



# BILLET D'ÉTAT

WEDNESDAY, 24th JUNE, 2009

XVI  
2009

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# ***B I L L E T D ' É T A T***

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## **TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY**

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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 **24<sup>th</sup> JUNE, 2009**, immediately after the meeting of the States of Election already convened for that day, to consider the items contained in this Billet d'État which have been submitted for debate.

**G. R. ROWLAND**  
Bailiff and Presiding Officer

The Royal Court House  
Guernsey  
5 June 2009

**PROJET DE LOI**

entitled

**THE DIGITAL SWITCHOVER (DISCLOSURE OF INFORMATION)  
(GUERNSEY AND ALDERNEY) LAW, 2009**

The States are asked to decide:-

I.- Whether they are of the opinion to approve the Projet de Loi entitled “The Digital Switchover (Disclosure of Information) (Guernsey and Alderney) Law, 2009” 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 STATEMENTS OBTAINED UNDER COMPULSION  
(RESTRICTION OF USE) (BAILIWICK OF GUERNSEY) LAW, 2009**

The States are asked to decide:-

II.- Whether they are of the opinion to approve the Projet de Loi entitled “The Statements Obtained Under Compulsion (Restriction of Use) (Bailiwick of Guernsey) Law, 2009” 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 EVIDENCE IN CIVIL PROCEEDINGS (GUERNSEY) LAW, 2009**

The States are asked to decide:-

III.- Whether they are of the opinion to approve the Projet de Loi entitled “The Evidence in Civil Proceedings (Guernsey) Law, 2009” 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 GENERAL SALES TAX (ENABLING PROVISIONS)  
(GUERNSEY AND ALDERNEY) LAW, 2009**

The States are asked to decide:-

IV.- Whether they are of the opinion to approve the Projet de Loi entitled “The General Sales Tax (Enabling Provisions) (Guernsey and Alderney) Law, 2009” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

**THE INCOME TAX (GUERNSEY) (APPROVAL OF AGREEMENTS WITH  
FRANCE, GERMANY AND IRELAND) ORDINANCE, 2009**

The States are asked to decide:-

V.- Whether they are of the opinion to approve the draft Ordinance entitled “The Income Tax (Guernsey) (Approval of Agreements with France, Germany and Ireland) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE INCOME TAX (FORMS OF OATH) (AMENDMENT) ORDINANCE, 2009**

The States are asked to decide:-

VI.- Whether they are of the opinion to approve the draft Ordinance entitled “The Income Tax (Forms of Oath) (Amendment) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE INCOME TAX (EXEMPT BODIES) (GUERNSEY)  
(AMENDMENT) ORDINANCE, 2009**

The States are asked to decide:-

VII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Income Tax (Exempt Bodies) (Guernsey) (Amendment) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

**THE HOUSING (CONTROL OF OCCUPATION)  
(EXTENSION) ORDINANCE, 2009**

The States are asked to decide:-

VIII.- Whether they are of the opinion to approve the draft Ordinance entitled “The Housing (Control of Occupation) (Extension) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

## TREASURY AND RESOURCES DEPARTMENT

### COMPULSORY PURCHASE OF LAND

The Chief Minister  
 Policy Council  
 Sir Charles Frossard House  
 La Charroterie  
 St Peter Port

24<sup>th</sup> March 2009

Dear Sir

#### **Executive Summary**

In February 2006 (*Billet d'État No V* of 2006 at pp49 to 50) the States directed the Treasury and Resources Department ("the Department") to review the law in respect of the compulsory purchase of land. This review has now been completed and the purpose of this Report is to present the Treasury and Resources Department's proposals to amend the Compulsory Acquisition of Land (Guernsey) Law, 1949 ("the 1949 Law").

New legislation is being recommended to modernise and streamline the framework in and by which compulsory purchase orders are made, in a way that ensures that the compulsory purchase regime better fulfils the requirements of the European Convention on Human Rights (ECHR). If the States supports these proposals, the Department would be given the authority to acquire land compulsorily, in conformance with the requirements of the ECHR as given domestic legal effect by the Human Rights (Bailiwick of Guernsey) Law, 2000 ("the HR Law"). The Royal Court, sitting as an Ordinary Court, would hear appeals against decisions of the Department.

Other amendments to the compulsory purchase regime are also being recommended.

#### **Background**

The 1949 Law formalised the States' position regarding the compulsory acquisition of land. It was amended in 1956 to introduce a lower level of compensation payable for buildings in a derelict condition. The amount of an award of compensation is based upon mechanisms contained within the 1949 Law.

The 1949 Law permits land to be purchased compulsorily following a Resolution of the States, which has the effect of vesting the land in the States. For such purposes "land" includes houses and buildings, parts of houses or of buildings, land covered with water, highways, public and private rights of way, and any easement or other right to use, or do work in relation to, land. The States of Deliberation in so acting are not, of course,

acting in a legislative capacity but rather administratively, having decided not to delegate this administrative function to a Committee of the States.

The intention behind the introduction of the 1949 Law was to enable the States compulsorily to acquire land (including the temporary taking of its possession and the control of its use) for any “*public purpose*”. At that time the States were particularly mindful of purposes including “*public utility*”, and “*naval, military or air force*” purpose, and “*educational or charitable*” purpose (*Billet d’État No XVI* of 1948). Since then, the definition of “public purpose” has evolved, and would now be interpreted as extending to include circumstances when the interest of the community is paramount (e.g. for social, economic, environmental or safety reasons), and this interest outweighs the private interest of an individual owner.

Certain property transactions have been carried out in accordance with the spirit of the compulsory purchase legislation, although there has been no requirement to use the powers contained in the 1949 Law for almost twenty years.

Although this Report recommends a number of changes to the 1949 Law, the principal changes are in relation to the procedure for undertaking compulsory purchases and the introduction of a formal appeals process. These will enable any compulsory purchase to be dealt with swiftly and efficiently, whilst ensuring that the requirements of the HR Law continue to be met in an open and transparent manner.

### **The Human Rights (Bailiwick of Guernsey) Law, 2000**

The HR Law is one of the most significant pieces of legislation in the Bailiwick of Guernsey. It is intended to support the aims and objectives of a modern society where the rights and responsibilities of citizens are clearly recognised and properly balanced. It gives domestic effect to the ECHR.

The HR Law:-

- Makes it unlawful for a public authority to act incompatibly with ECHR rights, and allows a case to be brought in a Guernsey court or tribunal if it does so;
- Requires all legislation to be interpreted and given effect, as far as possible, compatibly with ECHR rights; and
- Requires Guernsey courts and tribunals to take account of the case law of the Human Rights Court (and Commission) in Strasbourg, and the Committee of Ministers. Guernsey courts and tribunals are also bound to develop the common law compatibly with ECHR rights.

The ECHR guarantees a number of rights and freedoms. Article 1 of Protocol 1 states that “*Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law. The preceding provisions shall not, however, in any way impair the*

*right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties".* i.e. No one can be deprived of their property except where the action is permitted by law and justifiable in the public or general interest.

The HR Law requires public authorities, such as the States, and their Departments and Committees, to act in a manner which is compatible with ECHR rights. These rights are formulated in three broad ways, often referred to as the hierarchy of rights: some are absolute, some are limited and some are qualified. **Qualified rights** include the right to respect for private and family life, the right to freedom of expression, religion assembly and association, and ***the right to the peaceful enjoyment of property***, and to some extent the right to education. Although these rights are qualified, interference with them is permissible only if what is done:-

- Has its basis in law;
- Is necessary in a democratic society, which means it must:
  - fulfil a pressing social need;
  - pursue a legitimate aim;
  - be proportionate to the aims being pursued;
- Is related to the permissible aim set out in the relevant Article, for example
  - the prevention of crime; or
  - the protection of public order or health.

Any interference with an ECHR right must be proportionate to the intended objective. This means that even if a particular policy or action that interferes with an ECHR right is aimed at pursuing a legitimate aim, this will not justify the interference if the means used to achieve the aim are excessive in the circumstances. Any interference with an ECHR right should be carefully designed to meet the objective in question and must not be arbitrary or unfair. Even taking all these considerations into account, in a particular case interference may still not be justified because the impact on the individual or group is too severe.

### **Appeals Process**

The HR Law is designed to respect and foster ECHR rights, and provides a basis for the protection of the fundamental rights of every citizen.

Under the ECHR, anyone who is having his or her civil rights or obligations determined (for example by planning enforcement procedures) is entitled to:-

- The right of access to a court or independent and impartial tribunal.

- The right to a fair hearing.
- The right to a public hearing.
- The right to a hearing within a reasonable time.

Under the 1949 Law, the only right of appeal currently available to challenge a States decision to compulsorily purchase land is by way of judicial review. It should be stressed that the scope of this remedy in relation to a States' resolution to compulsorily acquire land has not been the subject of judicial determination, but HM Procureur has advised that, in his view, judicial review is available. Whilst this addresses the rights of individuals, as referred to above, judicial review can be an expensive and time-consuming process, which, might, put it beyond the means of the majority as a fair, balanced, open and transparent appeal process.

### **Proposals**

Against the above background, and in the light of the legal advice that the Department has received, it is proposed to amend the 1949 Law to delegate to the Department the right to acquire land on a compulsory basis. Where the land in question would be for use by the Department itself, then it would fall to the Policy Council to make the decision to compulsorily purchase, and references below to the Department include the Policy Council in such circumstances.

All requests would be subject to a compelling case being made by the initiating department, which would clearly identify that the land was to be acquired for a public purpose to be developed, used or disposed of for the promotion of the physical, economic or social well-being of the community. On each occasion the Department would have to carefully apply the requirements of the revised Law (in a similar manner to which the Environment Department applies the Planning Laws).

Where the Department was satisfied that a request for the compulsory purchase was in accordance with the provisions of the 1949 Law, as amended, a compulsory purchase order ("CPO") would be made. The effect of a CPO would be identical to that of a States Resolution currently made under the 1949 Law: i.e. it would immediately vest the land in the States.

By giving the primary responsibility regarding compulsory purchase to the Department, and at the same time putting in place an independent appeals process, this will ensure that the 1949 Law as amended will comply with the HR Law and will also provide for:-

- Clear and transparent procedures that are intended to offer a fair balance between the legitimate needs of the States and individuals affected by any compulsory purchase proposal.
- Aggrieved individuals to challenge decisions taken under the legislation in an appropriate manner.

The proposed appeals system would be accessible, objective, consistent and transparent and would:-

- facilitate an independent review of the decision making process;
- encourage appellants to conduct their own cases but not prevent them from being represented;
- allow for appeals to proceed and be determined on the basis of written representations where the parties agree;
- provide for full reasons to be given for each decision so that the system is transparent and enables the development of consistent law.

Determination of appeals would be by the Royal Court, sitting as an Ordinary Court, constituted by the Bailiff and assessors, as permitted by the Royal Court (Reform) Law, 2008. At least one chartered surveyor could be appointed as an assessor to assist in determining matters of compensation and technical issues.

### **Other proposed amendments**

In order to be able to discharge its new responsibilities effectively, the Department will be given authority to undertake surveys of any land or property which is potentially the subject of a compulsory purchase request. The purpose of this would be to ensure that the Department is aware of all relevant information prior to a CPO being made by it.

In addition, formal notices would have to be issued as part of the Department's functions and responsibilities. These should be in such form as the Department specifies, and their publication should not be restricted to *La Gazette Officielle*.

Where there is a legal impediment to the owner of land from disposing of it, or handling any compensation (i.e. if he is under any legal disability or incapacity), the owner would require authority from the Royal Court to be the respondent to a proposed CPO. The Department would have the authority to apply for a guardian or representative to be appointed for purposes of the CPO procedures to acquire the land. In such circumstances, the Royal Court could appoint a surveyor to assess the compensation payable.

Furthermore, if an owner cannot be found after reasonable inquiry, or is unwilling to deal with the Department, or is prevented from dealing with the Department by reason of illness, absence or other circumstance, a specific procedure will be required to prevent any delay in the acquisition, by the Royal Court appointing a judicial attorney of the owner. The Royal Court would decide on the appropriate compensation, and when that sum is paid into court by the Department, a CPO would be made vesting the land in the States.

A local equivalent of section 13 of the Compulsory Purchase Act 1965 should also be included in the amendments made to the 1949 Law, to permit the Department to apply

for a warrant to deliver possession of the land from an owner or occupier who refused to give up possession, or who hindered the Department from entering on or taking possession of the land. This would prevent the process of eviction being used to delay or halt progress of an acquisition for a public purpose.

There is also the need to address the risk following the making of a CPO that it will be subsequently discovered that an interest in that land has been overlooked and compensation would not have been determined or paid to the owner of that interest. It is suggested that where such circumstances arise, compensation would remain payable for a period of up to one year following the compulsory purchase.

Finally, the 1949 Law provides that the States takes the benefit of, for example, covenants in respect of land compulsorily purchased. Conversely section 1 of the 1949 Law provides that the interests of any third parties are extinguished as land compulsorily acquired vests in the States "freed and discharged from any right to life or other enjoyment or occupation thereof or of any part thereof", subject to certain exceptions and limitations which may be allowed by according to the relevant States Resolution. There may be circumstances in which land taken by the States would only be required for a short period, rather than permanently. In that situation, instead of extinguishing any rights a CPO would merely override them during the period of possession. The rights would continue to bind the land but could not be enforced so as to prevent the use of the land for the public purpose.

### **Recommendations**

The Treasury and Resources Department recommends the States

- (a) to amend the Compulsory Acquisition of Land (Guernsey) Law, 1949 as set out in this Report; and
- (b) to direct the preparation of such legislation as may be necessary to give effect to the foregoing.

Yours faithfully

C N K Parkinson  
Minister

**(NB The requirement for a modern, streamlined framework by which compulsory purchases can be made in a manner that better fulfils the requirements of ECHR legislation, is clearly of *strategic importance* to the States (and to the Island community) and the Policy Council therefore *strongly supports* the proposal.)**

The States are asked to decide:-

IX.- Whether, after consideration of the Report dated 24<sup>th</sup> March, 2009, of the Treasury and Resources Department, they are of the opinion:-

1. To amend the Compulsory Acquisition of Land (Guernsey) Law, 1949 as set out in that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

## **COMMERCE AND EMPLOYMENT DEPARTMENT**

### **GUERNSEY RENEWABLE ENERGY COMMISSION LEGISLATION**

The Chief Minister  
 Policy Council  
 Sir Charles Frossard House  
 La Charroterie  
 St Peter Port

30<sup>th</sup> April 2009

Dear Sir

#### **1. Executive Summary**

- 1.1 This Report seeks authority from the States for the drafting of appropriate legislation pursuant to which the States may arrange for the licensing of the operation and deployment of macro renewable energy systems in Guernsey.
- 1.2 In broad terms, the necessary primary legislation would consist of a Projet de Loi which would, amongst other things, establish the Guernsey Renewable Energy Commission (GREC) and enable GREC to regulate the use of Guernsey's macro renewable energy resources.
- 1.3 The GREC will initially concentrate on the development of macro tidal energy generation systems within Guernsey waters. However, their remit will extend to other macro renewable energy initiatives.
- 1.4 The Commerce and Employment Department (the Department) will be the sponsoring Department for GREC and also be responsible for promoting the development of macro renewable energy in Guernsey's waters. The States of Guernsey may issue Directions to the GREC regarding economic, social and environmental implications of any policy proposals. The Directions will be included in States Reports submitted by the Department to the States for debate.

#### **2. Background**

- 2.1 In June 2008, the States considered the Policy Council's Energy Policy Report<sup>1</sup>. The States resolved to focus their interest in renewable energy as set out in Recommendation 7 of the Report by:

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<sup>1</sup> Billet d'Etat No. VIII 2008 page 748

- (a) Preparing the necessary legislation which will enable Guernsey to take advantage of tidal power opportunities as and when they arise;
  - (b) closely monitoring tidal power technologies and opportunities;
  - (c) encouraging, promoting and facilitating tidal power opportunities; and
  - (d) directing the Commerce and Employment Department to establish a Guernsey Renewable Energy Commission responsible for promoting and licensing macro renewable energy projects within Guernsey.
- 2.2 Appendix G of the Report set out the objectives of the Commission and that until such time as necessary legislation is in place, a Shadow Commission should be set up to take forward the objectives of the Commission. The Department established the Shadow Commission in September 2008<sup>2</sup> and work has begun on the preparation of the required regulatory framework and co-ordination of States Departments to support the establishment of renewable marine energy systems.

### **3. The Role of the Commission**

- 3.1 The primary role of the Commission will be to facilitate the development of Guernsey's macro renewable energy resources and license the production of renewable energy in Guernsey's territorial waters. The Commission will be a statutory body and will be independent of the States. However, it will be under a statutory duty to act in the best interests of the Island, to have regard to the States energy policy and to take policy directions from the States.
- 3.2 The Department believes that it is important that the Commission is not subject to the direct control of the States, as this will give companies more certainty when considering investing large sums of money in renewable energy technology in the Island. Political independence may also be of benefit when considering cooperation between the Bailiwick and neighbouring jurisdictions. However the States of Guernsey may issue general Directions to GREC regarding the wider economic, social and environmental implications of any policy proposal. The Directions will be included in States Reports submitted by the Department to the States for debate.
- 3.3 It is anticipated that the Commission will be a single point of contact for industry and it will set up an application process for companies wishing to use the Island's marine resources. It will be a facilitator in helping applicants to obtain the required licences and consents from the various States Departments.
- 3.4 The Commission will also need to work closely with neighbouring jurisdictions, to make the best use of the resources available and benefit from shared infrastructure. It may also be important for the Islands to follow a common

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<sup>2</sup> The Shadow Commission comprises Mr Richard Babbe, Professor Nick Day and Mr Jeremy Thompson

approach to allocating seabed areas, making charges and offering incentives. Initial talks have been held with Alderney and Sark and it is envisaged that the Islands will work together to develop a renewable energy industry that will be to the benefit of all the islands of the Bailiwick.

- 3.5 In relations to the provision and regulation of electricity services the requirement for licences under the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001, only applies to the Island of Guernsey. The Commission will be responsible for licensing the deployment and operation of systems that generate electricity from macro renewable sources from within Guernsey's territorial limits.
- 3.6 It will be the responsibility of the Commission to licence the placing on the sea bed of any macro renewable energy systems and associated cabling. Before a licence is issued the Commission will ensure that all other necessary consents have been obtained by the applicant, an appropriate environmental assessment has been conducted and that a thorough consultation has been carried out.
- 3.7 It was set out in the Energy Policy Report that GREC would be responsible for the promotion of Guernsey's renewable energy resources. The Department considers that in the future this could cause a conflict with GREC's regulatory functions. The Energy Policy group have been consulted and agree that the Department should take the lead role in promoting and providing direction to GREC. An outline of GREC's project plan is at appendix one.

#### **4. The Current position**

- 4.1 Guernsey Electricity Ltd (GEL) is currently the only commercial generator of electricity in Guernsey and was issued with the first universal service obligation Licence by the Director General of Utility Regulation as directed by the States<sup>3</sup> under the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. Similarly the States resolved to direct the Director General to issue Guernsey Electricity Ltd. with an exclusive electricity conveyance licence and an exclusive supply licence, until 31<sup>st</sup> January 2012<sup>4</sup>.
- 4.2 GEL does not have exclusivity in the generation of electrical power, which allows for competition in this sector of the market. However as GEL is the holder of exclusive licences for the conveyance and supply of electricity in Guernsey any new generator wishing to supply Guernsey with electricity must sell the electricity that is generated to GEL, at least for so long as GEL's current exclusive licences remain in force.
- 4.3 The majority of Guernsey's foreshore belongs to the Crown as owner of the relevant contiguous fiefs and is administered in Guernsey by HM Receiver-General on behalf of the Crown. HM Procureur is of the view that the sea bed

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<sup>3</sup> States Resolutions 2001, pages 78-80(item 9)

<sup>4</sup> States Resolutions 2001, (item 11)

beneath Guernsey's territorial seas i.e. beyond the lower limit of the foreshore is the property of the Crown, but over which the States have legislative competence, subject to appropriate consultation with the Crown. Accordingly, HM Receiver-General should be consulted in respect of any renewable energy installations on the sea bed.

## **5. Renewable Energy Legislation**

5.1 The proposed Projet (and any Ordinances or regulations made under the Projet) will include:

- (a) prohibitions on –
  - (i) the carrying out of survey or exploratory work associated with the establishment of any renewable energy system, or
  - (ii) being concerned in the management, deployment or operation of any renewable energy system,
- (b) power for the States by Ordinance (and/or the Department by regulation)
  - (i) to make exemptions from the general prohibitions referred to at (a), and
  - (ii) to establish a licensing regime,
- (c) the establishment of the Guernsey Renewable Energy Commission (including provision relating to the staffing and funding of the Commission, and an appeals process against Commission decisions),
- (d) creation of powers exercisable by the Commission.

5.2 In summary and in broad terms the most important powers that the Commission will be given under the proposed legislation will be –

- (a) to determine applications and proposals from macro renewable energy developers and to ensure appropriate prior public notice,
- (b) to coordinate with relevant Guernsey, or other, authorities the obtaining of other relevant statutory consents,
- (c) to consider representations made in connection with any applications and proposals for the use of macro renewable energy systems,
- (d) to determine the allocation of States owned or controlled renewable energy resources,

- (e) to grant licences permitting the carrying out of exploratory work relating to, and the operation of, macro renewable energy systems (subject to conditions, including the payment of licence fees),
- (f) to declare exclusion zones for health and safety purposes around areas of Guernsey waters in which offshore systems, and related infrastructure, are being operated or located (and extinguish, suspend or limit navigation rights within those areas),
- (g) to exercise appropriate inspection and enforcement powers, (including requiring works to be undertaken to prevent pollution) and
- (h) to do such other things, relating to the development and regulation of macro renewable energy resources and their exploitation, as the States may by Resolution determine.

5.3 The Law would also provide for appeals against decisions of the Commission to be made to the Royal Court, or enable the States to make such provision by Ordinance.

5.4 The Department believes that the Renewable Energy (Alderney) Law, 2007 and legislation made under that Law may provide a precedent upon which suitable legislation for Guernsey may be modelled. The Law Officers have been consulted on proposals for the drafting of this legislation.

## **6. Costs and Revenues**

6.1 Initially the work of the shadow Commission and its support executive is being funded by the Commerce and Employment Department from the Department's unspent balances. When the Commission is established under the proposed Projet, the functions of the Commission will be provided for by any licence fees received. In the short term and until such time as developers are investing in Guernsey's waters the Commission is likely to have a minimal income stream from its licensing activities. For this period of time the Commission will rely on a grant from the Department. It is estimated that this should be limited to £200,000 pa. This new expenditure will need to be endorsed by the States in the 2010 States Strategic Plan. There may well be opportunities for administrative and support costs to be shared between Guernsey, Sark and Alderney to enable the three islands to benefit from economies of scale and avoid wasteful effort in each island. This is a real opportunity for the islands to work together for their mutual benefit. There may also be scope for Jersey and Guernsey to work together in this area and this opportunity will be fully explored.

6.2 It is anticipated that apart from licence fees and revenues from the leasing of seabed, in time, a significant income stream may be generated from royalties charged to utility companies exporting electricity. There may be additional revenue generated from taxation.

- 6.3 The 2008 Energy Report which was noted by the States of Deliberation included an in principle target of 20% of Guernsey's electricity being produced from renewable energy resources by 2020. Preliminary indications are that feed in tariffs would be necessary to bridge the cost differential between renewable energy and traditional energy supplies and these feed in tariffs would in effect amount to a premium which Guernsey electricity consumers will have to pay. The Department is cognisant that the States only noted the 2020 renewable energy target and believes that the real potential for renewable energy in Guernsey's waters lies in export markets and that this area should be the focus of the Commission's attention. Clearly the development of macro renewable energy within Guernsey's waters is a long term project and expectations will need to be managed.

## **7. Consultation with other interested bodies**

- 7.1 The Department has consulted with Her Majesty's Receiver General, Office of Utility Regulation, Public Services Department, Policy Council, Treasury and Resources Department, Environment Department, Health and Social Services Department and the Policy Council, Energy Policy Group. Initial discussions have also taken place with the Alderney Commission for Renewable Energy and Sark Chief Pleas.

## **8. Conclusion**

- 8.1 The Department recommends that the States approve the proposals set out in this Report and direct that the proposed legislation be prepared.

Yours faithfully

C S McNulty Bauer  
Minister

**Appendix 1****GREC Outline Project Plan**

	WORKSTREAM	DATE
1	Confirm Crown lease arrangement	By 31.12.2009
2	Discuss co-operation with other Channel Islands	By 31.12.2009
3	Determine tidal energy resource	By 31.12.2009
4	Obtain legislative powers to set up the Commission and licence renewable energy developers	By 31.12.2009
5	Set renewable energy incentives	By 31.12.2009
6	Set up application procedure	By 31.12.2009
7	Set out criteria for assessing applications	By 31.06.2010
8	Investigate whether UK or EU incentives will be available for locally produced renewable energy	By 31.12.2010

**(NB The establishment of the Guernsey Renewable Energy Commission (GREC), to be in a position to regulate and license renewable energy generation locally, is critical to achieving several major aspects of the States' Energy Policy to, among other things, reduce Guernsey's carbon footprint, and switch to clean, renewable energy.**

**Whilst the Policy Council is aware that commercially proven tidal power generation technology is not yet available, encouraging progress is being made in this area. By strengthening its position as a facilitator of such progress, Guernsey could potentially unlock a new export industry in clean, sustainable energy, for which there is a high demand in Europe. The GREC will be a key enabler for the development of macro-renewable energy generation in Guernsey. It is therefore the view of the Policy Council that priority should be accorded to processing the appropriate legislation necessary to establish the Commission.)**

**(NB The Treasury and Resources Department supports the proposals subject to the funding requirements being approved as part of the States Strategic Plan.)**

The States are asked to decide:-

X.- Whether, after consideration of the Report dated 30<sup>th</sup> April, 2009, of the Commerce and Employment Department, they are of the opinion:-

1. To approve the proposals set out in that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

## COMMERCE AND EMPLOYMENT DEPARTMENT

### THE AIR TRANSPORT LICENSING (GUERNSEY) LAW, 1995

The Chief Minister  
 Policy Council  
 Sir Charles Frossard House  
 La Charroterie  
 St Peter Port

30<sup>th</sup> April 2009

Dear Sir

#### 1. **Executive Summary**

- 1.1 This Report sets out the background to, and proposals arising from, a review of the policies and processes for the licensing of air routes to and from the island under the Air Transport Licensing (Guernsey) Law, 1995.
- 1.2 It is proposed that air routes should continue to be licensed under the 1995 Law but that the needs of the community, passengers and the airlines will best be served if the policies under which licensing is exercised are liberalised and the licensing process is streamlined.
- 1.3 Under a liberalised approach any airline that meets requirements of the relevant civil aviation authorities on competence, safety, insurance etc. would be able to operate services to and from Guernsey without any other licence condition other than that the airline does not act in a manner that is anticompetitive.
- 1.4 It is also proposed that to avoid any actual or perceived conflict of interest with the States ownership of Aurigny, responsibility for licensing should be transferred to the Director General of Utility Regulation who is an independent statutory official and who is also best placed to investigate and take action on any matters related to anticompetitive behaviour.
- 1.5 This report recommends amendments to the 1995 Law and the adoption of a revised Policy Statement to implement these proposals. It also sets out how it is intended that the licensing regime will be administered until such time as the amendments to the law come into force.
- 1.6 It is also proposed that the effects of the liberalised approach to air route licensing should be reviewed after a three year period.

