TRANSPORT (AMENDMENT) ORDINANCE, 2001

- IX. To approve the draft Ordinance of the States entitled "The Public Transport (Amendment) Ordinance, 2001", and to direct that the same shall have effect as an Ordinance of the States.

THE FEDERAL REPUBLIC OF YUGOSLAVIA (FREEZING OF FUNDS)
ORDINANCE, 2001

- X. To approve the draft Ordinance of the States entitled "The Federal Republic of Yugoslavia (Freezing of Funds) Ordinance, 2001", and to direct that the same shall have effect as an Ordinance of the States.

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 29TH DAY OF MARCH, 2001

(Meeting adjourned from 28th March, 2001)

STATES ADVISORY AND FINANCE COMMITTEE

**THE FUTURE PROVISION OF TELECOMS, POSTAL AND
ELECTRICITY SERVICES AND NETWORKS**

XI. After consideration of the Report dated the 23rd February, 2001, of the States Advisory and Finance Committee:-

1. To agree the implementation of the controlled licensing of telecoms services by way of seeking an equity partner for Guernsey Telecoms along the lines described in that Report.
- 2.(1) That the States Advisory and Finance Committee shall commission specialist advice including corporate finance and related services.
- (2) That the Strategic and Corporate Measures budget of the States Advisory and Finance Committee for 2001 shall be increased by £200,000, such sum to be taken from the General Revenue account.
3. That the States Advisory and Finance Committee shall be delegated to choose the equity partner and the terms for the partnership under the process described in that Report.
4. To endorse the approach set out in that Report for the future operation and management of States interests in the fibre optic capacity in the CIEG cable link to France and to the future involvement of the Electricity undertaking in the provision of telecoms services.

STATES BOARD OF INDUSTRY

**STATES DIRECTIONS ON THE REGULATION OF THE
TELECOMMUNICATIONS SECTOR**

XIII. After consideration of the Report dated the 21st February, 2001, of the States Board of Industry:-

1. To approve the States Direction to the Regulator in relation to the telecommunications sector as set out in that Report at sections 4.1.5 and 4.2.7 respectively.
2. To note that further reports will be submitted dealing with States Directions in relation to the identity of the first telecommunications licensee to be given a universal service obligation.

3. To note that further reports will be submitted dealing with States Directions in relation to the post and electricity sectors.

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 11TH DAY OF APRIL, 2001

(Meeting adjourned from 29th March, 2001)

GUERNSEY SOCIAL SECURITY AUTHORITY

FOSTERING ALLOWANCES AND SUPPLEMENTARY BENEFIT

XII. After consideration of the Report dated the 21st February, 2001, of the Guernsey Social Security Authority:-

1. That the Supplementary Benefit (Implementation) Ordinance, 1971, as amended, shall be further amended so as to provide that fostering allowances shall be disregarded when calculating a claimant's resources.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

STATES INCOME TAX AUTHORITY

INCOME TAX RULES RELATING TO PENSIONS

XIV. After consideration of the Report dated the 22nd February, 2001, of the States Income Tax Authority:-

1. To make it a condition of approval of occupational pension schemes that a member leaving the scheme with more than two years of service but less than five years of service shall also be entitled to a transfer payment to another approved scheme, including a retirement annuity scheme.
2. That this amendment be effective for all schemes seeking approval after the date of commencement of the amending Law, ie 1st January, 2002.
3. That existing schemes will be required to comply with the condition referred to in proposition 1 above when next amending the scheme Rules, and in any case no later than 1st January, 2003.
4. That with effect from the 1st January, 2002, the definition of "relevant earnings" be amended to exclude proprietary directors of investment companies.
5. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

STATES RECREATION COMMITTEE

THE REDEVELOPMENT OF BEAU SEJOUR CENTRE

- XV. After consideration of the Report dated the 19th February, 2001, of the States Recreation Committee:-
1. To approve in principle the redevelopment of Beau Sejour Centre as described in that Report and the attached plans at an estimated cost of £9,000,000 including professional fees.
 2. To direct the States Recreation Committee to seek tenders for the redevelopment of that Centre as detailed above and to report back to the States with details of the tenders received.
 3. To vote the States Recreation Committee a credit of £800,000 to cover the cost of consultant's fees for feasibility studies, planning and design work, which sum shall be taken from that Committee's allocation for capital expenditure.
 4. To authorise the States Advisory and Finance Committee to transfer from the Capital Reserve to the capital allocation of the States Recreation Committee the sum of £800,000.
 5. To direct the States Arts Committee to report to the States at the earliest opportunity about the adequacy of the Beau Sejour Theatre as a performance space for local and visiting performers.
 6. To vote the States Arts Committee a credit of £10,000 to cover the costs of consultants fees to be incurred in the preparation of the report.

ADMINISTRATIVE DECISIONS (REVIEW) (GUERNSEY) LAW, 1986

REPORT OF THE REVIEW BOARD FOR 2000

- XVI. After consideration of the Report dated the 26th January, 2001, of the Review Board constituted under the Administrative Decisions (Review) (Guernsey) Law, 1986:-

To accept that Report.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

THE SOCIAL INSURANCE (CONTRIBUTIONS) (AMENDMENT) REGULATIONS, 2001

In pursuance of the provisions of section 117 of The Social Insurance (Guernsey) Law, 1978, The Social Insurance (Contributions) (Amendment) Regulations, 2001, made by the Guernsey Social Security Authority on the 31st January, 2001, were laid before the States.

THE RABIES (AMENDMENT) ORDER, 2001

In pursuance of the provisions of section 4 of The Rabies (Bailiwick of Guernsey) Law, 1975, as amended, the Rabies (Amendment) Order, 2001, made by the States Agriculture and Countryside Board on the 19th January, 2001, was laid before the States.

THE PROHIBITION OF IMPORT (MEAT, ANIMAL FEED ETC) ORDER, 2001

In pursuance of the provisions of section 13 of The Animals and Animal Products (Import and Export) Ordinance, 1952, as amended, the Prohibition of Import (Meat, Animal Feed etc) Order, 2001, made by the States Agriculture and Countryside Board on the 22nd February, 2001, was laid before the States.

THE PROTECTED CELL COMPANIES (SPECIAL PURPOSE VEHICLE) REGULATIONS, 2001

In accordance with the provisions of section 26(3)(d) of The Protected Cell Companies Ordinance, 1997, The Protected Cell Companies (Special Purpose Vehicle) Regulations, 2001, made by the Guernsey Financial Services Commission on the 6th February, 2001, were laid before the States.

THE IMPORTATION OF MEAT AND MEAT PRODUCTS ORDER, 2001

In pursuance of the provisions of section 13 of The Animals and Animal Products (Import and Export) Ordinance, 1952, as amended, The Importation of Meat and Meat Products Order, 2001, made by the States Agriculture and Countryside Board on the 23rd February, 2001, was laid before the States.

THE PROHIBITION OF IMPORT (MEAT, ANIMAL FEED ETC) (NO.2) ORDER, 2001

In pursuance of the provisions of section 13 of the Animals and Animal Products (Import and Export) Ordinance, 1952, as amended, The Prohibition of Import (Meat, Animal Feed etc) (No.2) Order, 2001, made by the States Agriculture and Countryside Board on the 28th February, 2001, was laid before the States.

K.H. TOUGH,
HER MAJESTY'S GREFFIER.