## 2. Background to the Review of Policies and Processes

- 2.1 Action Point 28 of the Strategic Economic Plan (Billet XVIII of 2007) which was endorsed by the States says:

*“A consultation exercise should be undertaken on the possible introduction of a more liberalised air route licensing regime to remove any un-necessary disincentives to route development whilst preventing cherry picking of services along with consideration of whether the Commerce and Employment Department should continue to be the licensing body.”*

- 2.2 In January 2008 the Commerce and Employment Department (“Commerce and Employment”) issued for consultation a Briefing Paper on the Regulation of Transport (Air and Sea) Links. In the conditions that pertained at that time the Department considered that the air route licensing system had

*“... a positive impact on the island’s ability to secure, maintain and extend a comprehensive and robust network of air services to provide lifeline links and to meet the requirements of residents, visitors and business travellers. It also believe[d] however that the current air route licensing processes and policies are cumbersome and unpredictable and, in this respect, they detract from achieving this objective.”*

- 2.3 The responses to the 2008 consultation process were generally in favour of the stance taken by Commerce and Employment including Aurigny. Flybe favoured total deregulation and Blue Islands raised concerns about “the public ownership of Aurigny in the highly competitive aviation environment”. A number of other parties raised concerns about the conflict of interest arising from the States ownership of Aurigny and they continue to do so. Since January 2008 the aviation industry has faced challenging economic and fuel price conditions. In addition, licensing issues related to specific routes have emerged that have exposed perceived shortcomings in the licensing process and the way it has been administered.
- 2.4 Against this background, in November 2008 Commerce and Employment commissioned the OUR to undertake a strategic review of air route licensing for Guernsey. The report from the OUR was received early in January 2009 and having received the comments of the main operators of passenger air services to Guernsey, the Commerce and Employment Department decided to undertake a wider consultation process.
- 2.5 At the end of January 2009, the report from the OUR was widely circulated and published on the States web site with a request for comments. A copy of the OUR report is attached to this report. At the end of March 2009, Commerce and Employment issued a statement of its intent to approach the States with proposals to implement the recommendations in the OUR report.

### 3. The Findings of the OUR Report

3.1 The report from the OUR sets out in detail the findings of its review and its recommendations which, as will be explained later, are all endorsed by Commerce and Employment. A full understanding of all the findings and the reasoning behind the OUR recommendations will be gained by reading through the report in full. The main points that have influenced Commerce and Employment are however summarised below.

3.2 Following the Executive Summary in Section 1, Section 2 of the Report sets out the legal framework, the thrust of the current air route licensing Policy Statement and the challenges posed by the way the licensing process has been administered since its introduction, the aspirations of the airlines serving Guernsey and the recent economic situation.

3.3 Section 3 sets out the approach followed in other jurisdictions and comments that

*“In Europe, as well as offshore islands such as the Isle of Man and Jersey, air route licensing based on bilateral contracts between governments has been abandoned. Instead, governments and regulators rely on the competition between airlines to provide the best deal for consumers with the ability to resort to competition law if there is evidence of market abuse.”*

3.4 The report comments that *“route licensing potentially restricts the scope for competition and hence it is likely to give rise to a number of risks”* such as monopolistic behaviour, poor service quality, less choice for customers, lower likelihood of innovations and lower likelihood of cost efficiencies.

3.5 Commerce and Employment does not believe that just because other jurisdictions have embraced the principles of competition and moved away from route licensing it is necessary for Guernsey to do the same but it has taken note of the outcomes of this approach.

3.6 The report refers to the growth in traffic at UK regional airports and the services from these airports to hub airports under a liberalised aviation market. Whilst this growth may be due to a number of factors, including the development of the innovative Low Cost Carrier model adopted by many airlines including those serving Guernsey, the report refers to CAA studies which found *“there has been intense competition between regional airports, seeking opportunities for growth through attracting new services and a reduction in airport charges”*.

3.7 Guernsey competes for business with these regional airports and from the carriers that serve them. If a liberalised regime in the UK has created the environment for growth at these airports there is a danger that, as the sole destination in the region to impose conditions on services through route licensing, Guernsey will not be seen as having the environment in which carriers might maintain and develop services appropriate to the market.

- 3.8 It may be considered that the UK market is large enough to sustain a liberalised regime for air routes but that it may not be the case in smaller jurisdictions. The report contrasts services of a larger number of carriers and destinations served from the Isle of Man and Jersey, each of which have moved away from air route licensing, compared with those serving Guernsey.
- 3.9 The Isle of Man provides a particularly good case study. Concerns are often expressed that a liberalised regime will produce a single dominant carrier that will exploit its dominance through high fare levels. The report comments that *“Flybe is currently the single dominant carrier but there are other strong smaller players in the market. The Isle of Man has always had a single dominant carrier. The Isle of Man airport authorities believe that air route licensing would not stop this from happening.”*
- 3.10 The airport authorities are also quoted as saying that *“the fierce competition between Flybe and EuroManx last year resulted in unsustainably low fares attracting higher volumes of passengers ... Flybe are still able to offer competitive fares ... we are comfortable now that the capacity and fares that they are offering are economically viable and sustainable”*.
- 3.11 Even under a fully licensed regime such competition may have arisen but there is always a danger that such a regime will distort the market to favour or protect one or more carriers to the detriment of efficient and commercially viable long term services.
- 3.12 Jersey has been operating an open skies policy since 2003, but kept its air route licensing legislation in place until March 2008. The report to the States proposing the repeal of the legislation stated:
- ‘the ability to operate in a free market is key to attracting new airline business to Jersey. Jersey cannot afford to create or maintain any impediment to airlines in what is an extraordinarily competitive industry and within which airports and destinations are vying aggressively for airline business.’*
- 3.13 Section 4 of the OUR report provides some useful background information on EU issues relating to liberalisation of the market, Public Service Obligation provisions and Route Development and Marketing support, but these do not impact directly on the licensing issue.
- 3.14 Section 5.2 of the OUR report contrasts the potential advantages and disadvantages of allowing competition to determine the networks of air services provided to Guernsey through a fully liberalised (or open skies) approach against a fully licensed approach along the lines of that currently in place.
- 3.15 The report considers a number of scenarios in a fully liberalised approach:

- **Emergence of a dominant carrier** – if it was considered that a route could only sustain one carrier it is likely that a licensing system would grant one licence and this would also result in a dominant carrier. The key issue is whether a carrier would abuse its dominance. Even a licensing regime would not be able to address this unless the regulator acquired the necessary expertise and resources (and the statutory powers) to be able to do this.
- **End of all year round daily services** – the Manchester route has been quoted as an example where this could happen if a liberalised regime was introduced. It is unlikely that any route licensing regime could require a carrier to provide services that are loss making. The OUR comments that in all likelihood at least one carrier would want to provide services year round even if total passenger number are lower in winter than in the summer. The frequency of the flights might be reduced but this would seem to be the rational response making better use of resources and reducing the impact on the environment. The OUR also comments that any concerns about competition possibly forcing an incumbent off a route raises the issue of whether or not a licensing body should have regard to the identity of the airlines on a route and which goes further than whether or not the route can sustain competition. The OUR considers that this is not a logical position as market forces should be allowed to determine the identity of the operator or operators on a route.
- **Withdrawal of a dominant carrier** – whilst concerns expressed also related to Southampton and Inter-Island, the main concern was with Gatwick. The OUR comments that Gatwick is commercially viable for both of the current carriers. Similar concerns were expressed in the Isle of Man but over the years quite a few carriers have disappeared and any gap in the market was quickly filled. There is also no guarantee that route licensing would prevent a dominant carrier from withdrawing from a route. The issue at Gatwick is further complicated by the constraints on slot availability an issue which cannot be addressed by route licensing alone.
- **Competition drives up the price on thin routes** – this is based on the view that if more than one provider served a route that was only sufficiently large for one it would result in both putting up prices (or possibly fixing them). The OUR consider that what would happen would be that after a period of intense price competition one unprofitable provider would exit the market as happened in the Isle of Man. In addition, an airline would seek to sell as many seats as possible and, with the threat a new market entrant, would not set prices so high that only a fraction of seats are sold.
- **Jersey becomes a hub for carriers serving Guernsey** – the bulk of passengers flying to Guernsey do so on direct flights and a high

proportion of those are on Gatwick and Southampton routes with high load factors. These routes are currently sustaining competition and if one airline chose to operate via Jersey it is reasonable to assume that those flying direct to Guernsey would have a market advantage.

The OUR further considered a number of scenarios in relation to a licensing regime:

- **Frequencies to Jersey** – the concerns raised with the OUR were that allowing another entrant onto the inter-island Jersey route could jeopardise the current high frequency schedules. This would suggest that competition on the route was based on frequency rather than price. There are two views on frequency, one is that the bulk of travellers, particularly business travellers, want to take day trips going out early morning and returning late afternoon, the other is that travellers are looking for a “bus stop” service so that they can arrive at the airport knowing that there will be a flight within a reasonable time. Whilst the latter might be a preferable service it could not be enforced by a licensing regime, is unlikely to be commercially sustainable in a deteriorating economic climate and a higher capacity lower frequency service is likely to be more economical and environmentally friendly.
- **Decision makers can look at the overall position of the airline** – a view expressed to the OUR was that licensing enabled licensing decisions on the basis of protecting an airline to ensure full utilisation of an aircraft rather than on the basis of what would be in the best interests of consumers. The OUR comments that it is doubtful such an approach would be free from claims of bias or preferential treatment to ensure that an airline’s overall economic position was not negatively affected. It could also result in the decision makers picking “losers” rather than “winners” to the detriment of consumers and, in the long term, Guernsey.
- **Protects lifeline routes** – the OUR comments that the majority of stakeholders consider Gatwick, Southampton and Jersey to be lifeline routes and these are high volume routes that are already subject to competition. Unless the licensing regime explicitly provides for only one operator on a key lifeline route it does not seem convincing that the regime itself can protect such a service.
- **Taking into account Guernsey’s specific circumstances** – the OUR accepts that there are differences between Guernsey, Jersey and the Isle of Man but considers that the key difference is the absence of a competition law and the lack of coherent aviation strategy.
- **The OUR went on to examine the disadvantages of a very control orientated licensing regime** – these were identified as being:

- a. How to define an objective, transparent, robust process which fulfils the objectives set by policy makers;
- b. The need for significant economic analysis;
- c. The need for monitoring and enforcement compliance;
- d. The need to have measures in place to protect customers from over pricing/under provision of service; and
- e. The need to have an independent body which needs to be funded.

#### **4. The OUR Recommendations**

4.1 The OUR report discusses a part licensed/part liberalised approach but does not believe that such an approach would be a credible step forward. In the absence of a competition law and the obstacles to new entrants posed by the current condition of the runway the OUR felt it would not be in the best interest of Guernsey to introduce a totally liberalised market. The OUR recommend the retention of a licensing regime but one that is a light touch or more liberal than the current regime with:

- The objective being to as closely as possible mimic a liberalised approach whilst addressing key concerns on the lack of a competition law and obstacles to new entrants;
- A clear and transparent process with the automatic granting of a generic licence to any airline which fulfils the UK CAA safety and financial requirements with the only other conditions addressing anti-competitive behaviour. Such an approach would enable licences to be granted quickly and not require notices, hearings, consultations etc. and could therefore be administered at relatively low cost;
- The adoption of clear rules for what constitutes anticompetitive behaviour and how this will be monitored and addressed based on those of the UK Office of Fair Trading;
- On the basis that the above approach addresses the issues of any perceived or actual conflict of interests between the States ownership of Aurigny and responsibility for route development, Commerce and Employment could remain as the licensing authority, but on the basis that it would commission another body to investigate any breach of licence conditions, specifically those relating to anticompetitive behaviour. However, for the reasons set out below Commerce and Employment proposes transferring the licensing function to the Director General of Utility Regulation;

- A revised Policy Statement reflecting the proposed policies and processes;
- The approach reviewed after three years to assess how it has worked and against progress on the introduction of a competition law and work on the airport runway.

4.2 As is referred to above, the OUR report was published for consultation.

## 5. The Outcome of the Consultation

5.1 As may be expected, the results of the consultation exercise on the OUR report were mixed but with some consensus.

5.2 The airlines which provided submissions to Commerce and Employment have agreed that these may be published with this report and these are attached to this report.

5.3 In summary flybe commented that it *“would have preferred to see a total overhaul of the licensing regime and the introduction of a fully liberalised regime, we are happy to publicly support what seems to be a “hands off” approach to licensing and an open skies policy in all but name. This support would however be withdrawn should further alterations, amendments or additions be made that dilute the most welcome change in policy.”*

5.4 In summary Blue Islands commented that it was concerned that *“there is the implication that airlines should be allowed to “cherry pick” routes, not providing an everyday year round service”* which will *“result in a complete loss of service on some key routes in the winter”*. It continues that it remains convinced *“that the adoption of open skies ... will result in fierce fare competition, resulting eventually in the smaller competitor being forced out of the market”*.

5.5 Aurigny made a very comprehensive submission in which it referred to what it called “five inconvenient truths”, these were in summary:

- The prospect of any airline of substance starting significant operations in Guernsey in the next 3-5 years is remote given the island’s short runway, small population ... as well as the situation and trends within the global economy and airline industry;
- Sustained competition is not viable on any route other than Guernsey-Gatwick;
- Competition on any other routes could easily undermine the longer term viability of Aurigny and/or Blue Islands, or the longer term commitment of flybe;

- Some form of regulation of profitability and/or fares on routes is highly desirable;
- A transport policy, licensing objectives and process guidelines could be drafted ... to take into account Guernsey's unique circumstances.

5.6 Of the organisations which responded:

- The CGI commented that the OUR approach “seemed to be a middle ground solution and ... is the reasonable way forward” but that the effects of this change should be monitored for abuse by a dominant carrier;
- The Guernsey Transport Users Committee commented that it felt that “an open skies policy should be adopted immediately”;
- GIBA commented that “provided the Department was confident that any sanctions against airlines behaving anti competitively can be enforced ... then this [the proposed approach] would appear to be a neat solution to the problem of balancing the free market against protection of key services”

5.7 Of the four States Deputies who responded, one commented that he “would remain cautious at this time ... the current system provides some comfort in guarantees of all year round services on our main routes.” Another commented “I do not agree with an “open skies” policy or the “light touch” licensing regime ... classic market theory does not work in a small island ... if either regime was adopted it would lead to a monopoly in a few years.” The third commented that he “would prefer to have no licensing but if we have to have something it should be a light touch”. And the fourth that the “recommendation is sound but close monitoring of large carrier activity will be necessary”.

5.8 The Public Services Department expressed some reservations but concluded by commenting that it “agrees that the proposed “light touch” licensed approach recommended would be worthy of a trial for 3 years”.

5.9 One member of the public suggested that an independent licensing authority should be established and that a tendering process should be held to give operators a 7 or 10 year exclusive contract on a route with maximum fares and minimum service levels being set by the authority. Another commented that it is “very disappointing that the proposed conditions to be imposed on the licensing and operation of all services to Guernsey do not include any consideration of environmental issues”.

## 6. The Conclusions of Commerce and Employment

- 6.1 Also attached to this report is a Background Paper that sets out the current extent of, and carryings on, the network of air services to and from Guernsey and how they have developed over the last three years. Commerce and Employment believes that when considering air route licensing it is important to have an understanding of the relative size of each route to the island and the market shares of various operators that have developed under the current regime.
- 6.2 It was gratifying that, with the exception of the suggestion that carbon emissions should be a factor taken into account in the licensing process, the OUR report had covered all the issues raised in the responses to the consultation exercise. As might be expected there was a wide spread of attitudes to the conclusions reached by the OUR.
- 6.3 The three main carriers of air passengers to and from Guernsey each had strong views. Whilst it may be considered that carriers have the most in depth knowledge of the aviation market it must also be considered that their views may be influenced by how they believe changes to the licensing regime may impact on them commercially.
- 6.4 Having considered the comments from the consultation exercise, the way in which the network of air services to the island has developed and having taken legal advice from HM Procurer regarding the range of options open to it, Commerce and Employment is proposing that the OUR recommendations should be implemented. It considers that the “liberalised” approach is the most appropriate way in current circumstances to achieve the best results for the community.
- 6.5 The OUR report suggests that with the adoption of a liberalised approach it was not necessary to transfer licensing responsibilities from the Commerce and Employment Department to a separate body. After further consultation with the OUR on how licence conditions relating to anticompetitive behaviour and abuse of market dominance would be monitored, investigated and enforced, Commerce and Employment believes it should not continue to be the licensing body and that responsibility should be undertaken by a separate non-political body.
- 6.6 The Commerce and Employment Department has identified that the person fulfilling the role of Director General of Utility Regulation is best placed to undertake air route licensing responsibilities under an amended Air Transport Licensing Law. The current Director General of Utility Regulation has agreed in principle to assume such a role subject to agreeing terms that would not prejudice his other statutory duties.
- 6.7 The 1995 Law covers not only air services carrying passengers for gain but also freight. Whilst freight was not covered in the OUR review, Commerce and

Employment are recommending that the liberalised approach should apply to all air services to and from the “British Islands”.

- 6.8 Commerce and Employment also considers that the impact of the proposed liberalised approach should be reviewed after three years of operation and in the light of progress on the implementation of a competition law and works to the airport runway.
- 6.9 Section 6 of the OUR report refers to four issues which are related to air route licensing but which were not within the remit of the review.
- The Commerce and Employment Department’s “landing charge concession”;
  - Route Development support;
  - The status of Guernsey Airport;
  - Overarching Aviation strategy.
- 6.10 Directly or indirectly these issues will fall within the scope of the Strategic Assessment being undertaken by the Policy Council to assess the requirements for an extension of the airport runway and how various options for funding major capital works to airport pavements may impact on the provision of air services and the island’s wellbeing in general.
- 6.11 The Department has also requested that overall aviation policy be included as a cross cutting issue in the fundamental spending review being undertaken by Tribal Helm on behalf of the Treasury and Resources Department.

## **7. A revised Air Route Licensing Policy Statement and amendments to the 1995 law**

- 7.1 Attached to this report is a revised Air Route Licensing Policy Statement that reflects the liberalised licensing approach recommended by the OUR and which has been drafted in consultation with the Director General of Utility Regulation.
- 7.2 It is proposed that in order to allow for the re-introduction of a fully licensed approach in the shortest possible time in the future should the States so decide, amendments to the 1995 Air Route Licensing Law necessary to implement the liberalised approach are achieved by way of giving the States the power by Ordinance to amend or suspend various provisions of the Law. Thus whilst the initial amendments to the Law will need to go through the process for Privy Council approval, subsequent amendments can be achieved in the time scale needed for the States to approve an Ordinance. Such an approach will of course be subject to the relevant approvals being obtained from the Privy Council.

7.3 The proposed amendments to the 1995 Law are:

- To amend Section 1 to enable the States by Ordinance to specify that licensing will be undertaken by a States or by some other body. A subsequent Ordinance will then allow the States to pass this responsibility to the Director General of Utility Regulation. The responsibility for submitting the Air Route Licensing Policy Statement to the States for approval is to remain with Commerce and Employment;
- A general amendment to enable the States by Ordinance to suspend all or some of the provisions in particular Sections 15 and 16 that require publication of notices, inviting of representations and consideration of those representations and to amend Section 20 to enable the States to set by Ordinance the penalties for an offence under the Law in excess of the maximum of Level 5 on the uniform scale (currently £10,000);
- Other minor amendments consequential to the above amendments;
- Other amendments to change provisions relating to external legislation and civil aviation authorities which have been, or may soon be, superseded since the introduction of the 1995 Law and in relation to the introduction of the Aviation (Bailiwick of Guernsey) Law 2008.

7.4 Section 9 of the 1995 Law allows for sanctions to be taken against a licence holder if it *“engages in any unfair, restrictive or discriminatory practice contrary to the interests identified in the policy statement”* and this provision will be used to add conditions to licences to enable action to be taken to address any anticompetitive behaviour.

7.5 The 2001 Regulation of Utilities Law already allows for the Director General of Utility Regulation to *“exercise such other functions as may be assigned or transferred to him by or under any Sector Law and any other enactment”* and for the States to *“make grants or loans from the States General Revenue Account towards the costs and expenditure of the Director General incurred in exercising his functions and powers.”*

## **8. Administration of the Licensing Regime until the amended Law comes into effect**

8.1 On the basis that the States approves the recommendations in this report, the revised air route licensing Policy Statement will come into effect immediately. Commerce and Employment will then immediately embark on a process to reissue all current extant licences in a format that reflects the revised Policy Statement.

8.2 Amendments to the 1995 Law, which would enable the States to appoint an independent statutory official, are unlikely to come into force before the end of

the year. During this interim period Commerce and Employment intends to request the Director General of Utility Regulation to undertake licensing responsibilities on a shadow basis but with statutory responsibility for licensing decisions remaining that of the Department.

- 8.3 In order to ensure that none of the cost of resources expended by the Director General of Utility Regulation on air route licensing fall on utility licensees, Commerce and Employment will make an annual grant into the Public Utilities Regulation Fund. The sum paid into the Fund will be in the form of a fixed sum to cover the ongoing costs of dealing with licence applications and monitoring conditions plus an additional sum covering any actual costs involved should the Director General of Utility Regulation consider that a formal investigation into anticompetitive behaviour be necessary and the costs of subsequent enforcement activities.
- 8.4 The sum will be ring fenced within the Fund and the Director General of Utility Regulation has confirmed that if the cost of resources expended on air route licensing over a year is less than the fixed sum the residue will be returned to Commerce and Employment, if it is more an additional sum will be paid in. The initial fixed sum will be the equivalent of the total remuneration and overhead costs of the OUR for one day per month which at current levels would equate to £25,000, this will be reviewed in the light of experience of implementing the proposed new approach.

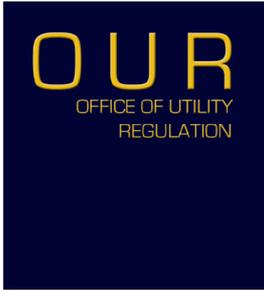
## **9. Recommendations**

- 9.1 The Commerce and Employment Department therefore recommends the States to:
- Agree that the Air Transport Licensing (Guernsey) Law, 1995 shall remain in force for the purposes of licensing the carriage for reward of passengers or cargo on flights to which the Law applies;
  - Agree that responsibility for licensing should be transferred to the Director General of Utility Regulation under the terms described in this Report;
  - Approve the revised Air Transport Licensing Policy Statement attached to this Report and submitted under Section 7.(1) (a) of the Air Transport Licensing (Guernsey) Law, 1995;
  - Agree that amendments to the Air Transport Licensing (Guernsey) Law, 1995 to facilitate the implementation of the revised Policy Statement shall be made as described in this Report;
  - Approve the approach for administering the licensing regime pending the coming into force of the amendments to the Air Transport Licensing (Guernsey) Law, 1995 as described in this Report;

- Note that the Commerce and Employment Department will review the impact of the proposed liberalised approach after three years of operation and will, if necessary, report back to the States with proposals for any changes to the approach;
- Direct the preparation of such legislation as may be necessary to give effect to the foregoing.

Yours faithfully

C S McNulty Bauer  
Minister



# Office of Utility Regulation

## **Review of Air Route Licensing in Guernsey**

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## **Report to the Commerce & Employment Board**

**January 2009**

### **Office of Utility Regulation**

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## 1. Executive Summary

In the Bailiwick of Guernsey commercial (passenger and cargo) airlines are required to hold an air route licence in order to be able to fly to and from the “British Islands” (i.e. the UK, Isle of Man and the Channel Islands). This requirement is set out in the Air Transport Licensing (Guernsey) Law, 1995, and the most recent States-approved policy statement<sup>1</sup>, which dates from 2004.

The 1995 law was enacted as a result of concerns throughout the Channel Islands that the more liberal licensing policies being adopted by the Civil Aviation Authority (“CAA”) in the UK might not have been in the best interest of the Islands. Consequently, Guernsey, Jersey and Alderney enacted air route licensing legislation. In Guernsey the licensing procedure was originally a statutory responsibility of the then States of Guernsey Transport Board, but in 2004 the responsibility was transferred to the Commerce and Employment Department (“C&E”) of the States of Guernsey.

Since the transfer to the C&E Department a number of issues have arisen in relation to the licensing process and enforcement. It could be argued that if the key objective of the current process is to protect year round services to a number of UK destinations, this objective has at least on a number of occasions not been met. Issues have arisen whereby airlines are potentially no longer in compliance with their licence in terms of either the provision of year round services or number of flights per day required/permitted. The fact that there is significant disagreement on what is actually expected of the airlines on any route highlights the degree to which the current licensing regime is not working in practice. The licensing regime is explained in more detail later in this paper.

Although airlines have the option to request a licence variation if they wish to make changes to their licence, this does not always appear to have happened. It also seems that this increasingly became a matter of concern for the C&E Department. Several airlines have or are minded to threaten legal action with respect to the licensing process. The need for a review is therefore pressing.

In November 2008, the C&E Department commissioned a general review of licensing in Guernsey to be undertaken by the Office of Utility Regulation (OUR). It asked the OUR to undertake a review in which it would examine all aspects of how the current licensing arrangements work, to assess whether they remain appropriate and if not to consider what alternative arrangements best meet the needs of the Island. This report will therefore inform the C&E Department’s consideration of the appropriate course of action for the future. The C&E Department also stated that if any change in policy (including any changes to legislation) was to be pursued, it would consider taking a new Policy Letter to the States of Guernsey at the earliest opportunity. Pending the outcome of this process, the Department has not taken any active steps to enforce licence conditions (other than any relating to CAA and insurance related matters).

This report is the outcome of the OUR’s review and contains the recommendation to retain an air route licensing regime. However, we recommend significant amendments to the current licensing process to make the regime as hands off as possible and allow airlines to operate in a manner that more closely reflects the needs of passengers and the airline industry. As observers will note, a requirement to fly each day, year round in the market conditions that have existed for the past 12-

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<sup>1</sup> Billet D’Etat III, January 2004, page 401

18 months (high oil prices/credit crunch) denies airlines the opportunity to reflect consumer sentiment with regard to travel and/or to take account of material changes in economic conditions. We set out in more detail later in this report a revised approach to air route licensing.

We have, as part of this review, considered a fully liberalised regime (“open skies”). However we do not believe that this is appropriate for Guernsey at this time as the absence of a competition law means that there would be no effective tool for dealing with any anti-competitive behaviour. Further, the current condition of the Guernsey Airport runway and concerns around other operational issues at the airport reduces the ability of new airlines to enter the market to provide a check to any anti-competitive behaviour.

In addition to reviewing the licensing regime, the review has highlighted that other key components of an effective air-link strategy for Guernsey require consideration given the inter-dependency between them. These include how the airport is used and its positioning in commercial terms, the effectiveness of the airport landing charge concession fund and the approach to new route development.

Appendix 1 contains a list of the parties of whom we have sought assistance in order to conduct this review and prepare this report. The level of co-operation and assistance given to us has been hugely beneficial and this Office would wish to record our appreciation for their assistance.

## 2. Air route licensing in Guernsey

### 2.1 Legal framework

At present, air route licensing is undertaken in accordance with the Air Transport Licensing (Guernsey) Law, 1995, and the existing (States-approved) policy statement.

It seems that the 1995 law was enacted as a result of concerns throughout the Channel Islands that the more liberal licensing policies being adopted by the CAA might not have been in the best interest of the Islands. This resulted at the time in Guernsey (along with Jersey and Alderney) enacting a licensing legislation which sat below a general “area” licence granted to those British airlines wishing to serve the Channel Islands (such as the requirement to hold an Air Operator’s Certificate). The licensing regime covers both passenger and cargo services but only in relation to services to and from the “British Islands” (i.e. the UK, Isle of Man and the Channel Islands). Services to the Continent or other destinations are not subject to licensing.

The licensing procedure was originally a statutory responsibility of the then States of Guernsey Transport Board, but in the year 2004, as part of the change to the machinery of Government, the responsibility was transferred to the C&E Department.

#### **Air Transport Licensing (Guernsey) Law, 1995**

The Air Transport Licensing (Guernsey) Law, 1995, consists of four parts. Part I deals with the regulation of air transport services and establishes who is required to hold a licence in order to provide an air service going in and out of Guernsey. Part II deals with the licensing procedure. Part III deals with offences and penalties and Part IV covers general provisions.

#### **Air Transport Licensing (Guernsey) Law, 1995: Part I**

Article I in Part 1 of the Air Transport Licensing (Guernsey) Law, 1995, states that:

“No aircraft shall be used for the carriage for reward of passengers or cargo on a flight to which this Law applies unless-

- (a) the operator or charterer of the aircraft holds a licence (a “Guernsey air transport licence”) granted to him by the States Transport Board (“the Board”) authorising him to operate aircraft on such flights as the flight in question; and
- (b) the terms and conditions of the licence are complied with so far as they relate to that flight and fall to be complied with before or during the flight”

The Law goes then on to state that it applies to any flight beginning or ending in Guernsey by an aircraft wherever registered, other than

- a) a flight beginning or ending in a place outside the British Islands (comprising of the UK, Isle of Man and the Channel Islands);

- b) a flight of a class or description prescribed by regulations of the Board; or
- c) a particular flight or series of flights specified in an instrument of the Board.

### **Air Transport Licensing (Guernsey) Law, 1995: Part II**

How the licensing process is to be carried out is in part laid out in the law and in part in the current policy statement. The Licensing Procedure is set out in Part II of the Law:

- Article 5 - deals with applications for licences
- Article 6 - deals with the grant or refusal of licences
- Article 7 - deals with matters to be taken into account
- Article 8 – deals with conditions of licences
- Article 9 – deals with revocation, suspension, of licences
- Article 10 – deals with notice of intention to refuse, revoke, a licence
- Article 13 – deals with the notice of decision to refuse, revoke a licence
- Article 14 – deals with appeals
- Article 15 – deals with publication of applications
- Article 16 – deals with public representations

Under article 6 of the law, the Board are able to grant (conditionally or otherwise) or refuse an application or renewal for a Guernsey Air Transport Licence. When considering the granting, renewal or refusal of an application, the Board are required to take the following matters into account:

- (a) the policy statement, which was amended by written resolution in 2004;
- (b) whether the application relates to Jersey or Alderney and thus required the views of the Jersey Transport Authority and the Alderney Transport Committee;
- (c) whether or not any previous licence has at any time been varied, suspended or revoked or has otherwise ceased to be valid;
- (d) whether there has been “any representations made to the Board in accordance with the provisions of section 10 to 16”;
- (e) whether the applicant has any outstanding fees prescribed by Ordinance;
- (f) whether the terms and conditions of any previously granted license have been complied with at all times, and whether or not it has been subject to suspension, revocation or has otherwise cease to be valid;
- (g) whether or not the applicant or any of its officers, employees or agents has committed any offence under this Law, the Civil Aviation Act 1982(b), the Air Navigation Order 1980(c), the Air Navigation Order 1995(d) or any rules or regulations made under any of the foregoing;
- (h) or any “other matter as the Board may consider relevant for the purposes of this Law or in relation to the provisions of the policy statement”.

Part II of the Law also deals with revocation and suspension of licences. It states a Guernsey Air Transport Licence shall cease to be valid if the date specified within its licence has expired, if the Board chooses to revoke it or if any relevant CAA licence or permission granted by the Secretary of State is revoked or otherwise ceases to be valid.

There are a number of reasons why a licence may be revoked, for example (for a full list see the Law, Part II, article 9):

- (a) if the service does not commence within a period of six months following the date of the grant or renewal of the licence;
- (b) if any term or condition of the licence is contravened;
- (c) if the holder engages in any unfair, restrictive or discriminatory practice contrary to the interests for the time being identified in the policy statement;
- (d) in such other circumstances as may for the time being be specified in the policy statement (it should be noted however that no further circumstances have been specified in the current policy) .

Air transport licensing in Guernsey is therefore determined in accordance with the Law and the existing (States approved) Policy Statement. The Law defines the policy statement as “the published policy in relation to the licensing of Guernsey’s air transport services prepared by the Board and approved by the States as from time to time amended or replaced (with or without modification) by Resolution of the States”<sup>2</sup>.

The current policy statement was submitted to the States by the then Transport Board in March 2004 and replaces the 1995 Policy Statement. The main difference between the 1995 and 2004 policy statements seems to be the level of discretion given to the Board and the view that the 1995 Policy Statement is based on the presumption to grant a licence. The 1995 Policy Statement stated that:

*“the Guernsey Transport Board can be expected to grant a licence to any holder of an Air Transport Licence or Route Licence granted by the CAA other than where the Board is of the view that the provision of the air transport service proposed will be contrary to the best interests of the users of the Island’s air transport services and thereby also the best interest of the Island”<sup>3</sup>.*

However, it seems that the Board wished to have greater discretion to enable it to determine each application individually and to ensure that services would be operated on a year-round basis. It had particular concerns that if services were provided on a summer-only (charter or other short-term basis) on any particular route it could adversely impact or totally eliminate regular year-round services on that route or nearby routes. There was also a concern that “inappropriate levels of competition on any route, leading to overcapacity, might also destabilise operations on the route in the longer term (albeit that there might be short-term benefits to consumers in terms of lower fares and more choice)”<sup>4</sup>.

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<sup>2</sup> Project de Loi entitled The Air Transport Licensing (Guernsey) Law, 1995.

<sup>3</sup> States Transport Board Guernsey Air Transport Licensing – Policy Statement, dated 2 October 1995.

<sup>4</sup> Letter from the States Transport Board titled ‘Guernsey Air Transport Licensing – Policy Statement’ to The President, States of Guernsey, dated 5 February 2004

The Board in its letter to the States also recognised that the amended policy statement might be a short-term measure as a separate review was on-going by the Advisory & Finance Committee into how licensing should be exercised and by whom.

## **2.2 Main objectives of air route licensing in the amended Policy Statement**

The current Policy Statement states the following main aims in respect of scheduled air services as:

- (a) to maintain year-round scheduled services of sufficient capacity to cater for all user categories;
- (b) to secure the provision of sufficient capacity throughout the year to cater for the needs of the tourism industry;
- (c) to secure the lowest fare structure consistent with viable operations;
- (d) to obtain continuity of service from year to year, with the airline or airlines operating on a route being in a position to develop the service for the benefit of all categories of user;
- (e) to facilitate point-to-point travel and interlining opportunities;
- (f) to secure the highest possible standard of service;
- (g) to maintain and protect the island's air links with London, with particular reference to hub airports.

There is also a specific reference to the fact that there could be an impact of licence applications on the incumbent and that in considering applications therefore particular reference will be made to:

- (a) the number and nature of the airline's fleet , with particular concern for the back up arrangements that could apply to the route;
- (b) the ability of an airline to replace the capacity provided by an incumbent operator, should the introduction of further competition lead to the withdrawal of the latter from the route, in part or in whole;
- (c) an airline's performance on other routes (e.g. punctuality, customer service);
- (d) evidence of an ability to maintain continuity of service from year to year (i.e the ability to withstand difficult trading conditions that might occur);
- (e) an ability to expand operations through a successful marketing campaign and to cope with the traffic growth generated thereby; and
- (f) the fare structure and level.

### 2.3 Developments since the publication of the Policy Statement

In January 2008, the C&E Department published a Briefing Paper<sup>5</sup> entitled “The Regulation and Development of Transport (Air and Sea) Links” noting that Action Point 28 of the Strategic Economic Plan (Billet XVIII of 2007), which has been endorsed by the States, states that:

*“A consultation exercise should be undertaken on the possible introduction of a more liberalised air route licensing regime to remove any unnecessary disincentives to route development whilst preventing cherry picking of services along with consideration of whether the Commerce and Employment should continue to be the licensing body.” (para. 1)*

This paper concluded that the retention of a licensing regime could:

*“ (...) have a positive impact on the island’s ability to secure, maintain and extend a comprehensive and robust network of air services to provide lifeline links and to meet the requirements of residents, visitors and business travellers. It also believes however that the current air route licensing processes and policies are cumbersome and unpredictable and, in this respect, they detract from achieving this objective.” (para. 32)*

The paper goes on to state that the core of the licensed network should be daily, year round, direct services to a variety of population and business centres in the UK, including London and a hub airport that provides onward international links, and daily inter-island services to Alderney and Jersey. It however also states that in order for air links to be stable and robust they need to be commercially viable.

The paper noted that competition could however result in ‘cherry picking’ with as a result daily, year round, services being undermined. For example, it states that:

*“Allowing unrestricted inter-island traffic on the inter-island legs of triangular routes may undermine the viability and/or convenience of the existing services.” (para. 42)*

The paper also raises the issue of where responsibility for carrying out air route licensing should lie, given that the States own Aurigny and given that C&E is responsible for route development, which could involve providing support for new routes and then having to decide on a licence application for a new route. This perceived conflict has been commented upon by many parties during this current review.

### 2.4 Air route licensing process

The C&E briefing paper summarises the licensing process as follows (para. 17):

- Receipt of a licence application;
- Publication in La Gazette Officielle giving 14 days for receipt of representations;
- The holding of a hearing for which the parties must be given 21 days notice;

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<sup>5</sup> <http://www.gov.gg/ccm/treasury-and-resources/communications/consultation-opens-on-route-licensing.en>

- Publication in La Gazette Officielle of the proposed decision on an application giving 14 days for receipt of representations;
- Consideration of representations prior to confirming final decision with publication in La Gazette Officielle.

The paper also states that in determining a licence application, C&E is required to take into account the provisions of the 2004 Policy Statement, which seeks to facilitate and protect year round scheduled passenger services by achieving a balance between the potential benefits of competition inter-route (i.e. between different routes serving a large catchment area) and intra-route (i.e. between carriers on the same route) but without discouraging active, long-term development of a route. In addition, for routes with an incumbent operator, the ability of the applicant to replace the capacity of the incumbent should the incumbent withdraw as a result of increased competition would also be considered.

## 2.5 Problems with the current process

There seem to be a number of issues with the current process, namely:

- (a) Time it takes to reach a decision on a licence application;
- (b) Lack of clarity on how a decision is reached;
- (c) Lack of transparency in relation to the content of the various licences which have been granted;
- (d) Perceived lack of independence of the Department as the licensing authority;
- (e) Lack of a monitoring and enforcement regime;
- (f) Lack of effectiveness in meeting the States' objectives;
- (g) Risk of legal challenge.

According to the C&E briefing paper the process from applying for a licence to either being granted or refused a licence could vary from approximately 7 weeks to 14 weeks. However, none of the airlines raised this as a specific issue in their response to the C&E briefing paper, although Flybe disagrees strongly with licensing in general.

However, the Strategic Economic Plan<sup>6</sup>, which points out that the network of air links to Guernsey has contracted over the past decade, does state that the current air transport licensing policies and processes could be seen as a disincentive to carriers to open up new routes.

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<sup>6</sup> Strategic Economic Plan, Produced by the Fiscal and Economic Policy Steering Group for inclusion in the Government Business Plan to be considered by the States at its July 2007 meeting (Billet XVIII, 2007), p.42

In our view, the lack of clarity on how a decision is reached, including which information has been considered and how the different arguments have been weighed up against each other is a significant concern. Airlines have complained that after a hearing process to determine a licence, the only notification they receive is whether the licence has been granted or not. If a licence has been refused to an airline it would be given some reasons. However, there is no information in the form of a decision document or minutes of the meeting in which the decision has been taken made public. Also, there is no publicly available documentation on how information that various interested parties present at hearings is taken account of. This gives the licensing authority a very significant level of discretion with little visibility to interested parties as to how that discretion is exercised. This clearly does not aid the development of a robust framework and provides little guidance to airlines as to what factors are considered by the licensing body as being of key importance.

In addition, once granted the licence is not made public. Therefore airlines (even where they compete on the same route) do not know what conditions are attached to another operator's licence. The OUR further understands a register of licences should be maintained but this does not appear to have happened although we understand that this is now in hand.

As indeed pointed out in the C&E briefing paper another issue is whether it is appropriate for C&E to issue licences. This is an issue for two reasons:

- State ownership of Aurigny
- C&E promotes route development which could include financial support

Several of the respondents to the C&E briefing paper and also in meetings with the OUR raised the state ownership of Aurigny as a significant issue. Serious doubts were raised by Flybe and Blue Islands as to whether in such a situation C&E could act in an independent manner and that the perception of bias in favour of Aurigny exists. Conversely, Aurigny also believes that C&E, in an effort to avoid such an issue, goes too far to be seen to not be biased and consequently Aurigny believes it also suffers at the hands of the licensing authority as a result of States ownership. This lack of confidence is clearly an area of concern.

Further, given that the C&E Department is responsible for new route development this could be perceived as impacting on its ability to be impartial in enforcing licence conditions. An argument could be made that the Department may find itself in a difficult position if it is negotiating with airlines to encourage them to launch new routes whilst potentially at the same time taking enforcement action against it for services on another route. The possibility of having its actions on either issue weaken as a result of some other action whilst wearing a different hat could arise (and certainly the perception of some conflict would arise).

In addition it seems that compliance with the licence is not being monitored. Even when it becomes clear that there is non-compliance no enforcement action seems to be taken. In some cases the lack of enforcement is a consequence of the length of time since a licence was granted and certain conditions - such as relating to size and type of aircraft to be used on a route having changed whereby the aircraft is no longer in use – are potentially not enforceable. In other cases the

paperwork does not appear to be available to enable the condition to be monitored/enforced. Clearly this is an unhelpful position for the Department to find itself in.

Given the above, it is questionable whether the Department is in a position to verify whether the objectives of route licensing are being met. For example, the current regime does not seem to prevent airlines operating routes on a Summer only basis.

Finally, given the lack of a transparent, evidence-based approach to awarding licences and given the lack of a monitoring and enforcement regime once the licence is granted, the risk of legal challenge has to be significant (as currently demonstrated). If this was ultimately to result in legal action, the costs to the Island could be significant and the harm to the long term relationship with the airlines operating services from Guernsey could be significant.

### 3 Approach followed in other jurisdictions

In this section we look at the approach followed in other jurisdictions within the British Isles, namely, the UK, the Isle of Man and Jersey. All three abolished air route licensing and adopted a fully liberalised approach. The UK is part of the single European Aviation Market and relies on competition and competition law to ensure that consumers are protected.

#### 3.1 Competition

In Europe, as well as offshore islands such as the Isle of Man and Jersey, air route licensing based on bilateral contracts between governments has been abandoned. Instead, governments and regulators rely on the competition between airlines to provide the best deal for consumers with the ability to resort to competition law if there is evidence of market abuse.

The main rationale is that although there might be some economies of scale in running an airline, aircraft are generally highly moveable assets and as long as there are no obstacles to entry, airlines will provide services in response to demand. In practice, this means that markets are unlikely to be served by the same airline for a long period of time, instead some airlines will exit the market whilst other airlines will enter the market, resulting in a fluid outcome which encourages innovation and different price/quality offers to different customer segments.

Some of the main reasons why governments increasingly decide to remove air route licensing are:

- The risk that governments' micro-management of airlines operations results in a worse outcome for consumers and airlines; and
- The risk of stifling innovation in the broad sense of the word (e.g. both in relation to airlines and airline practices but also airports).

One area of concern is a situation where a decision maker has to decide which airline would be awarded a licence and which airline would be refused a licence. The problem with these types of decisions is which factors to take into account and how to weigh different pieces of evidence. For example, it could be argued that the decision maker should look at the overall economic position of the airlines in question and in a situation where an airline does not benefit from economies of scale the decision maker could make up for this by ensuring that the airline is protected in such a way that it is able to ensure full utilisation of its aircraft (i.e. a certain number of rotations a day). This would clearly give the decision maker significant discretion. However, it raises the question whether this would be in the long-term interest of customers. It is certainly doubtful that such an approach could be free from claims of bias or preferential treatment. The big risk of such an approach would be that a specific airline is awarded a route because otherwise its overall economic position would be negatively affected, rather than on the basis that it would be the best candidate for serving that route. This could result in the decision maker picking 'losers' rather than 'winners' to the detriment of Guernsey consumers and potentially in the longer term the detriment of Guernsey.

In practice, air route licensing potentially restricts the scope for competition and hence it is likely to give rise to a number of risks such as:

- the risk of monopolistic behaviour, e.g. charging higher prices than otherwise would have been the case and/or under-providing capacity;
- the risk of poor service quality;
- less choice for customers, e.g. it is well established that different airlines might focus on different customer segments and tailor their products accordingly. We believe this is already happening on the Guernsey routes. If there is only a monopoly provider there is less incentive for such a provider to be responsive to its customers needs;
- a monopoly provider (or a duopoly) is less likely to innovate and less likely to behave in a cost efficient manner and ensure that scarce resources are used to the best avail.

For all these reasons, the general view in the provision of all kind of services, not just aviation, is that customers are best served by competitive markets, as long as appropriate safeguards are in place.

### 3.2 The United Kingdom

In the UK, the CAA abandoned route licensing in 1993. The CAA has since published a number of studies to measure the impact of liberalising the aviation market. For example, in February 2005, The CAA published *CAP 754 UK Regional Air Services: a study by the Civil Aviation Authority*<sup>7</sup> and in November 2007 it published *CAP 775: Air Services at UK Regional Airports: An Update on Developments*<sup>8</sup>.

Both studies present a broad picture of the development of regional air services in the UK. They are based on the CAA's unique access to statistical and survey data and factual information from published sources and interviews. Key findings from its 2005 and 2007 reviews include:

- there has been intense competition between regional airports, seeking opportunities for growth through attracting new services and a reduction in airport charges;
- a shift in the nature of demand. Passengers realised that flying from their local airport at a reasonable price is now a possibility, unlocking latent demand for these services. It also led to passengers to and from points outside London using regional airports rather than travelling to London - For example, in 1990 there were 15 international destinations with frequent services from Manchester; by 2002 the total had risen to 41 with the new destinations including capital cities such as Stockholm, Madrid, Rome and Vienna.
- increased connection with European networks from regional UK airports. Regional airports' share of the international market increased from 17% in 1973 to 32% in 2003. Many regional

<sup>7</sup> <http://www.caa.co.uk/application.aspx?catid=33&pagetype=65&appid=11&mode=detail&id=1655>

<sup>8</sup> <http://www.caa.co.uk/application.aspx?catid=33&pagetype=65&appid=11&mode=detail&id=1655>

airports, even those with no link to London, also have services to an alternative hub such as Amsterdam, with competitive connecting times to many destinations, thus reducing (though not eliminating) the importance of London as a connecting point.

- the heightened intensity of the airline and airport relationship, and the way airlines seem more prepared to move their resources between routes (and even between airports) to secure the best returns, giving rise to some "churn" in route networks not previously seen;
- the increasing focus on aviation's environmental issues.

## Regional airports

The report also noted how traffic has developed at individual UK airports between 1990 and 2006. Some of the key findings are:

- Manchester has consistently had by far the greatest traffic, with 22m passengers in 2006, with a growth rate over this period comparable to the London airports in aggregate;
- Birmingham, Glasgow and Edinburgh were the next three biggest regional airports in 1990. This remained the case in 2006, with total traffic in the range 8.6m– 9.1m and Edinburgh showing the fastest growth;
- Belfast International was the fifth biggest regional airport in 1990, and is now seventh-biggest at 5.0m with most of its growth occurring in the last 10 years (although Belfast would be fourth if Belfast City traffic were included);
- Bristol, Newcastle, Liverpool and East Midlands are four other rapidly growing airports with total traffic at each airport in 2006 in the range 4.7m–5.7m compared with only 0.5m–1.6m in 1990;
- Despite the lower growth rate experienced by regional airports overall in 2006, among the larger airports with more than 1m annual passengers, Aberdeen, Bristol, Cardiff, East Midlands and Liverpool all achieved growth of between 10% and 13% in 2006;
- In terms of passenger numbers handled by UK regional airports, EasyJet was by far the biggest scheduled operator in 2006 with nearly 15m passengers arriving or departing at UK regional airports, followed by BA/BA Connect, the BMI group, Ryanair, Flybe and Jet2;
- Airports have further intensified their commercial outlook, actively seeking airlines to plug gaps in their route portfolio to give a good mix of destinations, frequency and links to a hub for onward connections. Within this, airports seem to aim for a good spread of scheduled/charter and short/long-haul services, and leisure/business or outbound/inbound passengers.

The report also shows that when comparing 2004 with the position in 1990, London is increasingly better served from UK regional airports than in the past. Although between 1990 and 2004 the number of domestic destinations served from Heathrow more than halved, and the overall number

of flights declined by nearly 30%, from the other four London airports, the number of flights to UK regional points increased by about 250%. As a result, passengers now have travel options (often at lower prices) that did not previously exist.

### 3.3 Isle of Man

Situated in the centre of the Irish Sea, the Isle of Man has a population of just over 80,000.<sup>9</sup> Its main industry is finance and 23% of the workforce is employed in the finance industry<sup>10</sup> and the out-bound air routes are vital to meet the needs of residents and businesses. Tourism in the Isle of Man is not as prevalent as Guernsey and Jersey and the in-bound tourism market is falling. In 2007 there were 247,810 visitors to the Isle of Man and 3,380 day trippers. The Isle of Man had almost 764,000 total passenger movements in 2007<sup>11</sup>, (compared with 892,000 at Guernsey). Despite this, the Isle of Man has a larger number of carriers flying to the Isle of Man, including Eastern Airways, Blue Islands, Manx 2, VLM, Aer Arran and Flybe, and has flights to wider range of destinations.

**Table 1: Comparison of Passenger Numbers, Destinations and Airline serving Guernsey, Jersey and IoM**

	<b>Guernsey</b>	<b>Jersey</b>	<b>IoM</b>
<b>Passenger Numbers (2007)</b>	892,000	1,655,000	764,000
<b>Destinations</b>	London Stansted, Gatwick, Southampton, Bournemouth, Zurich, Geneva, Alderney, Jersey, Birmingham, Bristol, Exeter, Isle of Man, Manchester, Dinard, Dusseldorf, Rotterdam	Serves 70 airports across the UK, Ireland and mainland Europe, Mediterranean and Madiera. 14 year round and an additional 17 during the summer season	21 destinations- 3NW, 3SE and 15 UK and Ireland regional destinations.
<b>Airlines</b>	Aurigny, Flybe, Blue Islands, Eurowings, VLM	Jet2, Manx2, AerLingus, Airberlin, Air Southwest, Aurigny, Blue Islands, BA, BMI baby, EasyJet, Flybe, VLM	Aer Arran, Blue Island, Flybe, Eastern Airways, Loganair, Manx2, VLM airlines

Source: Airport Authorities, OUR research

<sup>9</sup> <http://www.gov.im/isleofman/facts.xml> 'Island Facts'

<sup>10</sup> <http://www.gov.im/lib/docs/treasury/economic/digestreport2008.pdf> '2008 Digest of Economic and Social Statistics'

<sup>11</sup> *ibid*

The Isle of Man introduced an open skies policy approximately 15 years ago, which has been reviewed regularly. The last review was undertaken in 2003 and it was decided to continue open skies. The aviation industry in the Isle of Man has been fluid and evolving. In 2002 Manx airlines became absorbed by the British Regional Air Lines Group Limited (BA connect, subsequently acquired by Flybe) and in May 2008 EuroManx collapsed. Flybe is currently the single dominant carrier but there are other strong smaller players in the market. The Isle of Man has always had a single dominant carrier. Before Flybe, BA and Manx airlines have both been the dominant player. The Isle of Man airport authorities believe that air route licensing would not stop this from happening and even if airlines are fluid ultimately a sustainable solution occurs with a dominant carrier.

Appendix 2 contains a press release issued by Isle of Man Airport on 16 December 2008, which shows the fluidity of the market especially given the current economic climate. This press release is of particular interest in the light of the fact that a number of stakeholders suggested to the OUR that Flybe, since becoming the dominant carrier on this route, had hiked up its prices. However, the press release notes that:

*“The Flybe Gatwick service, in particular, performed very well with over 2,200 more passengers using the route than in November 2007, an increase of over 20%”*

and

*“The Director also explained why a greater reduction in traffic had been expected. “Apart from the tough economic climate, the reason that we knew that November - and much of the forthcoming winter period - would produce significant reductions over 2007, was that the fierce competition between Flybe and EuroManx last year resulted in unsustainably low fares attracting higher volumes of passengers,” she said. “Flybe are still able to offer competitive fares on their Liverpool and Manchester routes, but we are comfortable now that the capacity and fares that they are offering are economically viable and sustainable.”*

### **Route Development**

The Isle of Man does not have any subsidies or any support for new routes, and the Isle of Man has not imposed any PSOs. In order to encourage growth the airport has different charging structures for new routes. Firstly, one charging structure allows for the five year growth of a route, increasing the airport charges each year until the route is established. Secondly, the airport charge depends on how full the flights are, encouraging fuller planes, and in return this keeps the price down for customers.

Most air routes to the Isle of Man are not considered very seasonal as there is not the same visitor increase that the Channel Islands have in the summer months, and business people want to travel year round. Even small routes such as the Gloucester route are served all year round in response to demand. The Isle of Man airport believes that it is important to be realistic about what can be sustained, especially in difficult economic times. Some routes are seasonal and very successful, Flybe flies to Southampton five times a week in the summer and in summer 2008 they introduced a route to Newquay which they are doubling for summer 2009. Last winter, Flybe organised a ski package that ran from January to March 2008, which will now commence in December 2008. Load

factors show some seasonality, with many airlines having flight reductions in winter, especially in January and February.

Unlike Guernsey, the Isle of Man has a longer runway (1754m) which is currently being re-profiled, re-graded and strengthened. The runway can deal with jets, but it is accepted, at least for the present, that it is unlikely that the market there is large enough to attract low cost carriers.

### Competition Law

The Isle of Man does not have a competition law in place. However, there is an Office of Fair Trading (OFT), which was created under the Consumer Affairs Act 1981. It also has certain powers under the Statutory Boards Act 1987. We understand that the OFT has the power to investigate unfair competition and abuse of dominance. For example, the OFT has investigated the cost of booking travel tickets on-line.

### 3.3 Jersey

Jersey has an estimated population of 90,800<sup>12</sup> residents and similar to Guernsey has a strong finance industry. In 2006 the total tourism visitor volume was 729,900; and, 79,870 were business visitors<sup>13</sup>. In comparison, Guernsey had a total visitor volume of 316,000 in 2006, less than half of Jersey's visitor volume and 36,000 of these were business visitors<sup>14</sup>.

Even before abolishing air route licensing, Jersey had a liberal approach to licensing and its objective has always been to optimise passenger numbers through the airport. In 2003 the Economic Development Committee revised its policy and decided to grant every airline that applied for a route licence, the licence. Jersey repealed the Air Transport Permits (Jersey) Law 1998 in August 2007, and this was affected in March 2008. In the repeal Jersey states that

*'the ability to operate in a free market is key to attracting new airline business to Jersey. Jersey cannot afford to create or maintain any impediment to airlines in what is an extraordinarily competitive industry and within which airports and destinations are vying aggressively for airline business.'*

This approach coincided with a general policy in Jersey to promote competition across the whole of its economy overseen by the Jersey Competition Regulatory Authority (JCRA) and a decision to reduce the administrative cost on airlines and authorities in Jersey. The marketing development campaign was launched in the beginning of 2007 intending to extend and develop Jersey's links. It is funded by the Economic Development Department and supports new routes with financial help for marketing.

### Route Development

The Economic Development Department works closely together with the Jersey Airport Director to promote route development. In January 2007 a New Strategic Air Route Strategy decision (MD-E-2007-0032) was introduced to develop a new incentive that is applicable to new key strategic routes. There are a number of conditions attached, for example, the route must represent a development of

<sup>12</sup> [www.gov.je/statistics](http://www.gov.je/statistics) 'Jersey's Resident Population 2007'

<sup>13</sup> [www.gov.je/statistics](http://www.gov.je/statistics) 'Jersey in Figures 2007'

<sup>14</sup> [www.gov.gg/pru](http://www.gov.gg/pru) 'Guernsey Facts and Figures 2008'

an air route that is currently not serviced by other carriers, must enable potential growth for the island and there must be an inability for the market to deliver and maintain a service on the route without the States of Jersey's support. Before using tax payers money for route development significant economic analysis is carried out to consider whether the wider economic benefits of the new route would outweigh the costs to the tax payer.

The two main components of support available to airlines on specific routes are:

**(i) A reduction in aeronautical charges for the term of the agreement.**

Jersey airport, similar to Guernsey airport, is considered to have high landing taxes. However, it seems that Jersey airport has much more flexibility in its approach to landing charges and it seems that the airport is treated more as a strategic asset rather than an independent profit centre which would have to balance its books at all times. This gives the airport more flexibility to enable further route development and growth.

**(ii) Additional grant funding to offset commercial losses in the initial operating period.** We understand, that in specific circumstances, where based on extensive economic analysis, it is considered that the expected benefits outweigh the costs, there is additional grant funding available to develop routes. This funding is available for a specific duration (i.e. not indefinite). For example, this seems to have been used to develop the direct route between Jersey and London Heathrow.

When compared to Guernsey, Jersey has an approximately 50% larger aviation market than Guernsey with over 1.65 million total terminal and transit passengers in 2007. The runway is 1706m (longer than Guernsey's which is 1463m) and therefore Jersey is able to accommodate aircrafts used by most Low Cost Carriers including some jets. This enables Jersey to attract airlines which might not necessarily consider Guernsey, due to its shorter runway and issues with the condition of its runway.

### **Competition Law**

Jersey's competition law was passed on 23<sup>rd</sup> June 2004 and came into force on 1<sup>st</sup> May 2005. The purpose of the law is to protect free, open and fair competition in the market place, to prevent abuse by businesses with a dominant position and certain mergers and acquisitions unless approved. The Jersey Competition Regulatory Authority (JCRA) manages the competition law by investigating anti-competitive activities and has the power to impose financial penalties on those who are seen to be behaving in an anti-competitive manner.

## 4. EU market access regulations and implications for Guernsey

While EU legislation is not directly applicable to Guernsey it does provide a reference for the wider environment within which the airline industry locally operates. Therefore this section provides background on the applicable EU legislation and its possible implications for Guernsey.

### 4.1 Background to the ‘third package’

Between 1987 and 1993, the EU introduced a series of packages which culminated in what is known today as the “third package”. This has resulted in a complete liberalisation of the European aviation market by removing any entry barriers, enabling EU carriers to freely operate on any intra-EU route. It outlawed bilateral restrictions on frequency, capacity or prices on such routes. Consequently, it required each Member State to grant Operating Licences to carriers whose principal place of business was in that state. Originally, the license enabled air carriers the freedom to operate throughout the EU, however since April 1997, this provision was extended to domestic routes within any EU country.

Within the agreement, EU flag carrier airlines that remained in state ownership began to be privatised or part-privatised, and all airlines were required to obtain explicit permission from the EU authorities to receive any form of public-subsidy (the State Aid provisions of the Treaty of Rome).

However, under these arrangements Member States are nevertheless allowed to provide financial or other types of support under strictly defined conditions. These types of support could either take the form of so-called public service obligations or route development/marketing support.

### 4.2 Public Service Obligations and the third package

A key pillar of the EU’s “third package” was the European market access regulation 2408/92<sup>15</sup>, allowing EU airlines to fly any route within the EU. However, this regime also enables member states to dis-apply this freedom in certain circumstances. This is set out in Article 4 of the regulation and concerns the use of Public Service Obligations (PSOs).

A PSO can be used to protect certain routes that are vital to the economic development of a region and that cannot otherwise sustain a commercial air service. The rules for imposing a PSO can be found in regulations 2408/92, 95/93 and 1008/2008. Appendix 3 contains detailed information on the specific conditions under which PSOs may be imposed and the process which would have to be followed. It also contains a section on the potential issues in relation to PSOs.

### 4.3 Slot ring-fencing

European Commission Regulation 95/93<sup>16</sup> deals with the rules for slot ring-fencing in a situation where a PSO has been imposed. It states that a Member State may reserve certain slots at a fully co-

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<sup>15</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31992R2408:EN:HTML>

<sup>16</sup> [http://eur-lex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&numdoc=393R0095&lg=en](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&numdoc=393R0095&lg=en)

ordinated airport when a PSO has been imposed on scheduled services on a domestic route from that airport.

#### 4.4 Route development and marketing support

Especially in a liberalised market, airport operators tend to offer a range of incentives, in the form of various packages of discounts on airport charges and/or marketing support, to attract airlines and to “kick-start” the launch of new routes.

However, in route development funds (RDFs), a number of key public sector stakeholders get together to provide funds to kick-start new routes for example to encourage inbound tourism or to attract new businesses. Stakeholders in these funds tend to include regional administrations, regional development agencies and tourism authorities.

In the UK, any of these types of funds need to comply with UK and EU legislation, especially in respect of state aid and competition and to ensure that they are compatible with EU Rules<sup>17</sup>. The funds currently in place are therefore subject to certain conditions. These funds are intended for routes that are expected to become commercially viable after the first three years. Section 4.5 below provides an overview of some of the RDFs in place in the UK.

In its review of the use of RDFs (*CAP 754 UK Regional Air Services: a study by the Civil Aviation Authority*<sup>18</sup>), the CAA found a consistent view that the availability of route development funding makes an airport more attractive to airlines and moves the airport in question up the “league table” of airports in Europe especially for airlines that see the UK regions as a growth opportunity. The CAA also points out that given that all the ‘low-hanging fruit’ routes have been exploited airlines are now taking more marginal decisions which tend to be more easily swung by relatively small amounts of temporary funding. It has however also been argued by a number of parties that route development funds could result in market distortion and that it might be difficult to establish whether they provide value for money and that alternative uses of the money would be more productive.

#### 4.5 Route development and marketing support

The following provides some general background on the type and number of initiatives in place in parts of the UK and provides a flavour of the level of expenditure being incurred to support route development elsewhere.

##### (a) Scottish Route Development Fund

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<sup>17</sup> The European Court of First Instance recently dismissed an EU Commission case against Ryanair with respect to support it received at Charleroi Airport. The implications of this are currently being considered.

<sup>18</sup> <http://www.caa.co.uk/application.aspx?catid=33&pagetype=65&appid=11&mode=detail&id=1655>

Created by the Scottish Executive in 2002 and operated until 31 May 2007 the fund aimed to redress the barriers to economic growth caused by international scheduled destinations being under-served from Scotland.

The fund supported new, year-round, direct, scheduled services which would bring tangible economic benefits to Scotland (such as reductions in journey times, the creation of day-return trips to overseas destinations, stimulate export markets, direct employment and improved global connectivity). The fund cost £6.8 million and was spread over a 3 year period. It was hoped that it would bring an economic benefit of £150 million over 10 years and create around 600 tourism-related jobs.

Since the implementation of the scheme, Scotland has seen 61 new routes, of which 48 were international routes and 13 were domestic routes. However, 15 out of the 61 newly funded routes have subsequently been suspended; but 5 of the routes have since been re-started by different carriers. Scotland has seen a 30% increase in in-bound tourism.

#### **(b) The Northern Ireland Air Route Development Fund**

Launched in September 2003 with similar aims to that of the Scottish scheme. It's been estimated to have cost £3.6 million over its period of operation until 31 May 2007.

Prior to the commencement of the fund, Northern Ireland had only one international air service. However, the fund has since funded 6 international routes and 3 domestic routes, of which the domestic routes have since been withdrawn. However, it has been estimated that a further 20 unfunded routes have commenced due to the market stimulation the RDF brought – such as raising airline awareness of the opportunities on offer.

The Northern Ireland Department of Enterprise, Trade and Investment is currently evaluating the economic impact of the RDF scheme in Northern Ireland.

#### **(c) Route Development Funds for Wales and the North-East of England**

In May 2006, the European Commission approved a national scheme for the UK which allowed two further funds for Wales and the North-East of England as of 30 June 2006. The schemes were required to comply with strict rules which dealt with transparency, non-discrimination, proportionality, and also confined their operation to providing carefully targeted, time-limited interventions which worked with the market to help to share the risk of starting new routes from regional airports with airport operators and airlines.

The Welsh RDF scheme supported 5 new routes through offering up to 50% of the cumulative airport charges and marketing costs. However, only 2 out of the 5 routes are still in operation today. As a result of the European Commission's guidelines, the scheme required some restructuring, and it was under these new conditions and restrictions that the administrators of the scheme felt that they

were making the scheme unattractive because of the disproportionate work required, funding would eventually only amount to 30% of the eligible costs. Alternative funding is being considered in the form of marketing initiatives relating to tourism and/or business investment.

The North East (Air) Route Development Programme consisted of a £4 million fund to assist its regional airports and saw the commencement of 6 new air routes. Although some routes have improved business links and generated some in-bound tourism, two of the routes have since been withdrawn after less than a year in operation. However, the European Commissions' new guideline has effectively ruled that Newcastle airport is no longer eligible for the funding as its annual passenger volumes exceed 5 million passengers per annum. As a result, only one airport in the region still qualified and the administrators of the scheme decided to close the scheme.

## 5. Way forward

### 5.1 Aviation policy

In carrying out this review, one common theme has been the varied ideas parties have on what Guernsey's aviation policy is. At the moment different people have different expectations in relation to the purpose of the airport, current and future levels of connectivity to the mainland and other destinations (and whether expectations are higher than is realisable), whether the States of Guernsey should own an airline, and what the tourism industry in Guernsey will look like in future.

This also extends to the approach to route development. The Transport Board, which was the body in charge of route licensing before the C&E department, had a route development subsidy fund. However, as is recognised in the Strategic Economic Plan<sup>19</sup>, this was used as a support payment of £1.05 per passenger (totalling £825,000 pa) and hence in practice amounted to a subsidy on airport charges (to offset the airport development charge) rather than aiding the development of new routes.

Given that the network of air links to Guernsey has contracted over the past decade, C&E decided that additional measures in order to develop new routes might be appropriate and established a separate fund for new route development. However, we understand that this fund is not ring-fenced and hence if it is not used for route development it might be used for other purposes.

Also, in our conversations with stakeholders it was frequently commented on that in Jersey and the Isle of Man, route development, airport charges (including discounts) and wider marketing initiatives were all dealt with as part of a wider framework (and on anecdotal evidence appeared better co-ordinated). For example, an airline would not need to negotiate with various parties through a series of different meetings but these issues would be tackled in a more cohesive manner.

We are aware that the States has an External Transport Group, made up of the Commerce & Employment Department and the Public Services Department. However in our view its role to date has not developed the type of structured, co-ordinated approach that appears to be in operation in other jurisdictions and which would have the potential to increase the overall effectiveness of any aviation policy.

Based on the above, we consider that it is very important for Guernsey to develop an over-riding aviation policy, setting out clear short-term as well as medium-term views of how key assets such as the airport should be developed and used and more generally how the provision of air services would fit in Guernsey's wider strategic objectives and how this wider policy is funded and supported.

Some of the key questions such a policy might wish to address are:

- Treatment of the airport (e.g. independent profit centre or strategic asset);

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<sup>19</sup> Strategic Economic Plan, produced by the Fiscal and Economic Policy Steering Group for inclusion in the Government Business Plan to be considered by the States at its July 2007 meeting (Billet XVIII, 2007)

- View on whether air travel should be encouraged to expand in Guernsey and a view on the tourism market;
- View on whether there should be a direct connection to another international hub (apart from London) and how this might be financed not only in the short-term but possibly also in the long-term;
- View on route development and marketing support;
- Assessment of obstacles to new entrants and how this might be remedied;
- State-ownership of Aurigny and implications for competition.

In summary, we believe that the current situation and more specifically, the current approach to air route licensing is not sustainable. The risk of legal challenge is great and could prove very costly to the Island. In addition, the risk that the current regime acts as a disincentive to carriers to open up new routes resulting in lost opportunities, as observed in the Strategic Economic Plan could prove equally costly.

## 5.2 Main options for consideration

Given the issues currently faced by the C&E department, we were asked to look at the full range of available options. At either end of the scale are the two options of:

- A fully liberalised approach (option 1); and
- A fully licensed approach (option 2).

In between there are some variations on these main options. For example, a part licensed/part liberalised approach and when looking at a fully licensed approach, it could vary from very prescriptive to a light handed approach. These sub options are discussed under the main option headings.

### 5.2.1 Option 1 – A fully liberalised approach (“Open Skies”)

This is the approach adopted by jurisdictions similar to Guernsey, e.g. Jersey and the Isle of Man, and of course, this is the approach adopted throughout the European Union and increasingly in other parts of the world.

#### Advantages

There is a lot of empirical evidence available on the advantages of open skies and competition for consumers, namely:

- Encourages best use of scarce resources;
- Encourages provision at the lowest cost (given a certain quality level), thus ensuring productive efficiency;

- Encourages the providers to offer different price/quality offers tailored to different market segments;
- Encourages innovation (for example, the emergence of no frills carriers, the development of a regional airport network in the UK and on the continent);
- Generally, more choice for consumers;
- Avoids the costs attached to a licensing regime (no need for a licensing body);
- No risk of the government/licensing body distorting the market;

These factors are largely self-explanatory. The liberalised approach as adopted elsewhere has served customers well. It has resulted in much greater choice and a wide range of price/quality options to suit different market segments. Generally speaking it is well recognised that the customer has been the ultimate winner.

### **Disadvantages**

Although we have not found empirical evidence to support the view that competition through an open skies policy would be harmful for customers (either in the short or long term), a number of stakeholders have raised the following issues against adopting a liberalised approach:

- It would give rise to the emergence of a dominant carrier who might then abuse its position;
- It would mean the end of all year round daily or twice a day services;
- If a dominant carrier suddenly pulls out, Guernsey might be left without connection to key destinations;
- It would drive up the price – if three providers would provide a service in a situation where the market is only sufficiently large enough for one provider, given that all three providers would face fixed costs which they would charge the customer the customer ends up with a higher price than if one provider had provided the service.
- It may in the longer term result in Jersey becoming a hub for services to Guernsey.

Below we examine each of these points and offer our opinion on them

#### ***(i) Emergence of a dominant carrier***

The concern seems to be that if volumes are relatively low on a route, it might not be profitable for more than one carrier to serve this route. The view is that if the market is liberalised, the incumbent carrier on such a route might face competition from a new entrant. A price war might develop with one of the carriers pulling out and hence only one carrier is left serving this route. This then leads to the concern that this carrier might abuse its position. It was suggested that such a circumstance had happened in the Isle of Man where Flybe now accounts for over 70% of passenger numbers.

Firstly, it is not clear how the current air route licensing regime would address this concern. If the view is that a route can only sustain one carrier, it would seem counter-intuitive that the licensing body would issue more than one licence. This would therefore automatically result in the route in question being served by a monopoly provider.

Arguably, the key issue is not whether a carrier is dominant or not, but whether it would abuse its dominance. Normally, concerns of this nature would be addressed by competition law. It is not clear how route licensing could prevent a dominant carrier setting prices too high and/or under-providing capacity unless the licence includes specific conditions in relation to unfair competition/abuse of dominant position.

One stakeholder suggested that the licensing authority could oversee or even determine ticket prices. In our view, it is highly unlikely that a licensing body would have the expertise and resources available to do so and that such an approach would result in a more efficient outcome for consumers. Such an approach would require significant resources and very quick decision making on a very regular basis to enable an airline deal with its marketplace.

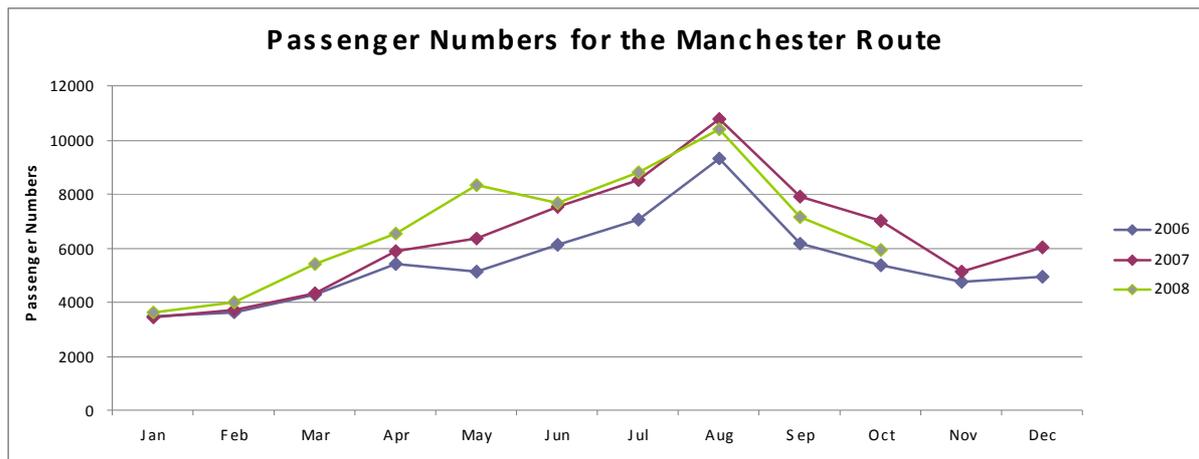
***(ii) End of all year round daily or twice a day services***

A number of stakeholders have told us that the only way in which all year round once or twice a day services can be provided on a number of routes is through ensuring that revenue earned in the summer can be used to offset unprofitable winter services. Indeed all airlines highlighted the importance of the summer market even for routes where there was more general agreement that competition could be sustained.

The concern is that if the market is liberalised another provider might want to only fly during the summer, when there is more demand, resulting in prices for customers to be lower than they otherwise would have been. This would be good for customers who would like to fly during the summer but would reduce the revenue which can be earned during the summer. In addition, the revenue for the all year round carrier would be further reduced as it would have to share the summer market with the other carrier. One specific example mentioned in this context was the Manchester route.

However, we note that, for example on the Manchester route, the current route licensing regime has not prevented Flybe from only providing services part of the year. (It is recognised that there are divergent views as to whether this is because year round service is not required by the licence or because of lack of enforcement by C&E). Also, it seems unlikely that any route licensing regime, even if rigorously enforced, could require a carrier to provide services which are loss-making.

It is our understanding that in all likelihood at least one carrier would want to provide services during the winter, even in total passenger numbers are lower than the summer period. However, for commercial reasons it would be expected that these services might be less frequent (e.g. not twice a day or daily, but possibly every other day instead). This seems a rational response to what the market demands and hence might indeed be a better use of resources, and reduce the impact on the environment. It is therefore to be expected that a minimum demand level during the winter period would be met, whilst during the summer customers would have more choice and face lower prices.

**Table 2: Manchester Passenger Number 2007 (source Guernsey Airport)**

A further issue which arises is whether the route licensing regime should explicitly look to ensure diverse carriers from Guernsey. An argument is made that the introduction of competition on a particular route may lead to the incumbent being forced off the route, particularly if cherry picking of the summer traffic is permitted. This raises the issue that the licensing authority should have regard to identity of the airlines on the route, which goes further than whether or not the route can sustain competition. We don't accept this is a logical position for the route licensing agency to place itself in. If the route can only sustain one operator then market forces should be allowed determine the identity of that operator. So long as all operators on a particular route have the ability to compete on equal terms (i.e. similar commercial freedom to determine their own schedule) then the licensing agency should not look beyond this.

***(iii) If a dominant carrier suddenly pulls out, Guernsey might be left without connection to key destinations***

Quite a number of stakeholders raised the concern that 'carriers might not be committed to Guernsey' and suddenly pull out leaving Guernsey without key connections. Key connections according to the stakeholders we spoke with seem to be Gatwick, Southampton and inter-Island flights, but the main concern seems to be in connection with Gatwick. Firstly, it is important to note that Gatwick is a commercially viable route for both carriers serving this route. It is therefore unlikely that a carrier would like to abandon such a route. Secondly, a similar concern was also raised in relation to Isle of Man, where, as we have noted earlier, Flybe is in a very strong position with over 70% of the market. Isle of Man has indeed seen quite a few carriers disappearing over the

years, however, this did not result in a gap in service; if a route was viable then any gap was quickly filled.

Thus, based on the experience in other jurisdictions, if a route is commercially viable, even if a carrier suddenly pulls out, another carrier will be likely to enter the market to provide the service. However more importantly, for the purposes of this review, the presence of air route licensing does not prevent such a situation arising currently. The number of airlines cancelling or reduce services to a wide variety of destinations because of the current economic climate is increasing. This is merely a reflection of market demand. It could be argued that the current licensing regime may result in a 'gap' in new services for longer than the market might need given the process that must be followed to obtain a licence to operate a service under the current policy.

The issue at Gatwick is slightly more complicated, given that Gatwick is a slot constrained airport and hence to be able to fly between Guernsey and Gatwick the airline in question would either have to hold or otherwise would have to obtain slots. Although obtaining slots at Gatwick is likely to be slightly easier in the current economic climate compared with, say, a year ago, it might still prove a significant hurdle (especially at peak times) and it could take some time before slots are obtained. Thus in order to ensure that any gap can be quickly filled, it would seem necessary that any possible new entrant already hold Gatwick slots. While many airlines hold slots at Gatwick, most do not have the type of aircraft (e.g. turbo props) which could land in Guernsey due to the length and condition of the runway in Guernsey. This is less of an issue for Jersey and Isle of Man as their airports have longer runways, enabling a much wider range of aircraft.

Nevertheless, we would expect that as the Guernsey/Gatwick route and the Guernsey/Southampton route are both high volume routes and clearly commercially viable for the airlines serving them, it is unlikely that airlines would not wish to serve these routes. Nevertheless, if any of these routes was to become commercially unviable, for whatever unlikely reason, nothing would prevent the States of Guernsey from offering route support for a provider to ensure that these routes are serviced. However, in our view, it would be desirable if a transparent process is followed, for example a public tender process. This is most likely to ensure the best deal for the Guernsey tax payer if tax payers' money is used to support such a route.

***(iv) Competition drives up the price on thin routes***

This is based on the view that if the market is only sufficiently large for one provider to serve it in a profitable manner, then if more than one provider was to service such a market, all those who service the market would increase their prices. This would suggest a duopoly or oligopoly and would point towards price fixing not competition. In such a situation competition should result in the unprofitable providers exiting the market. This could mean that for a short period of time there is intense price competition and prices decrease substantially. Once the unprofitable providers have left the market, the remaining provider would be expected to increase its prices to a sustainable level. This seems to have happened on the Isle of Man (see appendix 2).

Also, an airline will naturally try to sell as many seats as possible, hence it is not in its interest to set prices so high that only a fraction of the seats are sold. To further encourage this behaviour, Isle of Man the airport has developed a specific charging formula to encourage airlines to sell as many seats as possible. In practice, the threat of new entry into the market and the threat of competition law

should ensure that consumers are protected from excessive prices and/or too little capacity being offered.

***(iv) Jersey becomes a hub for carriers serving Guernsey***

Clearly in a regime which closely resembles open skies, the flexibility which carriers have greatly increases. It provides them with maximum ability to utilise their assets in a manner that best meets their commercial and strategic objectives. It is also a reasonable factor to bear in mind given the ‘perception’ issues that might be associated with Guernsey being seen as an offshoot of a competing finance centre.

However airlines choosing to fly to Guernsey do so directly and it is no clear why relaxing the licensing regime should, of itself, change this. Currently over 90% of passengers on UK/Guernsey or Guernsey/UK routes fly directly to or from the Island. It is also worth considering the UK key routes served from Guernsey, namely Gatwick and Southampton. Between them they account for almost 70% of passenger numbers travelling to and from the UK. These routes are served by airlines flying aircraft with very high load factors year round. Further these routes are currently sustaining competition and in the event that one airline should decide to use Jersey as a main hub, with spoke services to Guernsey, it is reasonable to assume that the carrier serving Guernsey directly would benefit from such a decision (assuming it had the capacity to take advantage).

In our view, so long as there remains relatively high demand (as currently) direct services to key markets should not be at risk. We believe a greater risk is the condition of the airport which, should carriers decide to in future use alternative aircraft to those currently being operated on these routes, may result in Jersey being used as a hub for operational reasons.

**Conditions for a liberalised approach**

The key concern in a liberalised market is that it would result in anti-competitive behaviour and abuse of dominance. There are two key conditions which have to be in place to ensure that this can be successfully tackled, namely:

- Competition law and the ability to enforce such a law for example through imposing a substantial penalty in case of a finding of abuse of a dominant position; and
- No undue barriers to entry.

In an ideal situation both conditions would be in place in order to ensure that customers are appropriately protected. Given that aircraft are highly moveable assets, the threat of new entry in situations where a dominant provider is extracting monopoly rents is a real and material threat. If on top of this a competition law is in place with sufficiently material penalties if a finding of abuse of dominance is made, evidence suggests that the key safeguards to protect customers would be in place.

**5.2.2 Option 2 A fully licensed approach**

A large number of stakeholders we have spoken with support the retention of a licensing regime. It is important to note that in continuing with a fully licensed approach such an approach would only apply to the British Isles. Thus for flights between Guernsey and other destinations, e.g. France,

Republic of Ireland, Germany, etc., there would not be the requirement to hold a licence. The main reason we understand for this is that it would raise a number of legal issues if the States of Guernsey would wish to license flights to EU States other than the British Isles.

### **Different forms of a fully licensed approach**

A fully licensed regime could take many different forms. It could for example be very prescriptive or high level.

For example, it could contain conditions specifying when an airline should be flying (e.g. which days of the week and which times of the day), whether it should be all year round, which aircraft should be used, possibly it could even include clauses on the approach to pricing capacity. Alternatively, it could be a very high level regime, focusing on fair competition and abuse of dominance, thus approximating a liberalised regime as much as possible, but with the regulation making up for a lack of competition law. In both cases, the licence could also include sunset clauses in relation to when the licensing regime will be reviewed and licenses could, for example, be issued for a set period subject to the outcome of any further review.

Therefore, when examining possible advantages and disadvantages of a licensing regime it would very much depend on the exact nature of the regime in question.

### **Advantages**

The main arguments from those that support a licensing regime appear to be:

- It prevents the emergence of a dominant operator who is not committed to the islands and might hike up prices;
- It protects year round daily services to destinations which otherwise would not be profitable on that basis;
- Enables high frequency to Jersey;
- Enables decision makers to look at the overall economic position of a carrier rather than solely focusing on a route and to see what is in the interest of that carrier before awarding licenses to other carriers;
- Protects lifeline routes;
- Takes into account Guernsey's specific circumstances (e.g. very small market which requires good links for its business and leisure community) and protects Guernsey's long-term interests.

It will be obvious that certain advantages of this approach reflect comments on the disadvantages of the open skies approach.

#### ***(i) Emergence of a dominant operator not committed to the island***

As pointed out in the previous section on option 1, the emergence of a dominant operator should not be a concern in itself. It would only be a concern if that operator was to abuse its position. It is

likely to do this through excessively pricing and/or under providing capacity. Licensing would not necessarily protect against this unless it has specific clauses addressing abuse of a dominant position and ensures that these clauses are enforceable with sufficiently material penalties to deter that type of behaviour.

It is difficult to understand how licensing could ensure commitment to Guernsey. Commercial airlines, like any other commercial business, need to make profit. They also need to ensure best use of their assets and to make sure that their assets are not under-utilised. Many airlines expect an aircraft to complete a number of rotations a day to ensure that it is profitable. If anything, it could be argued if a licensing regime was to put obstacles in place which restricts its commercial ability, such a licensing regime could potentially deter airlines from operating in that market.

We note that given the State ownership of Aurigny, it could be argued that the States could insist that its airline serves specific destinations in a specific manner. However, the C&E Department does need to be blind to the ownership of Aurigny if it is to properly discharge its licensing functions in a fair and even manner.

***(ii) Protects all year round daily or twice daily services to destinations which otherwise would not be profitable on that basis***

As pointed out in the previous section on option 1, under certain circumstances this might indeed be achievable as long as the revenue earned in the summer is sufficient to make up for losses incurred during the winter.

However, it does mean that customers will pay more during the summer than they would have done if there had been competition. It also means that underutilised aircraft will fly during the winter, e.g. with potentially very low load factors. From a best use of resources perspective (including environmental impact) it is not obvious that this is a desirable outcome. Arguably, it would be more in customers' interest to have lower fares during the summer and to have lower frequencies during the winter when demand is lower.

***(iii) Enables high frequency to Jersey***

The argument here seems to be that preventing another entrant on the Jersey route (and/or restraining spare capacity on triangular services from being used for inter-island routes) could possibly sustain the status quo, with very high frequency traffic between Guernsey and Jersey. This would suggest that the current 'competition' to Jersey is based on frequency rather than price (to a large extent). It seems that if one carrier adopts a high frequency approach the other carrier is almost forced to adopt that approach as well in order to be able to attract market share.

The issue of frequency of flights on inter-island routes prompted two different reactions. First one view was that the travelling community (and on Jersey flights the significant majority of passengers are business travellers) will normally do day trips to Jersey, going over early morning and returning late afternoon. So long as there is sufficient capacity at these times then their needs will be met. A separate view was offered which is that Islanders are used to having a very high level of frequency right throughout the day (more akin to a 'bus service') and that the convenience of arriving at the airport and being assured of a flight within a reasonable short period of time is important. The latter view might clearly be a preferable service but is unlikely to be commercially sustainable. It is

reasonable to assume that a higher capacity, lower frequency service would be more economical and likely to be more environmentally friendly<sup>20</sup>.

There is however a concern that a new entrant might wish to compete on price and reduce the market share of existing carriers to such an extent that they would no longer be able to operate on this service either at the high frequencies or at all, thus in both cases resulting in a loss of frequency.

However, especially in a worsening economic climate, these levels of frequencies might not be sustainable. In our view, it seems unlikely that a licensing regime will be able to protect these levels of frequencies unless it was to involve financial support from the tax payer to one or more airlines operating on this route. Given the volumes of traffic on the Guernsey/Jersey route it would seem a questionable use of taxpayers' money should it be used to support such measures.

***(iv) Enables decision makers to look at the overall position of the airline***

The idea behind this view seems to be that if an airline does not benefit from economies of scale the decision maker could make up for this by ensuring that the airline is protected in such a way that it is able to ensure full utilisation of its aircraft (i.e. a certain number of rotations a day). The view is that especially Guernsey based aircraft might be at a disadvantage due to their location.

Depending on the licensing process, as long as this is either a specific objective of the regime or the decision makers are given significant discretion, this might indeed be the case. However, it is doubtful whether such an approach would be in the interest of customers. It is certainly doubtful that such an approach could be free from claims of bias or preferential treatment. The big risk of such an approach would be that a specific airline is awarded a route because otherwise its overall economic position would be negatively affected, rather than on the basis that it would be the best candidate for serving that route. This could result in the decision maker picking 'losers' rather than 'winners' to the detriment of Guernsey consumers and potentially in the longer term the detriment of Guernsey.

***(v) Protects lifeline routes***

One argument in favour of air route licensing raised by several stakeholders is that it would be able to protect lifeline routes. However, the majority of stakeholders identify key UK 'lifeline' routes as the routes to Gatwick and Southampton and are at the same time of the view that these high volume routes would be able to sustain competition.

The Jersey route is also seen as a key route but as pointed out previously there are concerns that competition could undermine the high frequency of flights to Jersey. In addition the Alderney route is of key importance and from Alderney's perspective it would be keen to ensure a high level of service through Guernsey and direct connections from Alderney to key destinations for it.

However, unless the licensing regime explicitly provides for only one operator on key 'lifeline' routes, it does not seem convincing that a licensing regime in itself can protect such a service. Clearly, if a regime was to allow a monopoly provider and would allow it to extract a certain level of return or provide it with financial support, it would be highly unlikely that such a carrier would pull

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<sup>20</sup> Aviation accounts for 13% of carbon emissions in Guernsey; Guernsey Facts and Figures booklet 2008

out of such a route. Clearly there is likely to be a cost to consumers and possibly tax payers from the adoption of such an approach. However we note on the inter-island routes that under the current licensing regime and policy competition does exist on such routes.

***(vi) Takes into account Guernsey's specific circumstances and protects Guernsey's long-term interests***

This is based on the view that Guernsey's aviation market is very different from other jurisdictions. For example, it is argued that it cannot be compared with the UK being a small island economy, it cannot be compared with Jersey which has a significantly larger population and a much larger tourism sector (much higher bed stock levels) and cannot be compared with Isle of Man either given its specific geographic location (hence its particular levels of connectivity to a variety of destinations). There is therefore a need to adopt a different approach in Guernsey to protect its long-term interests.

There is little doubt that there are some material differences especially between the UK mainland and Guernsey. However, there are similarly isolated areas in the UK which are arguably even further away from the London hubs compared with Guernsey. In some cases this has been recognised and in some cases the UK government has put PSOs in place and in other instances local government has put different funding mechanisms in place to support route development. There is also little doubt that there are some significant differences between Jersey and Guernsey. There is a difference in population size, different tourism strategy and last but not least difference in approach to the airport, which is possibly regarded as a strategic asset rather than a self-funding/profit centre. The fact that Jersey airport is able to accept not only turbo-props but also the much more frequently used jets (as indeed used by most of the UK and European airlines) enables Jersey to attract a much wider range of airlines and destinations. The Isle of Man has a larger population than Guernsey, but similar total annual passenger numbers to Guernsey.

In our view, the key differences which single Guernsey out compared with other island jurisdictions such as Jersey and Isle of Man are the lack of competition law and the lack of a coherent aviation strategy. Arguably, air route licensing might potentially address the former in the short to medium term but it is unlikely to be able to address the latter on its own.

**Disadvantages**

The rationale for undertaking this review was the recognition that the current licensing regime is not working as needed. The licensing regime lacks transparency, has a cumbersome and unclear process, has lacked consistency in application and it is unclear as to the degree to which it ultimately achieves the States objectives (which in our view are less focused and clear than may be required in a more robust licensing environment).

However, more generally the main disadvantages of a very control oriented licensing regime appear to be:

- How to define an objective, transparent, robust process which fulfils the objectives (once defined by policy makers);
- The need for significant economic analysis;

- The need for monitoring and enforcement of compliance;
- The need to have measures in place to protect customers from over-pricing/under- provision of service; and
- The need to have an independent body which needs to be funded.

***(i) How to define an objective, transparent, robust process which fulfils the objectives (once defined by policy makers);***

In the event that a very hands-on approach is taken to licensing there will be a need for a very clear, unambiguous policy which will inform the licensing authority on what factors it should and should not take account of when informing its decisions. Our view is that the current policy, while drafted with such an approach in mind, is less clear than perhaps is useful in practice. It also does not take account that the licensing of key routes pre-dated the policy and therefore in respect to some routes, the opportunity to influence the outcome was already lost. In any event, we believe, given developments in the market since 2004, the heightened focus on environmental issues in respect to aviation and the changing approach to tourism all necessitate the need for a revised policy.

***(ii) The need for significant economic analysis;***

If a decision is made to retain licensing in its current format then there will be a need for greater analysis of the information provided by applicants (and from any interested parties). The current approach is less transparent than is appropriate. All decisions should be communicated in writing setting out reasons for the decision and outline what key information was informative in the decision making process. The current lack of visibility only serves to undermine the process, causing mistrust and unease with how the process works in practice. Clearly such analysis will need to be robust and therefore is likely to require greater resources than has been expended to date on such decisions.

***(iii) The need for monitoring and enforcement of compliance;***

If licences are granted with certain conditions then these need to be enforced effectively to ensure confidence in the system. The situation which has developed currently highlights the difficulties that can be created where enforcement is perceived to be ineffective. A desire for 'light touch' in such issues is admirable but where the licensing body is expected to adopt a particular approach and then fails to do so, it creates confusion, uncertainty and leads to unhelpful relations between parties. Parties need certainty (one way or another) in such circumstances and a lack of a clear approach has contributed to the current difficulties.

***(iv) The need to have measures in place to protect customers from over-pricing/under- provision of service;***

In the absence of market forces to protect consumers, there will be a need for more detailed supervision from the licensing body to do so. This could be to either ensure appropriate ticket prices or charges for additional value added services or for levels of quality/customer service/complaints processes. Such oversight again requires resources and in regard to pricing a significant level of

information about the operational aspects of an airline on a specific route. It is unclear how an airline would be expected to operate commercially under such a system.

***(v) The need to have an independent body which needs to be funded***

Given the States dual role as owner of a carrier and as the licensing body (and to a lesser extent its role in route development), if such a hands on approach to licensing is adopted, it will need to be exercised by a body which is statutorily independent of the States. In the absence of such a measure, the claims of bias (from all airlines) will continue. Given the need to be independent of the States, the funding needs for such a body is likely to be higher given the resources required and the level of expertise needed. This will either have to come from central funds or through a levy on airlines when they apply for a licence. However given airlines already see charges for operating through Guernsey as an issue already, further increasing the cost to them of serving Guernsey appears a retrograde step.

**Part licensed/part liberalised**

Another potential option for consideration is to adopt a part liberalised/part licensed approach. The idea behind such an approach would be to address concerns in relation to ‘unsustainable competition’ on some of the routes, but to enable competition to develop on routes which are considered to be able to sustain competition. The first difficulty is to establish which criteria should be used in order to determine whether a route should be licensed or not. For example, one approach could be based by taking a view on which routes would be able to sustain competition. Arguably, if such an approach had been adopted in, say, Isle of Man, which always seems to have had a dominant carrier on key routes, it could be argued that these routes cannot sustain competition hence it would never have adopted a liberalised approach.

Also, it is important to note that competition is also a driving force behind efficiency. It is more likely to result in the best use of resources, more likely to force businesses to operate in a cost efficient manner and more likely to result in innovation. It is therefore not straightforward to determine whether a certain route would be able to sustain competition or not. A further complicating factor is the fact that the aviation market is a very fluid market, resulting in some routes indeed being abandoned but also new routes being explored.

For example, it could be argued that in order to determine whether a route should be licensed would depend on passenger volumes on a certain route. Such a rule would be objective and transparent.

**Table 3 Passenger movements 2005-2008**

	2005	2006	2007	2008
BIRMINGHAM	47543	41117	36025	32199
BOURNEMOUTH	1358	1516	2934	462
BRISTOL	28560	28826	31130	24067
EXETER	31484	27686	26717	24210
GATWICK	350205	352840	344454	289235
ISLE OF MAN		957	2272	615

MANCHESTER	65742	65664	76633	67904
NORWICH	104	8708	6192	2764
SOUTHAMPTON	130056	124900	126361	118451
STANSTED	33009	30996	36087	28107
ALDERNEY	33569	36350	41718	36761
JERSEY	129577	130773	141137	136042
DINARD	10773	8787	8925	7178
PARIS(Beauvais)			1491	1505
PARIS CDG				3739
DUBLIN				3952

(Source: Guernsey Airport, 2008)

However Table 3 shows the difficulty with determining which routes should be licensed if passenger volumes were to be used as a guide. For example, the definition of a thin route used by the European Commission in the context of PSOs consists of a route with less than 30,000 passengers on a per annum basis. If that threshold was to be adopted then the Birmingham, Gatwick, Manchester, Southampton, Alderney and Jersey routes would not be subject to a licensing regime.

Possibly, once figures have been updated for December, the Stansted route would also not meet the 30,000 passenger threshold. This might illustrate the difficulties with establishing an appropriate threshold. While the States could determine a higher threshold itself, it does not remove the subjectivity of the approach.

There are likely to be a number of other issues with such a threshold as well. For example, should it be based on the average number of passengers over a year or on the average number of passengers during the winter if a route is deemed a seasonal route? What happens if passenger numbers change from year to year around the threshold level – should an average be taken over a number of years, but what if a route shows a clear trend of increasing passenger numbers? Or should it be based on yields per passengers or other measures regarding the profitability of a route for a specific airline? What should happen in case of a new route with no such information being available? Should a distinction be made between a new route being opened without support compared with a new route which receives route development support?

The risk with these types of approaches is that policy makers might end up protecting inefficient airlines which cannot survive in a competitive environment. Given the costs such protection can pose to consumers this might not be a desirable outcome long term. As has been identified by other policy makers, such approaches could result in airlines ‘gaming’ the system in order to gain protection from competition. Once protected, the incentive for an airline to then make the route profitable (if lack of profitability was the reason for licensing) or grow passenger volumes (if the reason for licensing was low passenger volumes) is very weak. The airline might instead prefer to keep the status quo, e.g. a licensed regime with the threat of competition removed. This would remove efficiency incentives on the airline and is likely to be to the detriment of customers and Guernsey as a whole.

All in all, given the issues outlined above and the perverse implications a half way house type of approach might have (especially boundary issues which would no doubt arise around the threshold),

we do not believe that a part licensing/part liberalised regime would be a credible step forward. Evidence does not seem to support that such an approach would address the concerns with the current regime and it might not be in the interest of customers and more generally, Guernsey as a whole.

### 5.3 Implications for Guernsey

As outlined previously, we believe that two measures have to be in place in order to protect customers before moving to a fully liberalised – open skies – approach, namely:

- A competition law; and
- No significant obstacles to new entrants.

In relation to the latter, we understand that the condition of the airport (runway, aircraft parking etc.) could form a significant obstacle in attracting new entrants.

We do not believe that these two safeguards are currently in place in Guernsey. We are therefore of the view that at least at present a totally liberalised market would not be in the best interest of Guernsey. However, it would be desirable to review this situation in, say, three years time, especially if by then a competition law is in place and the issues in relation to the airport have been addressed.

For this interim period we would recommend a licensing regime which fulfils the following criteria:

- Clear objectives;
- A transparent process (such as clearly set out criteria to be used in granting/refusing licences);
- The publication of all licences granted including conditions attached
- A process for monitoring and enforcement;
- Process for appeals.

#### **(i) Objective of an air route licensing regime**

As we have identified in this report there are a number of significant and potentially costly disadvantages of air route licensing especially if it was to impede a competitive market. We therefore believe that the objective of the licensing regime should be to as closely as possible mimic a liberalised approach whilst addressing our key concerns with a fully liberalised approach.

#### **(ii) Clear and transparent process**

If a high level approach to licensing is adopted, we would expect the automatic granting of a licence to any airline which fulfils the UK CAA safety and financial requirements for any route in and out of Guernsey. Therefore a standard, generic licence should be prepared which is issued upon receipt of an application. The licence should contain only conditions relating to safety issues and addressing

the concerns noted on anti-competitive behaviour. We would however recognise that Alderney might restrict routes in and out of Alderney in accordance with its own regime.

Such an approach should be clear and transparent to all current and future stakeholders. It should also enable licences to be granted very quickly to enable airlines to quickly respond to commercial opportunities and challenges. Such an approach would not require hearings, consultations, etc. We therefore believe that such a regime can be administered at relatively low cost. All licences granted should be published on the C&E website.

### **(iii) Monitoring and enforcement**

We are proposing a licensing regime with essentially two clauses dealing with 'unfair' competition and 'abuse of dominance' as its backbone. These two conditions would be based on the current legislation. We believe that this would require a new policy statement with these two issues at its heart. In order to enable monitoring and enforcement it would be important that the licence includes conditions in relation to the provision of information.

In our meetings with stakeholders it has been commented on that it might be difficult to distinguish between 'normal' competitive behaviour and behaviour that is predatory. Predatory behaviour arises where a competitor abuses a dominant position or advantage. It has been argued that it would be difficult to determine whether a price offered is reasonably related to costs or offered at a conscious loss with predatory intent and that it may be difficult to determine whether a price is newly offered or whether it is matching that of a competitor. However, clear rules have been established by the UK Office of Fair Trading and Competition Authorities, on how to conduct such investigations. This has resulted in clear finding of companies having engaged in unfair competition and/or abuse of dominance, which resulted in very material fines for these companies. We therefore do not agree that these types of investigations could not be conducted in Guernsey, although we do not under-estimate the complexity of such investigations.

While complaints may be made to the C&E Department, we recognise that it may need to obtain external assistance in dealing with such complaints. The Department should also ensure it has the power to impose very material fines if a finding against a company has been made, the power to request information to aid its investigation and where initial evidence suggest a serious risk to competition or consumers interest have cease and desist powers.

We believe that the threat of an investigation, especially if the investigating body has the power to impose a significant fine, could be very powerful to deter airlines from engaging in unfair competition and/or abuse of dominance. This is currently how competition law works elsewhere in other markets.

In our view, other airlines and passengers are most likely to first notice if any licensed airline was to engage in unfair competition and/or abuse its dominant position. This would form the first line of monitoring of the licensees' behaviour.

### **(iv) Process for appeals**

Currently, the main concerns in relation to C&E administering the licensing regime are the fact that C&E is also in charge of route development and the issue of state ownership of Aurigny. However, if carrying out the licensing regime becomes a more 'rubber stamping' of any applications with no

discretion given to those who grant the licenses this should no longer be an issue. We therefore believe that it is not necessary to establish a separate body to issue licenses.

However, we do believe that there is a clear process to deal with any accusations of breach of licence. If any investigation needs to be undertaken we consider that the C&E department could commission either another body or a consultancy to undertake such an assessment on its behalf. We would then envisage that the C&E department would formally make the decision and that such a decision would be appealable to the Royal Court. This removes the need for imposing license fees which given the high costs in relative terms already faced by airlines operating in Guernsey might not be desirable.

#### **(iv) Revised Policy statement**

If our recommendation is followed it would require the current policy statement to be fundamentally reviewed to reflect the proposed objective and process. We believe that the policy statement should form the bridge between the law as currently in place and the licenses. It should include guidance based on best practice in relation to 'unfair competition' and 'abuse of dominance' and processes (possibly including timelines) in dealing with any accusations. It should also include a clear process for dealing with appeals.

## **5.4 Moving Forward**

In the event that the C&E Department decides to adopt the 'light touch' approach to licensing proposed above in section 5.3 we would envisage that all existing licenses would be revoked with new licenses to be issued directly afterwards to all existing licence holders.

We also strongly recommend that if adopted this approach and Guernsey's policy with regard to air route licensing be reviewed in three years time. This should enable the Department time to assess how the revised approach has worked, enable competition law to be put in place and allow time for work on the airport runway in particular to be addressed.

## 6. Related Issues

While the remit of this review has been a detailed look at air route licensing, four related issues have arisen which we believe merit review. These are:

### **(a) The C&E landing charge concession fund**

This fund supports the airlines by paying them £1.05 per passenger carried. In 2007 this amounted to a sum in the region of £800,000. However this funding is paid to all airlines, for all routes (except inter-island which already benefit from reduced airport charges). So even where a route is commercially viable and where there are competitors on the route, this 'support' is paid. We question the value of such support for a number of reasons. First, we are aware that in one case a carrier has indicated it does not require such 'support' but is paid it in any event by the Department. The airline in question passes the funding directly to a charity. Secondly, given the relativity of the funding to the overall cost of an airline ticket we are unconvinced that its materiality has any impact on passenger numbers. Therefore we question the value that is gained to the wider economy by the States from the use of funding in this particular manner.

### **(b) Route Development Support**

We have discussed earlier in this report the approach taken with regard to route development in other Islands. The success of the States so far in developing new routes is mixed. We believe the level of funding currently devoted to this effort is less than is needed. We recommend that the funding currently used for the landing concession fund be diverted to support a concerted effort at route development to airports that have clear strategic benefits for the Bailiwick. This may require a contraction in the number of possible new destinations but may result in a more highly valued single route being supported which, in wider economic terms, may be of more value to the Guernsey economy longer term.

### **(c) The Status of Guernsey Airport**

The variety of opinions on the manner in which Guernsey Airport should be run/is being run highlights a key issue in the overall aviation strategy of the Bailiwick. The fact that the airport is currently run as a stand-alone commercial enterprise differs with the approach in Jersey and IoM. While both Jersey and IoM endeavour to make a commercial return, this does not appear to be their overriding objective but more to support in the widest sense the economic well-being and prosperity of the Islands. Hence, in respect to route development and route support, greater flexibility appears to be shown at those airports. We recommend that a review be undertaken of how best to utilise the Airport so that it maximises its strategic value to the Bailiwick.

### **(d) Over-arching Aviation Strategy**

The three issues identified above also highlight the need for a coherent aviation strategy for the States which encompasses not just the airport (including landing charges) and route development but how this policy interlinks with the tourism strategy for the Islands. The number of tourists that can be accommodated greatly impacts the number of passengers the airlines would wish to carry to

the Islands. The need to assess these issues in a structured and analytical manner is required so that decisions can be made that are informed by concrete evidence. We would recommend the urgent development of such a policy.

## Appendix 1 Process followed for this review

In conducting this review, the OUR has spoken with a wide range of stakeholders, namely:

- Aurigny
- Blue Islands
- Flybe
- Atlantic Airlines
- Director of Guernsey Airport
- Director of Marketing and Tourism, Commerce & Employment Department
- Chief Executive of the States of Alderney
- Guernsey Finance
- Guernsey International Business Association (GIBA)
- Guernsey Chamber of Commerce
- Jersey Airport Director
- Jersey Tourism Director
- IOM Airport Director
- IOM Tourism Director
- Senior Business Development Manager of IOM
- Jersey Economic Development
- IOM based travel agency which also operates in Guernsey, Jersey and IOM
- ASM – a consultancy company specialising in route development for airports
- Commerce and Employment Department of the States of Guernsey.
- Civil Aviation Authority (UK)

Interviews were a combination of face-to-face interviews or telephone interviews. Given the particular importance of this study to the airlines follow-up meetings were held with Aurigny, Blue Islands and Flybe.

We were provided with a significant amount of information from the airlines and airport authorities to help our analysis. The submission of much of this information is governed by confidentiality agreements between the OUR and each party. The OUR agreed not to divulge any confidential information submitted to us without explicit written agreement of the party in question.

In conjunction to the meetings, various forms of data were collected for analysis and we have made extensive use of a range of publications of bodies such as the CAA and the European Commission with regards to aviation regulations and schemes that are in place in other jurisdictions such as the UK and the EU.

## Appendix 2 Isle of Man Airport press release (16 December 2008)

### SHARP DECREASE IN PASSENGERS - BUT AHEAD OF EXPECTATION - Airport Press Release<sup>21</sup>

The Isle of Man Airport suffered a sharp drop in passengers in November as the global economic crisis continued to hit air travel to and from the Island. However, the 12% decrease last month was not as severe as the Airport management team had feared.

Ann Reynolds, the Isle of Man Airport Director, whilst disappointed at the 8,000 passenger decrease (57,000 down from 65,000), received the news with some relief. "With the combination of the struggling UK economy, a tough winter and the repercussions of the EuroManx collapse in May, we knew that November would be a poor month compared with last year," she said. "We expected November passengers to be down to just 53,000, a huge 18% decrease, but the performance of many of the routes was significantly better than anticipated."

The Flybe Gatwick service, in particular, performed very well with over 2,200 more passengers using the route than in November 2007, an increase of over 20%. Luton also increased by over 900 passengers, a 57% increase, but the 4,500 passenger decrease on the London City route more than overshadowed the boosts to Gatwick and Luton. As a result, traffic to London was almost 1,400 passengers down. "These results underline the need to restore the London City frequency," added Ann. "We are therefore delighted that Aer Arann will be starting their 3 times daily service from 19 January 2009. I believe that this will make a substantial difference to our overall London traffic as the convenience of London City Airport will, in itself, generate many additional business and leisure trips."

The primary services to the North West also saw decreases. Manchester was down by almost 1,800 passengers and Liverpool by 1,600. The Manx2 service to Blackpool, however, increased by 350. Again, a much greater fall in traffic had been predicted and the 24,700 passengers that flew to the three North West Airports was over 3,000 better than expected. Routes to the South and South West England also experienced a fall, primarily because of the withdrawal of the Bristol route in January 2008 and the decision by Flybe to suspend the Southampton route over the winter period. The route to Gloucester, however, showed an 11% improvement and this is set to continue with the recent announcement of a further increase in frequency of the route.

The Director also explained why a greater reduction in traffic had been expected. "Apart from the tough economic climate, the reason that we knew that November - and much of the forthcoming winter period - would produce significant reductions over 2007, was that the fierce competition between Flybe and EuroManx last year resulted in unsustainably low fares attracting higher volumes of passengers," she said. "Flybe are still able to offer competitive fares on their Liverpool and Manchester routes, but we are comfortable now that the capacity and fares that they are offering are economically viable and sustainable."

Minister of Transport, David Anderson, MHK, emphasized that the downturn currently experienced with Isle of Man air travel is typical of what is happening throughout the aviation industry. "We are hearing news every day of airlines that are struggling and some that are not surviving," he said. "However, the airlines operating from the Isle of Man, and the routes they operate, are strong and the load factors being achieved are generally very satisfactory. We know that this will be a difficult period for our operators and we will continue to give them every possible support to help them to continue to provide and develop what is a very comprehensive air service network for the Island."

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<sup>21</sup> <http://www.iom-airport.com/news/viewnews.gov?page=/lib/news/airport/sharpdecreaseinp.xml>

## Appendix 3 Public Service Obligations

It is generally recognised that there may be wider economic and social benefits from air services and that in some circumstances these cannot be captured by the operators of the air services driven solely by the profit motive. Therefore, if these benefits are significant, then it may be reasonable for local or national government to seek to support the service. In these circumstances, PSOs are one tool available to public bodies to support such air services.

Regulation 1008/2008<sup>22</sup> which was published in the Official Journal of the European Union on 31 October 2008 (and hence is the latest legislation in relation to PSOs) includes a number of articles specifically dealing with Public Service Obligations, namely:

- Article 16: General principles for public service obligations
- Article 17: Public tender procedure for public service obligations
- Article 18: Examination of public service obligations

### Article 16 General principles for public service obligations

This article sets out the high level principles, including which conditions have to be fulfilled in order for a Member State being able to impose a PSO:

*“A Member State, following consultations with the other Member States concerned and after having informed the Commission, the airports concerned and air carriers operating on the route, may impose a public service obligation in respect of scheduled air services between an airport in the Community and an airport serving a peripheral or development region in its territory or on a thin route to any airport on its territory any such route being considered vital for the economic and social development of the region which the airport serves. That obligation shall be imposed only to the extent necessary to ensure on that route the minimum provision of scheduled air services satisfying fixed standards of continuity, regularity, pricing or minimum capacity, which air carriers would not assume if they were solely considering their commercial interest.*

*The fixed standards imposed on the route subject to that public service obligation shall be set in a transparent and non-discriminatory way.”*

This new regulation also sets out the general process which has to be followed by a Member State in order to be able to protect a specific route through a PSO.

It also states that in general a PSO could be granted for a period up to four years (article 16(9)), however, this period may be up to five years if the PSO is imposed on a route to an airport serving an outermost region, referred to in Article 299(2) of the Treaty.

### Article 17 Public tender procedure for public service obligations

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<sup>22</sup> <http://www.caa.co.uk/docs/213/Aviation%20Third%20Package%20Final%20Text%20OCT%202008.pdf>

Paragraphs 2-10 in this article sets out in detail the public tender process which has to be followed in order to be able to impose a PSO.

### **Article 18 Examination of public service obligations**

This article enables the Commission to request a Member State to provide within two months:

- A document justifying the need for the PSO and its compliance with the criteria mentioned in Article 16;
- An analysis of the economy of the region;
- An analysis of the proportionality between the envisaged obligations and the economic development objectives;
- An analysis of the existing air services, if any, and of the other modes of transport available which could be considered a substitute for the envisaged imposition.

This article also enables the Commission to make a decision on whether articles 16 and 17 (e.g. the imposition of the PSO) shall continue to apply in respect of the route concerned.

### **Disadvantages of using PSOs**

The imposition of PSOs can result in a number of costs to the communities involved, such as:

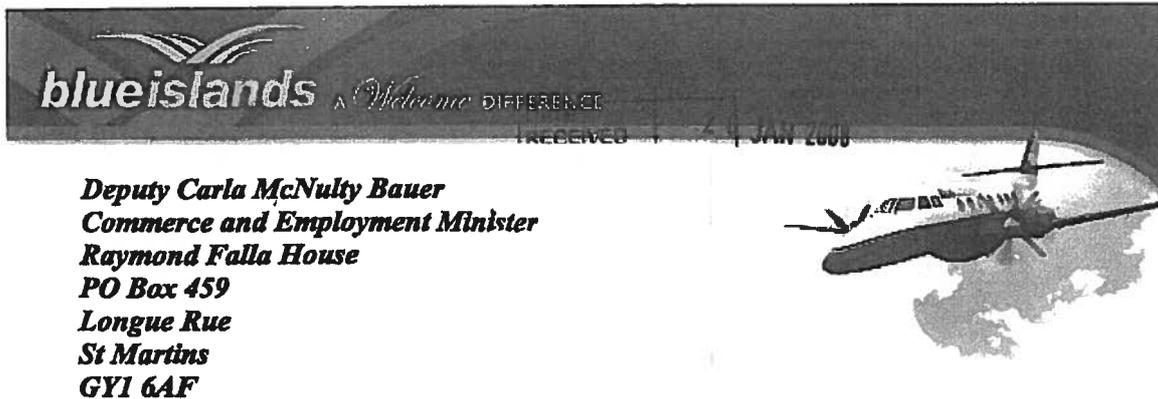
- Distorting the normal workings of the airline market;
- If a subsidy is paid to an airline to provide a specific service which is used by a specific group of users but paid for by the general tax payer then this is likely to result in the service being seen as a 'free good' – this might not result in the most efficient outcome;
- Preventing slots at congested airports from being put to alternate uses could impose a high and hidden cost on the airline industry and on the economy generally;
- The barrier to entry created by limiting access to the route to a single airline for a set period of time can also risk stunting innovation and the development of more efficient services, new products and lower fares - resulting in higher fares or an inferior product than otherwise might have been the case. It could reduce cost pressure on the airline operating the PSO service and so generate requirement for subsidy;
- Potential for airlines to "game" the system. At its simplest this might take the form of an operator of a profitable route threatening to downgrade the service in order to solicit a PSO and so obtain protection from competition and, potentially, a subsidy. A more complex game would be for airline A to withdraw from a competitive domestic route in order to solicit the imposition of slot ring-fencing through a PSO on airline B, thus leaving airline B more constrained in its use of slots on other routes. It will be difficult to design a scheme that prevents gaming of this sort, which again points to minimising the risk by limiting the numbers of PSOs.

The UK Government currently imposes PSOs on 25 routes in the Highland and Islands and on one route within Wales. In addition, the Scottish Executive launched an Air Discount Scheme in 2006

offering subsidised air fares to eligible residents of the Scottish Islands and the far north of the mainland, in lieu of earlier proposals to extend the Scottish PSO network. In 2005 the UK Government issued guidelines on when it would be prepared to use the PSO mechanism to protect regional air access to London. The guidelines noted that a PSO would be considered only when an airline's withdrawal or reduction of a currently operated service reduces the service below an adequate level, and that withdrawal of a service to one London airport would not be enough to trigger consideration of a PSO as long as there is an adequate overall service provided to the London airport system as a whole. No such PSO has been imposed so far.

With regards to the use of PSOs in other member states, the use of PSOs have been used to varying degrees, all of which have been published on the European Commission's Official Journal with updates of any recent changes in order to improve transparency. France has one of the highest number of PSOs in place with nearly 80, Italy has 31, Portugal with 27, whereas Finland and Germany have very few.

However, there have been several formal complaints by no-frill airlines to the European Commission with regards to the monopoly provisions of PSOs preventing them from operating services on a normal commercial basis. Thus in 2006 the Commission launched an inquiry into certain PSO conditions imposed by the Italian Government on routes between Sardinia and mainland Italy after an airline was directed to stop selling tickets because a PSO was being imposed. The Commission's decision in April 2007 accepted the principals of PSOs applying on these routes, but required the lifting of certain conditions attached to the PSOs, which found to be unduly restrictive or disproportionate. As a result, easyjet have since commenced services between Milan Malpensa and Cagliari/Olbia.



**Deputy Carla McNulty Bauer**  
**Commerce and Employment Minister**  
**Raymond Falla House**  
**PO Box 459**  
**Longue Rue**  
**St Martins**  
**GY1 6AF**

**19<sup>th</sup> January 2009**

**Dear Carla,**

Thank you for your letter addressed to Paul Sabin concerning the recent OUR report into Air Route Licensing which has been passed to me for comment.

I would first of all like to commend John Curran and his team for putting together the report in such a tight time frame.

We are pleased that the recommendation is to retain an air route licensing system however we are concerned that the implication is that this system will be a 'rubber stamping' exercise and for an 'interim period'.

We support the proposal that a licensing regime should be established which has:

- Clear objectives
- A transparent and fast process
- Publication of licenses
- A process of monitoring
- And a process of appeal

Whilst any licensing system will take more effort to establish and maintain to ensure that it is not abused, compared to a complete open skies policy, we are convinced that some controls are in the best interests of Guernsey.

The implication is that after an interim period the introduction of competition law will be sufficient restraint on uncompetitive behaviour to permit an open skies system.

We disagree. The nature of the industry with high capital costs and rapidly altered yield management systems will in practise make it very difficult and expensive for any general competition law to be successfully policed.

We are also concerned that there is the implication that airlines should be allowed to 'cherry pick' routes, not providing an everyday all year round service. Whilst we accept that an every day service should not be a requirement we believe that on key routes the requirement to provide an all year round service should remain.

We accept the theoretical principle of having 'lower fares during the summer and lower frequency in the winter when demand is lower', however we believe that allowing an unregulated or a rubber stamping system will result in a complete loss of service on some key routes in the winter which will not be in the interests of the business community or the travelling public.

In summary our main concern with the conclusions of the review, that ultimately after an interim period an open skies policy is in the best interests of Guernsey.

The regulatory and safety requirements of the aviation industry require an investment in infrastructure that requires maintaining a critical revenue mass to allow an operation to survive. This necessarily prejudices the smaller players.

Ultimately for a small market like Guernsey a totally open skies policy will lead to the emergence of a dominant operator, as has occurred in the Isle of Man. We remain convinced that the adoption of open skies (which created the boom and bust policies in the IOM) will result in fierce fare competition, resulting eventually in the smaller competitor being forced out the market. The dominant operator will thereafter increase fares until the next challenger emerges (if ever!). This virtually inevitable sequence will not be in the best long-term interests of an island the size of Guernsey.

In conclusion we support the recognition that a licensing system is required but do not agree that this should be either a rubber stamp or an interim position. The transport policy for the island remains key to the tourism and finance industries and to the travel needs of our islanders and is too important to allow it to be unregulated.

Yours sincerely



Derek Coates  
Chairman

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States Airport  
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26 January 2009

Deputy Carla McNulty Bauer  
Minister  
Commerce & Employment Department  
Raymond Falla House  
Longue Rue  
St Martins  
GUERNSEY  
GY1 6AF

Dear Deputy McNulty Bauer

We refer to your letter of 13 January 2009 and the draft OUR report, which I had received previously from John Curran.

Rather than comment now on what might be appropriate at some future time, we are focused on what we understand to be the O.U.R.'s key recommendation (on page 38), that:

*"for the next three years it would be best for Guernsey to have a licensing regime which fulfils the following criteria:*

- *Clear objectives;*
- *A transparent process (such as clearly set out criteria to be used for granting/refusing licences);*
- *The publication of all licences granted including conditions attached;*
- *A process for monitoring and enforcement;*
- *Process for appeals"*

While we agree with the above statement, we fundamentally disagree however with what it said regarding objectives and the process for granting/refusing licences, in particular we disagree:

*"the objective of the licensing regime should be to as closely as possible mimic a liberalised approach" – albeit that you then say "whilst addressing our key concerns with a fully liberalised approach"*

*"with the automatic granting of a licence to any airline which fulfils the UK CAA safety and financial; requirements for any route in and out of Guernsey"*

2.

We say this because we feel that the recommendations fail to adequately take into account, five undeniable facts – or, for the O.U.R., five “inconvenient truths” about the specifics of airline operations in Guernsey, which they either tend to understate or in some cases ignore, namely:

1. The prospect of any airline of substance starting significant operations in Guernsey in the next 3-5 years is remote given the Island’s short runway, small population, small potential markets, size and location as well as the situation and trends within the global economy and airline industry.
2. Regardless of the regulatory regime that is put in place, sustained competition is not viable on any route other than Guernsey-Gatwick.
3. Competition on routes other than Guernsey-Gatwick could easily undermine the longer-term viability of Aurigny and/or Blue Islands, or the longer-term interest/commitment of flyby – leading to increased dependence upon one or two carriers (which cannot be desirable, whatever some in the Isle of Man say in public).
4. Some form of regulation of profitability and/or fares on routes is highly desirable on all routes other than Guernsey-Gatwick otherwise visitors and Guernsey residents and businesses could easily be paying £5 million per annum or more on fares that are higher than would otherwise be the case.
5. A transport policy, licensing objectives and process guidelines could be drafted that would be in the long-term interests of both the traveller and airlines – but such a policy would not “mimic a liberalised approach” as you currently propose but instead would be crafted to take into account Guernsey’s unique circumstances (perhaps, in part, adopting an approach more akin to that found in PSO arrangements).

We are very confident of the truth of each of these five statements, which we restate in the attachment together with some of the implications of these truths. We would be willing to expand upon further on these thoughts, given adequate interest, time and resources to do so.

In particular we would be pleased to spend time working with you to model the economics of competition on routes other than Guernsey-Gatwick to help convince you of the low probability of sustained competition on such routes and the risks that such competition could easily lead to a speedy decline or retrenchment by any one or more of the existing three main operators.

We also believe the current situation on the Guernsey-Manchester route to be an excellent example of why Guernsey must not adopt a liberalised air transport regime. With flybe operating in only the peak Summer months, cherry-picking the high demand season, the economics of Aurigny’s year-round operations become severely negatively affected. In order to lessen the impact, we are forced to trim our Winter loss-making operation, with the outcome being the consumer suffering from lack of choice, and we are then unable to deliver the service the Bailiwick and its visitors deserve and we would like to provide. We say that this real outcome should be in the forefront of your Department’s thoughts as you contemplate the effect of adopting the regime envisaged by the OUR.

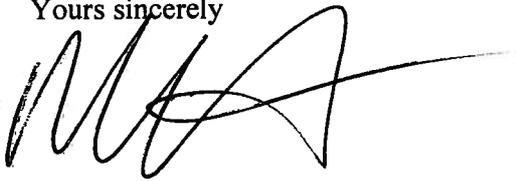
Given the importance of this issue and the almost certain costs and risks to the community associated with the course of action that is currently being proposed we hope our comments will cause the O.U.R. to undertake further work to:

3.

- Shape and define the most suitable form of licensing regime
- Demonstrate convincingly that the proposed regime is not only “theoretically logical” but also likely to be the most cost-beneficial for Guernsey consumers – through further analysis, routed in the realities of Guernsey’s situation.

As mentioned above, should you decide that the O.U.R. should undertake such work we would be pleased to assist you in those efforts. In the meantime, I look forward to hearing further from you as to how Aurigny can play a full part in the future development of policy with regard to Air Route licencing.

Yours sincerely

A handwritten signature in black ink, appearing to be 'MH', with a long horizontal stroke extending to the right.

**Malcolm Hart**  
Managing Director

**KEY POINTS OF O.U.R.'s "REVIEW OF AIR ROUTE LICENSING IN  
GUERNSEY" FROM AURIGNY'S PERSPECTIVE**

- 1) O.U.R. recommends retention of Licensing per se, but that it should have an "Open Skies" philosophy with automatic granting to CAA approved carriers. Aurigny fundamentally rejects this view as it allows, for example, the current ability of flybe to cherry pick their operations between Guernsey and Manchester.
- 2) O.U.R. believes the current system to be legally challengeable. Aurigny agrees but believes that Commerce and Employment's lack of management and enforcement of the current regime should not be used as a reason to abandon the March 2004 Policy, which is currently in place.
- 3) O.U.R. has the view that the lack of clarity and transparency of the current system is a concern, as is the issue of States ownership of Aurigny. Aurigny agrees and would prefer a regulatory regime that is, and is seen to be, independent of the States. We do not see such a body as being onerous to establish, either administratively or financially.
- 4) O.U.R. believes the requirement to fly daily, year round, denies airlines the ability to flex operations to demand. Aurigny believes this requirement to be fundamentally in the Bailiwick's and consumers' interests.
- 5) O.U.R. believes that air route licensing restricts scope for competition and is likely to give rise to:
  - i) Monopolistic behaviour
  - ii) Poor quality of service
  - iii) Less consumer choice
  - iv) Less innovation

Aurigny contends that the ability, under a liberalised regime, for airlines to pick and choose when to operate, is much more likely to lead to the unwelcome issues that are listed.

- 6) O.U.R.'s work leads them to believe that the current levels of competition are sustainable.

Aurigny believes that the only market large enough to support sustainability in the medium term is Guernsey-Gatwick.

**OUR Review of Air Route Licensing in Guernsey  
Five “Inconvenient Truths”**

<b>Inconvenient Truth</b>	<b>Implication</b>
1. The prospect of any airline of substance starting significant operations in Guernsey in the next 3-5 years is remote given the Island’s short runway, size and location and the situation and trends within the global economy and airline industry.	Any change in regulatory regime that is predicated on the assumption that a more open skies approach at the current time is likely to lead to new entrants is naive – in which case the risks of adopting a more open skies approach which will inevitably weaken the resources or commitment of one or more existing operators need to be assessed very carefully.
2. Regardless of the regulatory regime that is put in place, sustained competition is very unlikely on any route other than Guernsey-Gatwick.	Any change in regulatory regime that is predicated on the assumption of sustained competition on multiple routes other than Guernsey-Gatwick would be a negative step.
3. Competition on routes other than Guernsey-Gatwick could easily undermine the longer-term viability of Aurigny and/or Blue Islands, or the longer-term interest/commitment of flybe – leading to increased dependence upon one or two carriers (which cannot be desirable, whatever some in the Isle of Man say in public).	Great care should be given to ensuring that transitory competition on routes other than Guernsey-Gatwick is not encouraged that has negative “unintended consequences” far greater than any transitory benefit.
4. Some form of regulation of profitability and/or fares on routes is highly desirable on all routes other than Guernsey-Gatwick otherwise visitors and Guernsey residents and businesses could easily be paying £ 5 million per annum or more on fares that are higher than would otherwise be the case.	All options for regulatory regimes should be assessed in terms of various scenarios that might result on key routes in terms of fares and frequencies, over the longer-term (this may be complex and hypothetical but given the small number of routes and airline operators we believe it is practicable and well worth doing).
5. A transport policy, licensing objectives and process guidelines could be drafted that would be in the long-term interests of both the traveller and airlines – but such a policy would not “mimic a liberalised approach” as you currently propose but instead would be crafted to take into account Guernsey’s unique circumstances (perhaps, in part, adopting an approach more akin to that found in PSO arrangements).	An attempt should be made to draft a simple, clear and effective transport policy and licensing regime tailored to Guernsey’s circumstances which would be in the interests of consumers and airlines (something that, once again, may initially sound difficult but we believe to be quite achievable). It should be noted that we believe the Bailiwick’s current Policy Statement (of March 2004) to largely achieve this.



Carla McNulty Bauer  
 Minister for Commerce and Employment  
 Raymond Falla House  
 PO Box 459, Longue Rue  
 St. Martins'  
 Guernsey GY1 6AF

Monday 19<sup>th</sup> January 2009

Dear Ms McNulty Bauer

**Review of Air Route Licensing**

Thank you very much for sending us a copy of the Office of Utility Regulation report. We look forward to being able to respond in greater detail during the consultation process but, as requested, I trust the following brief comments will be appreciated by the Board at its meeting on January 27<sup>th</sup>.

Flybe broadly welcomes the sentiments contained in the report. We have, as you are aware, a long-standing and well publicised preference for open skies, not just in Guernsey but through the sector. Indeed, it is worth re-affirming our position, as outlined in our response to The Regulation and Development of Transport (Air and Sea) Links consultation, from February 2008:

*Flybe's starting point on matters relating to the regulation of air transport is that the consumer is best served by deregulation of the market - no licensing regimes, no state ownership of airlines and no artificial dampening down of the market.*

To that end, while Flybe would have preferred to see total overhaul of the licensing regime and the introduction of a fully liberalised regime, we are happy to publicly support what seems to be an assumed 'hands off' approach to licensing and an open skies policy in all but name. This support would however, be withdrawn should further alterations, amendments or additions be made that dilute this most-welcome change of policy.

We look forward to responding in more detail to the report and to build on our commitment to providing more and better air services to the island.

Yours sincerely

A handwritten signature in black ink, appearing to read "M Rutter".

Mike Rutter  
 Chief Commercial Officer

Flybe Limited trading as Flybe  
 Registered in England under  
 Company No. 2769768  
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 Jack Walker House,  
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**AIR TRANSPORT LICENSING (GUERNSEY) LAW, 1995**  
**Policy Statement**

This policy statement is Commerce and Employment's published policy in relation to the licensing of air transport services to and from Guernsey (as approved by the States of Deliberation). This policy statement replaces that set out on p. 405 *et seq* of Billet d'Etat III of 2004 (published on Wednesday 28 January 2004).

1. Air transport services between Guernsey and another point in the British Islands, where the aircraft is used for the carriage for reward of passengers or cargo (as defined in the Air Transport Licensing (Guernsey) Law, 1995), will be subject to a Guernsey air transport licence being granted. However, some aircraft or classes of aircraft may be exempt from the need to obtain such a licence (e.g. emergency flights, technical stops, and air taxis (the latter is defined in the Regulations made in 2001)). For absolute clarity, the British Islands (in this context) comprises the United Kingdom, the Isle of Man, and the Channel Islands.
2. Following proposed changes to The Air Transport Licensing (Guernsey) Law, 1995 the standards applied by the European Aviation Safety Agency (EASA) will be accepted for determining the fitness (safety) of individual airlines to operate commercial air transport services on flights to and from Guernsey. An applicant for a Guernsey air transport licence will be required to provide the Guernsey Licensing Authority with evidence that it holds an Air Operators Certificate (AOC) issued by a member of EASA. Pending any such changes, the current text of the Law requires the proposed flights to be authorised by a CAA licence or secretary of State permission.
3. The objective of the air transport licensing regime will be to allow leisure and business travellers to have access to an extensive network of air routes to and from Guernsey at competitive prices. To this end it will not restrict competition on any route or prevent the development of new routes and it will allow airlines the commercial freedom to determine how to serve any particular route. However the interests of travellers will be protected through licence conditions that will seek to prevent anti-competitive behaviour.
4. Subject to the requirements of the Air Transport Licensing (Guernsey) Law, 1995 a licence will be granted to any applicant that holds an AOC (specified in paragraph 2).
5. A standard form of licence will be granted for each route to an applicant and may include such conditions as the licensing authority considers appropriate to give effect to the policies set out in this statement, all licences granted will be published on the licensing authority's website, will be available for inspection at the licensing authority's offices and a copy will be provided to any party on request. The terms of the standard licence may be amended from time to time by the licensing authority, following consultation with interested parties.

6. The licensing authority may publish such guidance for applicants as it considers appropriate.
7. This Policy Statement shall come into effect on the date of approval by the States of Guernsey.

- (NB The Background paper on Air Routes dated April 2009, which is attached to this Report, is published separately.)**
- (NB The Policy Council, by a majority, supports the recommendations of the Commerce and Employment Department, which accord with Action 28 of the States' Strategic Economic Plan (Billet d'État XVIII of 2007).)**
- (NB The Treasury and Resources Department has no comment on the proposals.)**

The States are asked to decide:-

XI.- Whether, after consideration of the Report dated 30<sup>th</sup> April, 2009, of the Commerce and Employment Department, they are of the opinion:-

1. That the Air Transport Licensing (Guernsey) Law, 1995 shall remain in force for the purposes of licensing the carriage for reward of passengers or cargo on flights to which the Law applies.
2. That responsibility for licensing should be transferred to the Director General of Utility Regulation under the terms described in that Report.
3. To approve the revised Air Transport Licensing Policy Statement attached to that Report and submitted under Section 7.(1) (a) of the Air Transport Licensing (Guernsey) Law, 1995.
4. That amendments to the Air Transport Licensing (Guernsey) Law, 1995 to facilitate the implementation of the revised Policy Statement shall be made as described in that Report.
5. To approve the approach for administering the licensing regime pending the coming into force of the amendments to the Air Transport Licensing (Guernsey) Law, 1995 as described in that Report.
6. To note that the Commerce and Employment Department will review the impact of the proposed liberalised approach after three years of operation and will, if necessary, report back to the States with proposals for any changes to the approach.
7. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

## **STATES ASSEMBLY AND CONSTITUTION COMMITTEE**

### **RULES RELATING TO UNPLANNED OR UNFORESEEN CIRCUMSTANCES**

The Presiding Officer  
The States of Guernsey  
Royal Court House  
St. Peter Port

11<sup>th</sup> May 2009

Dear Sir

#### **EXECUTIVE SUMMARY**

The States Assembly and Constitution Committee reports to the States that it does not intend to propose any change to the Rules to address unplanned or unforeseen circumstances which require immediate action.

#### **REPORT**

1. On the 29<sup>th</sup> January 2009 the States of Deliberation debated a report of the Policy Council relating to the Security of Fuel Supplies and Purchase of Tankships<sup>1</sup>. The States resolved, inter alia –
  - “5. *To direct the States Assembly and Constitution Committee in consultation with the Policy Council and other Departments to review the rules governing the constitution and operation of States Departments and Committees (and their respective mandates) to address unplanned or unforeseen circumstances which require immediate action and to recommend changes as appropriate.*”.
2. All the departments of the States were invited to submit their views to the Committee. No reply was received from either the Environment Department or the Public Services Department. The remaining eight departments all concurred with the Committee’s provisional view which was not to propose any amendment to the current rules. The Policy Council advised the Committee that having reflected further on this matter in the context of Resolution 5, it had concluded that there is no case for seeking any legal or other powers or a major adjustment to the current mandate.

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<sup>1</sup> Billet d’État IV of 2009

3. Whilst it was not a requirement of the States resolution, the Committee also invited the committees of the States to comment. Replies were received from the Public Sector Remuneration Committee, the Scrutiny Committee and the Public Accounts Committee, the latter indicating that it would be pursuing its own enquiries with the Policy Council to ensure that a post-implementation review was carried out.
4. Having consulted the Policy Council and departments the Committee is satisfied that there is no foundation for changing the Rules to address unplanned or unforeseen circumstances which require immediate action.
5. The States Assembly and Constitution Committee therefore recommends the States to approve the contents of this Report.

Yours faithfully

Ivan Rihoy  
Chairman

The States are asked to decide:-

XII.- Whether, after consideration of the Report dated 11<sup>th</sup> May, 2009, of the States Assembly and Constitution Committee, they are of the opinion:-

To approve the contents of that Report.

***ORDINANCE LAID BEFORE THE STATES***

**THE CRIMINAL JUSTICE (PROCEEDS OF CRIME) (BAILIWICK OF GUERNSEY) (ENFORCEMENT OF OVERSEAS CONFISCATION ORDERS) (AMENDMENT) ORDINANCE, 2009**

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Enforcement of Overseas Confiscation Orders) (Amendment) Ordinance, 2009, made by the Legislation Select Committee on the 11<sup>th</sup> May, 2009, is laid before the States.

***STATUTORY INSTRUMENTS LAID BEFORE THE STATES***

**THE TRADE MARKS (FEES) REGULATIONS, 2009.**

In pursuance of section 101 (3) of the Trade Marks (Bailiwick of Guernsey) Ordinance 2006, as amended, the Trade Marks (Fees) Regulations, 2009, made by the Commerce and Employment Department on 21<sup>st</sup> April, 2009, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the fees and charges for the registration, renewal and other registration transactions for Trade Marks under The Trade Marks (Bailiwick of Guernsey) Ordinance, 2006. They also provide the Registrar with a power to waive or reduce fees after consultation with, and approval by, the Department.

**THE REGISTERED DESIGNS (DESIGNATED COUNTRIES AND DESIGNATED OFFICES) REGULATIONS 2009**

In pursuance of Section 35(3) of the Registered Designs (Bailiwick of Guernsey) Ordinance, 2005, the Registered Designs (Designated Countries and Designated Offices) Regulations, 2009, made by the Commerce and Employment Department on 21<sup>st</sup> April, 2009, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the Countries and Offices from which an overseas registered design may be registered in the Bailiwick under the Registered Designs (Bailiwick of Guernsey) Ordinance, 2005.

*APPENDIX I*

**POLICY COUNCIL**

OVERSEAS AID COMMISSION – ANNUAL REPORT 2008

The Policy Council has received the Overseas Aid Commission's 2008 Annual Report which is attached for publication as an appendix to the Billet d'État.

L S Trott  
Chief Minister

27 April 2009

**OVERSEAS AID COMMISSION  
ANNUAL REPORT 2008**

**In accordance with Resolution XVIII on Billet d'État III of 2004**

**Background**

The Overseas Aid Commission was established by the above States Resolution and begun its work in July 2004.

***Constitution***

The constitution of the Commission is:

- A Chairman who shall be a member of the Policy Council (appointed by the Council)
- Six ordinary members who need not be sitting members of the States (elected by the States)

The Members of the Commission elected in 2004 who served in 2008 were:

Deputy Peter Roffey, Chairman  
Mrs José Day, Vice-Chairman  
Mr Glyn Allen  
Mr Richard Cox  
Mr Mike Dene MBE  
Mr Ian MacRae

In May 2008 Deputy Carol Steere was appointed as the new Chairman in the place of Peter Roffey who did not seek re-election to the States and whose appointment as Chairman accordingly ended on 30 April 2008.

In July 2008 the States elected the following as ordinary members of the Commission:

Mrs José Day, Vice-Chairman  
Mr Glyn Allen  
Mr Mike Dene MBE  
Mr Ian MacRae  
Mr Steve Mauger  
Mr Tim Peet

Mr Steve Mauger and Mr Tim Peet replaced Richard Cox, who did not seek re-election to the Commission in order to study for a PhD, and Mr Paul Chambers who had resigned during November 2007, as advised in the Commission's 2007 Annual Report.

***Mandate***

The mandate of the Commission is:

- To distribute monies voted by the States for overseas aid making contributions by way of grants and emergency and disaster relief
- To develop programmes relating to the collection and distribution of funds involving the private and voluntary sectors

in accordance with policies set by the Policy Council, having regard to recommendations from the Commission.

The Commission intends to review the second element of its mandate and, if appropriate, will report to the Policy Council in due course.

***Annual Report***

The Commission is required to submit an annual report to the Policy Council. This report covers expenditure on grant aid which was incurred by the former Overseas Aid Commission which operated until July 2008.

<b>2008 Funding</b>
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The Commission was provided with States funding in 2008 as follows:

- £2,105,000 in respect of grant aid
- £ 200,000 in respect of emergency and disaster relief

In addition to this, and in accordance with the March 2004 States Resolution, £50,000 which remained unspent in respect of the 2007 allocation for emergency and disaster relief was also utilised for grant aid in 2008.

During the year the Commission received two refunds, amounting to £19,132 one in respect of a grant made earlier in the year and the other in respect of a grant made the previous year, both of which were unable to be completed. The refunded amount was reallocated to other projects.

Expenditure on grant aid in 2008 totalled £2,155, 156.

Expenditure on emergency and disaster relief in 2008 totalled £175,000. In accordance with the March 2004 States Resolution, the remaining £25,000 will be made available to the Commission for grant aid in 2009.

<b>Distribution of Funding 2008</b>
-----------------------------------------

**Africa***Agriculture/Fisheries* £176,004.00*Education* £334,572.00*Health* £593,735.00*Integrated Development* £277,646.00**Total Grant Aid Given to Africa****£1,381,957.00****Total Emergency Disaster Relief Given to Africa****£75,000.00****Indian Sub-Continent***Agriculture/Fisheries* £48,811.00*Education* £41,619.00*Health* £143,400.00*Integrated Development* £125,268.00**Total Grant Aid Given to Indian Sub-Continent****£359,098.00****Total Emergency Disaster Relief Given to Indian Sub-Continent****£25,000.00****Latin America & Caribbean***Agriculture/Fisheries* £36,072.00*Health* £8,484.00**Total Grant Aid Given to Latin America & Caribbean****£44,556.00****Total Emergency Disaster Relief Given to Latin America & Caribbean****£25,000.00****Other Asia & Pacific***Agriculture/Fisheries* £33,125.00*Education* £75,018.00*Health* £221,402.00*Integrated Development* £40,000.00**Total Grant Aid Given to Other Asia & Pacific****£369,545.00****Total Emergency Disaster Relief Given to Other Asia & Pacific****£50,000.00****Total Grant Aid Contribution to Overseas Aid****£2,155,156.00****Total Emergency Disaster Relief Contribution to Overseas Aid****£175,000.00****TOTAL****£2,330,156.00**

<b>OVERSEAS AID COMMISSION ANNUAL REPORT 2008</b>
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## **Agriculture/Fisheries**

### **BOLIVIA**

#### **Christian Aid**

#### **CIPCA Sustainable Agro-forestry Production for Indigenous Communities, Beni Province**

**£36,072**

This project aims to improve the livelihoods of 1,180 indigenous families (5,200 individuals) in Beni Province, through the introduction of environmentally sustainable agro-forestry practices and the traditional rearing of farm animals. It also aims to build the capacity of rural families to assume long-term responsibility for commercializing and marketing their products. Leadership and citizenship training leading to participation in local and national elections is also a goal of the project.

Project activities will include the following: (1) Expanding agro-forestry cultivation: agro-forestry techniques will be introduced and expanded so each family farms a total of 1.5 hectares by the end of the project. In total, 1,770 hectares of new pasture land will be sown, and families will receive seeds and training to help towards self-sufficiency; (2) Capacity Building activities such as high quality cocoa bean processing, bagging and dispatch, market awareness and analysis, commercialisation, quality control, training in agricultural product transformation and educational support will be provided; (3) Leadership Training will be given to 300 women and 300 men to empower them to understand, engage with and participate in local political processes; (4) Citizenship Training will be provided to an increased number of local people through indigenous and peasant organisations. Approximately 4,500 men and women will receive information about their citizenship rights and responsibilities. Funding is for agricultural inputs, commercialisation activities, land clearance, training workshops and technical assistance.

### **CHINA**

#### **Appropriate Technology Asia**

#### **Sustainable Food Security for Mountain Populations - Phase Two - Capu and Zhaba Townships, Qinghai Province**

**£33,125**

To introduce strategies and techniques that are designed to improve livelihoods of 9,094 people in Capu and Zhaba Township, Qinghai Province, and increase the capacity of

communities to self-manage their own development, thus reducing the sensitivity of populations living in low-productivity mountain areas to external climatic and resource-based constraints, through the creation of a demonstration and training resource base of a diverse range of sustainable agricultural techniques available to local people, to maximise overall productivity and minimise the risk of food and nutritional deficits.

The activities and outputs are as follows: (1) Establishment of small scale skills-development initiatives which will enable increased opportunities for employment and an increase in local, sustainable skills development benefiting 6 village groups – approximately 150 people - through training and support to 2,189 villagers through infrastructural support in terms of: 15 greenhouses, 10 poultry units and over 1,500 seeds and saplings; (2) Establishment of 4 demonstration plots for active demonstration of new sustainable agricultural techniques; (3) Provision of water management through irrigation and drinking water facilities for 2 villages to enable increased and diversified crop production as well as an increase in farm income and improved health and food security; (4) Provision of 15 mobile courses to train total 420 active farmers in sustainable agriculture technology to give them the skills to implement new techniques and demonstrate these to others; (5) Provision of training for trainers to 20 community representatives to enable them to design and implement training programmes and teach others (up to an additional 840 people) for long term replication of successful techniques and technologies; (6) Provision of literacy classes for 350 farmers (60% will be women) enabling them to achieve basic literacy skills leading to long term empowerment, increasing farm productivity and diversification and improved health and food security; (7) Planting of around 6,500 seeds and saplings as part of an environmental regeneration/carbon offsets scheme. Funding is for the infrastructure, training and support needed to undertake this project.

## **INDIA**

### **Appropriate Technology Asia**

#### **Rainwater Harvesting Techniques and Water-efficient Agricultural Production, Phendeling Tibetan Settlement, Mainpat, Chattisgarh**

**£24,920**

The project seeks to provide innovative farmer-led solutions to the health, food and water security issues to the 3,700 Tibetan refugees living in Mainpat Tibetan Settlement, Chattisgarh, through low cost, environmentally appropriate technologies involving the provision of water tanks and improved water collection, tree planting, training in crop production, livestock and agricultural production systems, etc.

The Tibetan settlement currently relies on agriculture as the main source of income however there is limited knowledge of agriculture production and efficient, environmentally appropriate utilisation of ground resources. This project aims to harvest and conserve water to extend the growing seasons during the dry early winter and early spring periods, through the construction of a minimum of 45 rainwater harvesting

systems and will allow an increase in the number of households able to run a biogas plant and other environmentally appropriate technologies for cooking and space heating, thus reducing fuel scarcity issues.

The methodology used for implementation ensures that the programme promotes self-help among the refugee populations through training and subsequent income generation opportunities. The activities are: (1) Provision of appropriate and minimum-cost construction technologies for reliable and durable water storage tanks, constructing at least 55 tanks; (2) Development of low-cost roof coverings and collection systems constructing at least 55 roof water catchments; (3) Development of low-cost guttering, filtering and piping systems; (4) Development of alternative surface catchments to maximise rainwater storage; (5) Development of low-cost surface and subsurface gravity-fed water distribution systems, including piping, emitters and other minimum-cost forms of precisely metering water delivery to growing plants; (6) Development of, and training in, crop-production strategies; (7) Training in precise usage schedules designed to maximise the benefit of the storage tanks while minimising overall size; (8) Training in livestock and agricultural production systems to ensure that the water is most efficiently used; (9) Planting of around 5,500 seeds and saplings as part of an environmental regeneration/carbon offsets scheme. Funding will provide the infrastructure, training and support needed to undertake this project.

## **INDIA**

### **Appropriate Technology Asia**

#### **Passive Solar Assisted Food Security Programme – Phase Two Extension/Expansion - Ladakh, Jammu and Kashmir**

**£23,891**

Further to the Commission's previous funding in 2005, the aim is designed to expand upon this and extend the project into new areas of Ladakh, in order to further improve the food security of the poor farmers of this region who need to produce crops in an extremely cold and dry environment, through the introduction of agricultural techniques that allow the growing season to be lengthened by a minimum of 2 months over and above the existing 4-month agricultural season and will benefit approximately 3,500 people and approximately 6,175 indirectly.

At present, many of them are unable to produce sufficient food and are therefore reliant on expensive imported foodstuffs and government handouts. This in turn will result in an improvement in health as diet and nutrition also improves. The 2005 grant saw dramatic increases in food security, moving the agricultural season from 4 months to 9 months each year. The activities are: (1) The construction of passive solar agricultural food production units. This will include: 25 highly efficient yet low cost greenhouses, 15 mushroom units and 20 solar heated poultry rearing units (for meat and eggs). All designs will make use of the abundant sunshine to collect and store heat. The greenhouses will allow plants to grow several months before open-field agriculture is

possible, while the poultry units will provide a secure and warm location for chickens to achieve their maximum growth and egg laying capacity. In all cases, the products of the solar units have a high value in the local market, allowing surplus to be sold at profit and will provide ATA with an opportunity to promote local self-reliance through these community agricultural resources; (2) The training of 310 people (men and women) in passive solar and new agricultural techniques; (3) The production of 4 manuals in design and construction, maintenance and management of passive solar buildings, mushroom cultivation and greenhouse agriculture cultivation which will be distributed to 3,480 people; (4) The planting of around 4,750 seeds and saplings as part of an environmental regeneration/carbon offsets scheme.

Throughout the programme, local perceptions of new techniques will be documented to provide information which can be utilised for broader, district-level implementation of similar techniques. Funding is for training and construction of the passive solar buildings as well as for the design and production of accompanying materials and manuals.

## **MALAWI**

### **Guernsey Adolescent Smokefree Project (GASP)**

#### **Ana A Topa: The Children are Tired - Helping Exploited Children in the Tobacco Fields Through the Promotion of Maize as an Alternative Crop to Tobacco, Malawi**

**£10,000**

The aim is to identify smallholder tobacco growers for a pilot project where they grow maize as an alternative to tobacco. Approximately 3,725,000 men, women and children grow tobacco in Malawi. Farm landlords and managers typically prohibit tobacco tenants from growing food for themselves on estates/farms contributing to enslavement as tenants become dependent on the landlords for food and inputs. Tenants are paid as little as one tenth of the auction price for their tobacco if they are paid at all. In addition to the reducing profits made on tobacco, tobacco is a labour intensive and dangerous crop. Children are often forced to work during harvest months and with no access to shoes (in many cases) and protective clothing (in all cases) children often suffer from Green Tobacco Sickness, insect bites, repetitive strain injury, dehydration and cuts from the sharp tobacco tools. Many farmers eat only once every three days. Farmers need to increase the maize crop and reduce the tobacco crop as tobacco earnings are decreasing. Maize makes higher profits and is their staple food.

The project aims to: (1) Identify 44 small holder families, a minimum of 176 people, in two years to grow maize instead of tobacco; (2) Empower the farmers and their families by making more profit and growing their staple food; (3) Sustain the project by using maize profits to supply more tobacco farmers with maize seed and fertiliser; (4) Involve the young people of Guernsey through education and awareness raising with the future possibility of them assisting with the project.

The Tobacco Tenants and Allied Workers Union of Malawi (TOTAWUM) will take responsibility for purchase and distribution of seed and fertiliser in addition to sustaining the project, monitoring production, sales and profits. Funding is for a contribution towards the provision of fertiliser, seed, transportation, the hours and resources needed by TOTAWUM and training farmers to grow eco-friendly maize.

## **SUDAN**

### **HelpAge International**

#### **Enhanced Food Security for Older People and Their Families, Juba County, Central Equatoria State**

**£39,957**

The aim is to improve nutrition and increase the food security of older vulnerable returnees, older people who are internally displaced, as well as host communities in the Districts of Kagwada and Bungu, in Juba County, Central Equatoria State through the provision of agricultural inputs.

This will be achieved through the following activities: (1) Distribution of seeds and tools to 1,000 older people. Each beneficiary will receive hoes, axes and garden forks as well as sorghum, groundnuts, cassava, sweet potato and some vegetable seeds. These will allow each person to be able to cultivate a total of three and a quarter acres of land; (2) 50 older-people headed households will receive three goats for restocking, one male and two females; (3) Training in improved agricultural practices and animal husbandry for the beneficiaries. Sudan has recently emerged from a 21-year civil war, which cost the lives of an estimated two million people and caused the displacement of more than four million. The long conflict has devastated the infrastructure and economy of the South. Food production was hampered by the fighting and traditional livelihoods were undermined as people were pushed away from their homes. Juba County has an estimated population of 700,000 and one of the highest concentrations of older people in Central Equatoria State (currently estimated at 6%). The majority of the population is small-scale subsistence farmers. However, extreme poverty, specifically a lack of finances and agricultural inputs, including seeds and tools, has meant that the majority of the population suffers from a lack of secure livelihoods. Currently, many parts of the population are dependent on humanitarian aid delivered by International Non-Governmental Organisations. With limited coping capacities and scarce resources older people in particular are at risk of malnutrition. In addition, they also have to bear the cost of caring for the grandchildren who have been orphaned by the war and HIV/AIDS.

**SUDAN****SOS SAHEL International (UK)****Empowering Beja Women through Training and Education, Khor Arba'at, Red Sea State****£26,240**

The aim of the project is to provide part of the final component of the wider Khor Arba'at Rehabilitation Programme (KARP) in respect of which grants have been made in 2000, 2001, 2005 and 2006, in particular to strengthen the capacity of local Arba'at organisations to carry out their own development, focussing in particular on providing the marginalised Beja women with the skills and confidence to manage their own activities, thus reducing their workload and enabling them to participate fully in rural development.

The earlier stages of this programme involved training and support to farmers to help them to increase their food security by making productive use of the delta in which they live. This final component, in strengthening the capacity of local Arba'at organisations to carry out their own development, will provide training, literacy education, home gardens, support Women's Development Centres, staff and running costs etc. The Commission funded an earlier stage of this work in 2005, however SOS Sahel was forced to put these activities on hold in 2006 when a major dam in the Upper Nile broke its barriers resulting in severe damage downstream in the delta (SOS Sahel had helped communities construct the now-damaged irrigation systems as part of KARP in the 1990s).

The Commission granted funds in 2007 for, inter alia, the rehabilitation of earth storage and diversion dams and now further funding is to continue working with Beja women to help them expand their Women's Development Centre activities to reach others. It is anticipated that there will be over 1,000 direct beneficiaries in the form of women receiving training and education, teachers receiving training and family members benefiting directly from home garden support. However, the indirect benefits are likely to reach more than 8,000 women and children (total population in Arba'at is approximately 13,000) in the form of increased income-generating opportunities, better health and nutrition, not to mention strengthened capacity for women's organisations to push on issues that directly affect women such as water collection and access to decision-making.

**UGANDA****ActionAid****Food Security for Internally Displaced Persons (IDPs), Teso and Langa Sub Regions****£32,518**

This project will provide 3,799 IDP households (18,997 people) in Katakwi District, Teso and Langa sub regions, with access to sustainable food security and livelihoods through the provision of seeds, tools, farming equipment and agricultural training. Katakwi District is situated in north-eastern Uganda, where repeated attacks from the Lord's Resistance Army and Karamojong warriors have forced 1.6 million people from their homes and into IDP camps for security.

It is estimated that 56% of IDPs in this area live on one meal per day. Over 50% of people in Katakwi's IDP camps rely on food aid and crop production is extremely limited due to security problems, lack of agricultural training and inadequate seeds and tools.

Beneficiaries will be trained to prepare and harvest land and multiply production of seed rice, cassava, citrus fruits, green vegetables, maize and groundnuts. Two seed stores will also be constructed which can each store 40 tonnes of food. This project will significantly reduce food insecurity in the project area and will enable farmers and their families to address their own needs through sustainable food production and preservation.

## **UGANDA**

### **Bees Abroad UK Ltd**

#### **Beekeeping for Income Generation in the Ruteete Settlement Scheme and Surrounding Villages, Kibaale District**

**£26,796**

The aim of the project is to introduce beekeeping as a source of income for people who have fled from violence in the Democratic Republic of Congo and are now living in the Ruteete Settlement Scheme and surrounding rural villages in Uganda, and will focus on the 250 most vulnerable households (an estimated 1,200 - 1,500 people).

Technical training will increase honey production and make locally constructed equipment available. A system of honey collection and retail sales will be developed enabling producers to gain access to the domestic honey market for the first time. Creating this marketing infrastructure will enable thousands more people in the district to set up a profitable beekeeping business. The difference between the wholesale and retail price of honey will allow the marketing scheme to become self financing in the medium term.

There are 3 expected outputs from this project: (1) 250 participants will be trained in technical beekeeping, value added production and business skills providing new income generating opportunities for 250 particularly vulnerable households; (2) 250 households will be supplied with starter equipment to maximise speed of entry into the new business activity; (3) A new marketing organisation will be created. Creating this market linkage will also benefit up to 4,500 local beekeepers who are not direct project beneficiaries.

Beekeeping is a traditional activity in Uganda. Honey is a high value primary product used for both food and medicine. Bees also produce a range of supplementary products, especially beeswax, that are ideal to enhance women's incomes. Honeybee pollination increases crop yields improving food security for the whole community. Honey production depends on nectar from flowering plants and trees and the scheme will educate participants about forest and watershed protection.

## **UGANDA**

### **Send a Cow**

#### **Gulu Women's Post-Conflict Dairy Project, Northern Region**

**£10,493**

The aim of the project is to alleviate poverty and malnutrition for women and their families who have suffered because of the civil war in Gulu District, Northern Region, through supporting community groups with integrated crop and livestock farming and social development which will result in food security, improved environment, household income, education for children and better relationships in the home and community.

The insurgency by the Lord's Resistance Army meant that families had to leave their homes to live in camps for internally displaced people. Their livestock were taken, their land damaged and homes burned. As a result, families are dependent on food aid and women lack the capacity to generate income and so cannot afford to send their children to school. Confined living conditions in the camps resulted in increased domestic abuse, youth delinquency and HIV/AIDS.

The project will therefore empower women to resettle on their land, providing them with dairy cows and training so that they can produce sufficient food, a nutritious diet and income for their families needs. Funding support will help rebuild family and community life and give hope for a better future.

## **UGANDA**

### **Trust for Africa's Orphans**

#### **Sustainable Farming for Food Security and Income for Poor Returnee Household Farmers, Orphans and Vulnerable Children, Gulu District**

**£30,000**

The aim of the project is to facilitate a sustainable model for food and income generation and environmental protection for the poor returnees who are now returning to their original homes/villages in Gulu District, northern Uganda, who have been affected by conflict for 20 years caused by the Lord's Resistance Army (LRA),

displaced from their villages and housed in Internally Displaced Persons' Camps as a result of the LRA activities.

Agricultural production is the main economic activity in the region. Sustainable (organic) farming methods make an enormous difference to poor subsistence farmers. Crop yields can increase four-fold or more. 500 beneficiary families each supporting 6 - 10 children, therefore between 3,000 - 5,000 people benefiting directly (and between 9,000 – 15,000 people benefiting indirectly), will be provided with improved seeds and seedlings – such as millet, sorghum, sweet potato, cassava, groundnuts, cowpeas, coffee, macadamia nuts (as well as cash crops). Such crops are suitable for the project area and are food security crops because they can be stored for a long time and have excellent market value.

Three fully-trained Government sustainable farming extension workers will work in collaboration with the Ministry of Agriculture, Animal Industries and Fisheries to train beneficiaries in all aspects of sustainable farming such as: Recycling of all organic matter (composting crop residues, animal manure, ash and kitchen waste; feeding bi-products of crops to livestock; growing green manures for incorporation); Soil development and protection (marking contours and growing perennial grasses or trees along the contours; intercropping and mulching; growing trees and perennial crops).

The problems to be addressed and the needs to be met centre around agriculture (the backbone of Uganda's economy) which provides food, income and employment. Scarcity of food is compounded by shortage of income in the area which has been generally overtaken by poverty caused by very limited livelihood sources. Most people have turned to natural resources and sell firewood, charcoal and thatch grass. These activities produce very little especially if the source is far from the town and/ or the location of the nearest main road where buyers are to be found.

## **Education**

### **AFGHANISTAN**

#### **Save the Children Fund (UK)**

#### **Quality Primary Education Project, Paghman, Nar-I-Shahi, Aqcha**

**£38,685**

The overall aim of this project is to get 2,250 out-of-school children in the Districts of Paghman, Nar-I-Shahi and Aqcha, back in to school by providing them with accelerated learning classes and certificates that allow them to register in formal school, in particular through providing classroom materials for one year for: 75 accelerated learning classes; teacher kits for 75 accelerated learning teachers; libraries for 15 formal schools; building repairs for 15 formal schools.

The children that this project targets are mainly from families that have been displaced

by the 25 years of conflict in Afghanistan and who are either returning to Afghanistan or are internally-displaced people, of which 50% are girls. During the Taliban time girls were prohibited from going to school, and even culturally in the rural areas the benefits of girls being educated are not understood. According to UNICEF, the adult literacy rate in Afghanistan is 28%. There is a link between improving education and breaking the cycle of conflict that is prevalent in this region.

This project aims to reach the most disadvantaged children, especially girls, returnees and children in rural areas, and provide them with an education and a chance for a better future. This is a highly successful project that has been in operation for 3 years and that SC UK is continuing. Funding is for the provision of some of the most basic materials this project provides to out-of-school children to facilitate their education. The project's target provinces - Kabul, Balkh and Jawzjan - contain high percentages of returnees, uneducated girls and working children.

## **BURMA**

### **World Vision UK**

#### **Early Childhood Care for Development (ECCD) Centres Support Project, Yangon Division**

**£36,333**

The aim is to improve basic Early Childhood Care for Development (ECCD) facilities for 800 children from 500 families living in and around the Shwe Pauk Kan, Tar Kay Ta, Mingaladon and South Okkalapa townships (peri-urban slum areas) of Yangon Division. This project will renovate five specially equipped ECCD centres and provide the schools with basic furniture and library facilities for a more conducive learning environment.

Currently most schools and ECCD centres are in an abject condition. This has resulted in a vicious cycle of children dropping out of schools, children without proper life skills and an education which then leads to lack of opportunity for them to gain productive employment in the future. This is especially so for girls.

Project activities include (1) Detailed situation analysis of the ECCD centres with Department of Social Welfare and community stakeholders to verify and finalise needs and project details; (2) Develop detailed renovation work plan with all stakeholders; (3) Mobilise community stakeholders to assist in ECCD centre renovation; (4) Procure materials, organise and oversee construction; (5) Supervise the fabrication of school furniture such as benches, tables and library facilities; (6) Conduct advocacy and sensitise the community on the importance of early childhood development, enrolment in the ECCD centres, regular attendance and to fully utilise the library.

The project will involve all stakeholders including the Department of Social Welfare, local communities, World Vision staff, and building experts. The Ministry of Social

Welfare and the local community will continue to support the day-to-day operations, ensuring teachers are supported and all teaching requirements are met.

## **ETHIOPIA**

### **Book Aid International**

#### **Building Futures for All: Books for Ethiopia 2008, Tigrai, Amhara and Oromia Districts**

**£13,580**

The aim is to provide public, community and school library services in Tigrai, Amhara and Oromia Districts with urgently needed books and information, and to ensure that books reach priority groups. Severe book shortages, lack of staff and inadequate training limit Book Aid's partners' ability to support literacy and learning, recognised as vital for poverty reduction and community health.

The project involves two main activities: (1) Supplying approximately 3,585 books, including vocational, agricultural and HIV/AIDS titles. Book Aid supplies books in response to its partners' requests. Most of the books supplied are donated through Book Aid's relationships with UK publishers. Vocational, agricultural and HIV/AIDS teacher training titles are urgently needed and, as Book Aid receives insufficient donations in these subject areas, it purchases essential titles; (2) Conducting a two day training workshop on targeting and distribution with its main partners: the Amhara Development Association, the Oromia Development Association, the Tigrai Development Association, the British Council and the Canadian Organisation for Development Education (CODE). This will focus on developing cost-effective ways to reach identified priority groups, providing essential staff development and a training manual. Funding is for the above activities.

The estimated value of the books Book Aid will be able to send is £33,932. It is estimated that each book sent is read at least 5 times, so the project will benefit 17,925 people, provide direct training for 12 library and information service staff and provide a training manual for use by all appropriate staff at partner organisations.

## **ETHIOPIA**

### **Voluntary Service Overseas (VSO)**

#### **Improving the Learning Environment of Schools, Five Regional States**

**£39,000**

The aim of this project is to increase access to and quality of education in primary schools (which covers ages 7 to 18) in ten districts in Amhara, Oromia, SNNP, Tigray and Benishangul Gumuz regional states through the provision of education resources

and sanitation facilities in 20 rural and 10 urban schools across ten districts in the above five states.

In Ethiopia, children, particularly girls, are often denied access to education. Traditional and cultural beliefs reinforce gender stereotypes that give preference to boys over girls in access to education, and girls do more of the household work. This either takes their time away from school or forces them to drop out of school. This drop-out rate is worsened by the poor environment of many schools in Ethiopia, including the limited investment in gender sensitive infrastructure, such as separate sanitation facilities for girls. Facilities that currently exist are not only unsanitary, but shared facilities are often venues for abuse and harassment. Many have no doors, and the hygiene concerns of women and girls during menstruation contribute to missed classes and prolonged absences from school.

VSO Ethiopia's experience has shown that the provision of financial assistance towards the construction of toilets and the provision of classroom resources greatly enhances the quality of education and the retention of girls in primary schools. In each of the 30 schools that will be supported, therefore, segregated sanitation facilities will be built for students and teachers, and education resources – such as stationery and textbooks – will be provided. This will benefit at least 25,000 students and more than 500 teachers in the 30 targeted schools. Funding is for the provision, at each school, of segregated toilets for students and teachers together education resources, such as stationery and textbooks.

## **INDIA**

### **Child in Need Institute (CINI) UK**

#### **Getting Child Labourers, Especially Those in Hazardous Industries, Into Full Time Education, Kolkata**

**£8,792**

The first aim of this project is to directly help 75 children on the eastern fringes of Kolkata, West Bengal, who have never attended school, or dropped out at a very early age, into full time education, and the second is to make parents, local community leaders, teachers from formal schools, and local employers aware of the importance of ensuring that all children are educated, and to encourage them to make the changes needed in order to enable deprived urban children to attend school.

Two education camps located in Tiljala and Khanaberia (located near a rubbish dump and near a tannery respectively) will provide support to out-of-school children, particularly girls, from the age group 9 – 14 over the 08/09 academic year. Children in these areas are involved in hazardous occupations including sorting litter and work with the noxious chemicals used to treat leather. This project will involve working closely with parents, children, local employers, community leaders, teachers and the wider community to make sure that all involved are fully aware of the benefits connected to

children going to school. The project's community-based teachers will spend a year providing the children with the intensive academic support and counselling they need in order to be equipped to attend mainstream schools. The provision of two nutritious meals a day will go a long way towards replacing the children's lost income.

At the end of the project the children will be admitted to local schools and affiliated to coaching centres which will give them the help they need to keep up with their peers and remain motivated about the benefits of getting a full-time education. This will have long-term benefits for the 75 children directly mainstreamed into full time education. In addition all the children in the local area will benefit from increased awareness in the community of the value of education for all. The children will also be involved in campaigns on health, cleanliness – activities which will have benefits throughout the local community. There are 800 children living in the project area which has a total population of 5,000. Funding is for the cost of project staff, educational facilities and trips, stakeholder participation and community awareness raising, and the provision to the children of two nutritious meals a day and access to healthcare

## **INDIA**

### **Save the Children Fund (UK)**

#### **Increasing Access to Basic Education in Nine Villages, Ananthapur District**

**£32,827**

To create improved educational opportunities for 2,000 children between the ages of 6-14, (i.e. benefiting 1,393 children currently in school as well as the 600 children currently out-of-school) in nine remote villages, in Ananthapur District, Andhra Pradesh, where there are currently 19 classrooms for a total of 1,393 students, through the construction of 9 additional classroom facilities and 18 school latrines (2 toilets per school, one for boys & one for girls) in the 9 government-run village schools.

Currently, on average, 70-80 school children are taught in one classroom where two classes may be taking place simultaneously and where additional activities (i.e. providing lunch, office work, guest visits to school) also take place. The majority of these schools do not have toilets, and where such facilities do exist, they are of extremely poor quality and hazardous to student's health. This lack of appropriate facilities discourages children from attending school especially girls who would rather not go to school than have to deal with the lack of privacy. The overcrowded and noisy classroom environment further means that corporal punishment is widespread as a means of controlling students. Unsurprisingly, the survey highlighted that 600 children from these villages are out of school. The construction of additional classrooms and school latrines will greatly increase access to better quality education; better enable teachers to monitor student performance; reduce the drop-out rate amongst children; and provide space for children to enjoy learning in a clean, safe, violence-free and child-friendly environment.

**KENYA****Good News! Trust****Antono Primary School, South Nyanza****£18,625**

The purpose of the project is to rebuild Antono Primary School, in Oyugis, South Nyanza, to provide 5 new classrooms, 2 blocks of latrines and 100 x 3-seater desks. The buildings will be built in brick and cement, with concrete floors, metal windows and a treated timber frame roof with galvanised sheets. This will provide bright and spacious low maintenance classrooms with a long life.

The School provides primary education for a poor rural community. The condition of the school's buildings is amongst the worst in the area and therefore has been identified by us as a priority need.

In Kenya the government will supply and pay for teachers but will not provide funds for school buildings, this is the responsibility of the local community. This poor community does not have the resources to raise the relatively large capital sum required to rebuild this school. Due to the high prevalence of HIV/AIDS many of the children at this School are orphans. The existing mud-built classrooms are small, overcrowded and dark. Some children sit on a damp mud floor as there are not enough desks for them. The current latrines are inadequate for the size of the school. Mr Jim Caulfield, a volunteer from Jersey, who has 15 years experience of projects in this area will project manage this project in the field, in partnership with the School committee.

**LIBERIA****Oxfam****Improving the Quality of Teaching and Learning in Primary Schools, Bong County, Monserrado and Marghibi Counties****£39,639**

This project aims to improve the quality of teaching and learning by establishing and equipping teacher resource centres and school libraries, and training teachers in Bong County (central Liberia) and Monserrado and Marghibi Counties (western Liberia), some of the poorest areas of Liberia.

Following two decades of war, key areas such as health and education have been severely affected. Liberian students have the worst educational performance in West Africa. Schools lack the most basic water and sanitation facilities or even electricity. The quality of teaching is poor, 62 per cent of all teachers are unqualified. A lack of reading and teaching resources means that pupils have to share one book with 27 other students, which has led to a low level of literacy.

The teacher resource centres and libraries will be situated in existing buildings in the school and will be renovated and equipped with furniture and shelving. Project activities will include; (1) Rehabilitating four existing buildings to house the library and teacher resource centres; (2) Providing four school libraries with 5,575 reading books, teachers' resources and reference books; (3) Upgrade 50 teachers' skills with a year long in-service training course. In total 3,300 school children and 50 teachers in four schools will directly benefit from this project. Funding is for; resource centres, libraries, books and teacher training.

## **LIBERIA**

### **PLAN International UK**

#### **Primary School Support Project Foya and Vahun Districts, Lofa County**

**£38,030**

The purpose of the project is to enhance the quality of basic primary education in Folima and Koindu Pornbor primary schools in Foya and Vahun Districts, Lofa County, in particular to construct and furnish a three classroom block (equipped with a head teacher's office, staff room, store, and reading room); construct a four-compartment latrine for each school; provide the schools with hand dug wells fitted with hand pumps; train members of the school management committees in proper school management and support; and train school health clubs in child-to-child health activities.

Fourteen years of war destroyed the education system in Liberia. Much of the infrastructure including, many school buildings, were destroyed and others were abandoned and have fallen into disrepair. Millions of dollars worth of school materials and equipment were looted and rendered useless, while teachers and other personnel were killed, exiled or forced by circumstances to join other fields of work. The rural communities in remote districts were most severely affected. The war is over and the Country is gradually recuperating but the challenges in education are immense.

The results of a recent assessment conducted in Lofa County by Plan Liberia indicate that over 80% of the schools in Foya and Vahun Districts are housed in makeshift huts. These schools lack safe drinking water, toilets, benches and chairs, adequate and appropriate instructional materials and trained and qualified teachers in sufficient numbers. As a result, these schools cannot provide quality education for children and are unable to accommodate all the children wishing to go to school - leaving over 75% of children in Lofa County out of school. The two target schools, Folima and Koindu Pornbor, are in this category.

**MALI****Oxfam****Improving the Learning Environment and Access to Water for School Children and Teachers, Gao Region****£37,699**

This project aims to improve access to clean water for school children and local villagers and improve the learning environment in the poorest, most remote schools in the Bourem District, Gao Region, to benefit 1,000 children and 1,600 local villagers, with many more benefiting in future years.

Due to the remoteness of the schools in the project area, it is difficult to retain teachers. Moreover, children travel great distances to attend lessons, and when they arrive the buildings are ill equipped and not conducive to learning. Water, when available isn't safe to drink and water borne diseases are rife. Working with local communities and school management committees Oxfam will improve conditions within four schools. Activities will include; (1) rehabilitating two water points in local schools; (2) training four water point committees how to manage and repair and maintain the water points (3) training 12 teachers to implement a hygiene promotion campaign to 1,600 villagers and 1,000 school children; (4) Providing materials and skilled labour for four communities/schools to build school canteens, classrooms or teacher lodgings; (5) Providing 363 desks for the refurbished classrooms and; (6) Training 60 members of the School Management Committees in school governance and management, lobbying and advocacy skills and gender awareness Funding is for water point rehabilitation, training, classroom rehabilitation, school furniture, hygiene promotion and lobbying.

**SIERRA LEONE****ActionAid****Reconstructing a Primary School for Displaced Children, Tonkolili District****£24,292**

This project will reconstruct a primary school Tonkolili District, which was destroyed during the conflict in Sierra Leone, where over 10,000 children are out of school in one of the poorest countries in the world.

Children that do attend have to walk for up to 6km each way to access the nearest schools and girls can be attacked in the process. Many schools do not have any sanitation facilities, and girls stay out of school because they are too embarrassed to share toilet areas with boys.

The school will provide a quality education to 350 children in the first year alone who were displaced during the conflict and have returned home to find their homes and schools destroyed. The school will consist of six classrooms and will be reconstructed using bricks and cement. At least ten teachers will be retrained and School Management Committees will be set up to ensure good management practices. A protected water well and a pit latrine will also be installed to ensure that the children have safe water and clean sanitation facilities.

## **SIERRA LEONE**

### **The Waterloo Schools Charity**

#### **Technical Training Department, Peninsula Secondary School, Waterloo**

**£30,098**

The overall aim is to rebuild and develop the Waterloo Primary School and Peninsula Secondary School in Waterloo, Peninsula Region, in particular as part of this programme, this project is to found a technical training department in the Secondary School to provide life-skills and future employment for both sexes – carpentry & joinery, bricklaying & masonry, mechanical engineering, tailoring, dressmaking & catering – which, initially devoted to teaching the 1,060 students of the Peninsula Secondary School, it is planned that the Department will also be accessible to the 1,080 students of the six Junior Secondary Schools (forms I-III) in the surrounding District and possibly to adults in Waterloo town. Therefore in excess of 2,000 students will receive technical training as part of their secondary schooling.

Waterloo town had its homes and schools trashed by rebels during the civil war which ended in 2002 and is now surrounded by refugee camps and very overcrowded. There is neither electricity nor adequate water. Parents, teachers & pupils have returned and are determined to restore their schools. The Primary School tries to admit any child whose parents send him/her along and the Peninsula Secondary School must provide technical as well as academic education.

## **SUDAN**

### **PLAN International UK**

#### **Improving Access to Education, Juba County**

**£39,033**

This project aims to improve access to education for children in Kunda community in Juba County, South Sudan through the provision of classrooms, latrines and hand pumps to provide clean drinking water.

The last two decades of civil conflict in South Sudan have contributed to high rates of poverty, population displacement and food insecurity. This project will undertake three

main activities to improve access to education for the pupils of Kunda West School in Central Equatoria. Firstly, six new classrooms will be constructed, furnished, and equipped with the required books and basic supplies. Secondly, the new school will also be provided with two blocks of six pit latrines and two hand water pumps to provide clean drinking water. This will ensure a good standard of health and hygiene amongst the pupils and staff and decrease the prevalence of waterborne diseases both at the school and in the wider community. Thirdly, Plan will train the school's existing Parent Teacher Association to ensure that all members are able to manage the school and its finances over the long term. As part of this initiative, Plan will also support the establishment of a children's club with 30 members (5 from each class) and a School Management Committee, composed of parents, a former Ministry of Education official, and pupils.

The region is characterised by weak infrastructure and very low service provision. According to a recent UNICEF study, nearly three quarters of primary school age children in South Sudan do not attend school. This is due in part to a severe shortage of school buildings and the poor state of those that do exist; only 10% of schools in South Sudan are permanent buildings made of bricks or concrete. Kuda community has a total population of 9,940 people, over half of whom are children. At Kunda West School, the community's only school, the 424 pupils (266 boys and 158 girls) aged 3-14 years old struggle to learn under mango trees taught by untrained, volunteer teachers with few resources. The children have no access to sanitary facilities or safe drinking water, contributing to high rates of diseases such as cholera and dysentery. Enrolment, retention and completion rates at the school are very low, particularly amongst girls, and the many children who do drop out are often exposed to the worst forms of child labour.

## **UGANDA**

### **AbleChildAfrica**

#### **Resource Rooms for Disabled Children, Jeeja and Kiryandongo Primary Schools, Masindi District**

**£15,326**

The aim is to assist AbleChildAfrica to work with its Ugandan partner, the Uganda Society for Disabled Children, to develop resource rooms at Jeeja and Kiryandongo Primary Schools in Masindi District to enable disabled children to learn more effectively in the Schools.

Disabled children currently struggle to benefit from the free primary school education which the Uganda Government provides because mainstream schools lack the resources and facilities to provide a genuinely inclusive and accessible education. To create these resource rooms, a room will be refurbished and made accessible at both Jeeja and Kiryandongo Primary Schools, to be utilised by at least 200 children in total (100 at each school). Once refurbished the rooms will be stocked with learning aids to assist with the education of disabled children within this mainstream school environment. In addition accessible toilet facilities will be constructed at each of the schools.

**UGANDA****One World Foundation Africa****Educational Support for Vulnerable Children, Kiboga District****£39,250**

Further to the Commission's grants in 2006 and 2007, the aim is to continue to alleviate the poverty of families and guardians of Orphans and Vulnerable Children (OVC), to reduce school drop outs, increase accessibility and improve the quality of primary education in the rural Kiboga District, through the construction of more valley dams, more classrooms, and providing more income-generating activities.

Six hundred new OVCs will be supported by the project. They live with their guardians and have lost one or both of their parents to AIDS. Building on funding from Guernsey for 2007/2008, in 2008/2009, the project will: (1) Continue to improve access to clean water. Valley dams with funding from Guernsey have been successfully built and have proved a very effective way of providing clean water to large groups of people, but these are not accessible to all the schools being supported. A further two valley dams will be constructed in the region. (2) The classrooms built with support from Guernsey have greatly improved the schools that OVC attend and have encouraged higher attendance. The need for improved classrooms is great and many children have to study under the trees in makeshift class rooms, therefore six more classrooms will be built and a further four repaired, benefiting more than 2,000 children. (3) A further 120 families will be supported with income-generating activities to enable them to support OVC's education and enable project sustainability. Livestock will be prioritised over seeds and tools, following feedback from One World Foundation's local partners on the multiplying effect of livestock breeding which ensures greater project sustainability.

**Health****AFGHANISTAN****ActionAid****Building Wells for Safe Water, Dand District****£36,268**

This project will provide clean drinking water to 940 families (6,580 individuals) by constructing 38 bore wells with hand pumps in the project area of Dand District, Kandahar Province.

In the project area the main income source of the communities is from agriculture. Some of the families are engaged as daily labourers in the brick factories of Kandahar

city. Few of them own their own businesses such as taxis, shops etc. The district lacks agricultural co-operatives, agricultural mechanisation equipment, water reservoirs and irrigation systems to support agricultural activities, as well as to provide clean drinking water.

This project will provide health education workshops to community members in personal hygiene, sanitation and disease prevention. There will be small group sessions for women in their homes and separate sessions for men in communal areas. Additional health materials such as posters and leaflets will be placed in local schools and mosques for wider usage. Water Committees will be established to ensure that the wells are managed and maintained for future sustainability. The project will also clean and repair 20 existing wells in the region. Improved access to water will also increase food production in the project area, which will reduce food insecurity and improve nutrition especially among women and children.

## **AFGHANISTAN**

### **Merlin**

#### **Building of New Warehouse for Medical and Pharmaceutical Supplies, Kunduz Province**

**£21,658**

The aim is to build a new storage facility for medicines and pharmaceutical supplies in Kunduz City, to support the Merlin and its partner organisation Care for Afghan Families (CAF) new Basic Package of Health Services project in Kunduz Province, in order to service 1 District Hospital, 12 comprehensive Health Centres, 26 Basic Health Clinics and 275 Health Posts covered by this project within the Province.

There is currently no suitable Ministry of Health (MoH) facility and Merlin has therefore inherited a warehouse from the Swedish Committee for Afghanistan. However, this is a sprawling, highly compartmentalised, residential property and deemed totally unsuitable for our requirements. Merlin's ability to provide good warehouse management and a reliable supply chain for drugs and pharmaceuticals is severely jeopardised by this sub-standard facility.

The building of a new warehouse will radically improve the levels of service available through Merlin / CAF to the MoH and population of Kunduz Province. The warehouse will be an open-plan building of approximately 200m<sup>2</sup>, built on land owned by the MoH at the Provincial Hospital. Merlin will have exclusive use of the facility during the lifetime of the project (currently funded to April 2009), after which it will be handed over to the MoH. Principal direct beneficiaries total approximately 366,520, made up of 166,600 children under 5 years and 199,929 women of child bearing age. However, the total beneficiary population will be 833,300, the whole population of Kunduz Province. Funding is for construction materials, labour and administration costs.

**BHUTAN****United Nations Children's Fund (UNICEF)****Water, Sanitation and Hygiene in Schools, Countrywide****£39,890**

This project aims to rehabilitate water and sanitation facilities in 10 existing and new community primary schools in disadvantaged parts of Bhutan, to directly benefit a total of 1,200 school children and, as the school water supply is the only source of clean water for the community in some cases, a further 800 people indirectly.

In Bhutan, 40% of primary and community schools currently have inadequate latrines and drinking water facilities. Those that do have facilities struggle to maintain them and so many water supply systems and latrines are in urgent need of repair. The Royal Government has set an ambitious goal of achieving universal primary education by 2015 and this step calls for an accelerated effort to make education more accessible and to improve the quality. As one of the main difficulties is the remoteness of villages and long distances to school, there is a commitment to construct community schools that are local to each village, and to ensure they offer an atmosphere conducive to learning by providing clean drinking water and decent separate sanitation facilities for boys and girls.

Children will be educated on good hygiene behaviours and be encouraged to pass on their knowledge to their families and communities. Health and hygiene education guidelines will be distributed to the schools and school health coordinators trained in how to use them. Wherever appropriate, SODIS (solar disinfection of water) technology will be introduced in schools. This is a process whereby the microbiological quality of water is improved using UV-A and temperature to inactivate the pathogens that cause diarrhoea.

**CAMBODIA****Cambodia Trust****Physical Rehabilitation for Disadvantaged Disabled People, Kompong Chhnang and Sihanoukville****£14,456**

The aim is to provide physical rehabilitation for disadvantaged disabled people including landmine survivors and people affected by polio, cerebral palsy, club foot and traffic accidents; increasing their mobility so they have a better chance of self-sufficiency. The project is run from The Cambodia Trust's rehabilitation centres in Kompong Chhnang and Sihanoukville, which serve the surrounding rural areas, where most people are subsistence farmers.

Cambodia has one of the largest disabled populations in the world, including an estimated 43,000 landmine survivors and 50,000 people affected by polio. Disabled people are the poorest of the poor, discriminated against at every level of society. Excluded from education and employment opportunities, they remain trapped in the cycle of poverty. Increased mobility is the first, vital step towards self-sufficiency and inclusion. A prosthetic limb can make the difference between employment and begging on the streets for survival.

The project activities are: providing prosthetic limbs, leg braces, wheelchairs, walking aids and physiotherapy at our rehabilitation centres in Kompong Chhnang and Sihanoukville. Around 2,500 disabled people will receive artificial limbs, braces and other physical rehabilitation services. A further 5,000 people (parents, husbands, wives and children of the direct beneficiaries) will benefit from the increased mobility and independence of their disabled family members. Cambodian society as a whole benefits from the inclusion of disabled people. Funding will support capital expenses (workshop and office equipment), the costs of making and fitting prosthetic limbs and braces: production costs (materials), client costs (support for beneficiaries such as walking aids), local travel (to survey rural villages) and operating costs. The project's co-funders include the UK Government (DFID), the Australian and New Zealand Governments, and the International Committee of the Red Cross.

## **CAMBODIA**

### **Cambodia Trust**

#### **Community-based Rehabilitation for Disadvantaged Disabled People: Access to Education and Skills Training, Kandal, Sihanoukville, Kampot, Kompong Chhnang and Phnom Penh**

**£15,476**

The aim is to provide practical support for disabled children to enable them to attend school; and to help disabled adults to gain the skills they need for employment or self-employment. The project is run from the Trust's three rehabilitation centres in Phnom Penh, Kompong Chhnang and Sihanoukville, which serve the surrounding rural areas, where most people are subsistence farmers.

Cambodia has one of the largest disabled populations in the world, including an estimated 43,000 landmine survivors and 50,000 people affected by polio. An estimated 98% of disabled children are unable to attend school due to extreme poverty, lack of transport, inaccessible classrooms and discrimination by teachers and family members. Disabled adults lack access to training and employment opportunities, and as a result are three times more likely than non-disabled people to be unemployed and live in real poverty.

The project's main activities are: (1) Access to physical rehabilitation: surveying rural areas to identify disabled people who would benefit from having prosthetic limbs,

braces, wheelchairs and walking aids and ensuring they get access to these services. Increased mobility is the vital first step towards independence, making the difference between exclusion and participation; (2) Access to school: providing uniforms, books and bicycles for children who cannot walk to school; building ramps and handrails to make classrooms accessible; advocacy amongst teachers and parents to ensure school places are made available to disabled children; (3) Supporting disabled adults into skills training, employment and self-employment: providing small business grants, support and training; advocacy amongst NGOs to ensure skills training is open to disabled adults.

The project will: support 320 disabled children into school; install ramps and handrails in 5 schools; provide 160 disabled adults with small business grants; provide access to skills training for around 140 adults; identify around 500 people who would benefit from physical rehabilitation. A further 3,000 people approximately (parents, husbands, wives and children of the direct beneficiaries) will benefit from the increased independence of their disabled family members. Funding is for 20% of the budget, co-funded by DFID (UK Government), the New Zealand Government and Adopt-A-Minefield.

## **CAMBODIA**

### **PLAN International UK**

#### **Schools Safe Drinking Water Supply and Sanitation Project, Dambae District**

**£35,083**

The purpose of the project is to improve the health of school children and their families in Dambae, one of the most under-developed regions of Cambodia, and increase school attendance rates, through the provision of rainwater collection tanks, latrines, sanitation and hygiene training, including to School Water and Sanitation Committees.

The state of children's health in Cambodia is among the worst in the world. The leading causes of mortality among infants and children are acute respiratory infection, diarrhoea, malaria and tuberculosis. School children have some knowledge about good hygiene, but they do not practice these behaviours and such behaviours are not promoted by teachers or School Management Committees. Additionally, lack of adequate sanitation facilities is often cited as a reason why girls don't attend school. The positive role of children as behaviour change agents within the family and community is well documented and therefore their exposure to good hygiene practices at school and to hygiene and sanitation training will have a significant impact on community health.

The following activities will take place during the project: 8 rainwater collection tanks will be constructed and equipped with treadle pump systems; 11 school latrine blocks will be constructed (each block has separate facilities for girls, boys and disabled children); 11 water systems will be constructed to support the new latrine systems; 370 ceramic water purifiers will be installed in 104 classrooms of 15 schools; 115 teachers, 5,910 students and 15 School Water and Sanitation Committees will receive sanitation

and hygiene training; 15 School Management Committees will be trained in effective school management and maintenance, basic water and sanitation hygiene education and how to monitor construction projects. After this training the committees will also be able to monitor hygiene behaviour change among students and staff and spread positive health messages in their communities.

## **CHINA**

### **Save the Children Fund (UK)**

#### **Improving Water and Sanitation in Rural Tibetan Communities, Damshung & Nyimo Districts, Tibet Autonomous Region of China**

**£38,666**

The overall aim is to improve the living conditions in six rural villages and six schools in the Tibetan Autonomous Region of China (TAR), benefiting a total of 800 community members and 3,700 school children respectively, in the impoverished rural Tibetan communities in Damshung & Nyimo Districts, through the installation of appropriate, low-cost water systems (i.e. gravity systems and hand-dug wells) and construction of school latrines.

This project will complement an existing project funded by DFID to promote health and hygiene education in TAR. These activities will ensure improved access to a safe water supply and adequate sanitation in schools and communities and will positively contribute to overall health in the communities. The direct beneficiaries will comprise largely of rural Tibetan children as well as adult subsistence peasant farmers with small herds of yak and sheep. Specifically, funding is for the installation of 1 gravity-piped scheme in 1 village, 16 hand-dug wells in 4 villages, and 6 hygienic latrines in 6 schools. Save the Children is carrying out an integrated programme of basic education, community-based health and child protection that aims to improve the lives of poor rural Tibetan children.

Many schools lack basic facilities: toilets, clean water and electricity. Merely 50 percent of villages have access to a safe drinking water supply and sanitation. This lack of access is a major cause of illness in rural Tibet. One of the most common communicable diseases among rural children is diarrhoea, easily contracted through contaminated water, poor personal hygiene practices and poor access to adequate water and sanitary facilities. These initiatives will help address these problems.

## **EAST TIMOR**

### **Target Tuberculosis**

#### **Vehicle to Support Rural Tuberculosis (TB) Outreach Programme, Liquica and Ermera Districts**

**£13,368**

The aim of the project is to help remote rural communities in 2 sub-districts of Liquica and Ermera Districts of East Timor (Timor-Leste) access TB diagnosis and treatment through the provision of a vehicle to Target Tuberculosis' local partner for their rural TB outreach programme.

Timor Leste finally became independent from Indonesia in 1999 after years of conflict, but the Country has been left crippled with the destruction of infrastructure, high levels of poverty, and a continuing fragile political situation. Such conditions have enabled TB, a highly opportunistic disease, to undermine the development of this vulnerable nation. The Country now has one of the highest incidences of TB in the world – an estimated 556 cases per 100,000 in the population.

Working in partnership with local communities and government health services the TB programme operates in 2 sub-districts, reaching a population of 140,000 from which they aim to detect 500 people with active TB every year. The project targets a mountainous region where communities are spread out over large areas which are often difficult to reach. The vehicle will support all aspects of the TB programme helping people to access TB diagnosis and treatment and reducing the spread of this preventable and treatable disease.

## **EAST TIMOR**

### **Target Tuberculosis**

#### **Training Health Staff and Volunteers for Rural TB Outreach Programme, Liquica and Ermera Districts**

**£6,494**

The aim of the project is to help remote rural communities in 2 sub-districts of Liquica and Ermera Districts of East Timor (Timor-Leste) access TB diagnosis and treatment through training 100 volunteers and village health post nurses in the two sub-districts. Timor Leste finally became independent from Indonesia in 1999 after years of conflict, but the country has been left crippled with the destruction of infrastructure, high levels of poverty, and a continuing fragile political situation. Such conditions have enabled TB, a highly opportunistic disease, to undermine the development of this vulnerable nation. The Country now has one of the highest incidences of TB in the world – an estimated 556 cases per 100,000 in the population.

This project will enable Target Tuberculosis' local partner in Timor-Leste to provide training to 100 volunteers on the symptoms, diagnosis, treatment and prevention of TB. The volunteers will then help detect and manage 500 TB patients in their local villages every year, ensuring correct adherence to the 8 months of treatment. Village health post nurses in the sub-districts will also be trained and mentored by the project staff, building their confidence and skills in managing TB patients. The project will be overseen by two health professionals: a TB resource nurse and a TB health promoter who will also

be responsible for developing and distributing health promotion materials to over 140,000 people in the two sub-districts.

## **EL SALVADOR**

### **One World Action**

#### **Cancer Prevention for Women Living in Extreme Poverty, San Nicolás Lempa**

**£8,484**

This project aims to reduce the very high incidence of cervical and breast cancer and genito-urinary infections of 2,144 women living in extreme poverty in El Salvador through education, prevention, detection and post-diagnostic support via a clinic run by Las Mélicas in San Nicolás Lempa, Municipality of Tecoluca, which will provide cervical and breast cancer screening services and gynaecological examinations for a minimum of 500 women from 12 communities.

Women who have abnormal screening results will be made aware of the importance of follow-up tests and treatment, and will be referred to a suitable hospital and receive the necessary post-diagnostic support and treatment. Some 2,144 women will be targeted in education and media campaigns on reproductive health care. Activities will include 10 workshops for a total of 600 women on prevention of cancer, genito-urinary infections and HIV/AIDS, self-examination techniques and reproductive rights, as well as local radio campaigns and the distribution of information leaflets. Those attending the workshops will replicate their training with other women living in their immediate neighbourhoods.

In the San Nicolás Lempa region much of the land is severely eroded which makes even the most basic of subsistence farming difficult, which is reflected in the very poor nutritional status of most of the inhabitants. Much of the housing and infrastructure is in a very bad state (there is virtually no sewerage systems in the area), partly due to the earthquakes of 2001 and frequent flooding, and only 60% of the population has running water. El Salvador is currently among the countries in Latin America with the highest cervical cancer incidence and mortality, partly due to many women's reluctance to attend clinics. This is why the role of the promoters in encouraging women to attend the clinics and then ensuring that those women who have abnormal screening test results understand the importance of follow-up tests and treatment is vital.

## **ETHIOPIA**

### **ORBIS Charitable Trust**

#### **Establishing Comprehensive Rural Eye Care, West Gurage**

**£39,940**

Further to the Commission's grant in 2007, the aim is to expand this project, making essential eye care accessible to the rural poor of the West Gurage zone of southwest Ethiopia, helping to eliminate avoidable blindness and alleviate poverty, and specifically for 2008, restoring/saving the sight of tens of thousands of people. This will be achieved by developing the skills and infrastructure of existing local health facilities; increasing access to water and sanitation; raising awareness and facilitating behavioural change to protect sight; and advocating for increased government funding for blindness prevention.

West Gurage has a population of 1.2 million: Over 172,000 people are blind, and as many as four times this number suffer from disabling visual impairment. No eye care services existed before ORBIS's involvement. The leading causes of blindness are trachoma, cataract and refractive error, all of which can be treated or prevented. ORBIS is implementing the WHO SAFE strategy to address blinding trachoma. This involves Surgery; Antibiotics to prevent infection; and Face washing and Environmental change to reduce the spread of infection.

To implement this strategy, ORBIS is conducting medical training, distributing antibiotics, educating the community and providing sanitary facilities. Community education is also key to addressing cataract and refractive error. In 2008, ORBIS will train 31 nurses in basic eye care and sight-saving trichiasis surgery; train 1,332 women's group leaders, teachers and community health representatives to increase awareness and promote behavioural change in their communities; support the provision of cataract surgery and examination for refractive error within existing health centres; and through strategic partnerships increase access to clean water and sanitation. As a result of these activities, in 2008 alone 49,000 people will be treated with antibiotics. An additional 7,000 people will have their sight restored through medical treatment or surgeries. At least 90,000 people will be informed or educated about protecting their sight by trained community leaders. Funding is for medical equipment, eye care training and antibiotic distribution, approximately 71% of project costs for 2008.

## **GAMBIA**

### **Guernsey Retired Ambulances to Africa**

#### **Provision of Transport to Develop a Reliable Ambulance Service for Bansang Hospital, Upper River Division**

**£5,000**

The aim of the project is for a group of six employees of The Guernsey Ambulance and Rescue Service to deliver overland, at their own expense, two 'retired' ambulances and other means of transport (with associated equipment), to the Bansang Hospital, Upper River Division, which currently serves over 600,000 people, both directly and through its various satellite clinics, to form the start of a sustainable Ambulance Service for the Hospital.

The Hospital provides free treatment to women, children and HIV/AIDS patients and is the main Government Referral Hospital for the region. It also receives patients from Guinea-Bissau, Mali and Senegal. As well as two ambulances, the team from the Guernsey Ambulance and Rescue Service will also take a second hand boat with outboard and trailer (to provide transport on the river, particularly to serve remote riverside locations), two second hand Honda C90 motorcycles and tools and spares. The team will take a supply of serviceable parts (oil, brake pads, filters, plugs etc) and their station engineer will spend three days teaching relevant Hospital staff basic automotive maintenance.

The provision of a reliable ambulance service will help to reduce the high mortality rate, particularly among mothers and children, in the Upper River Division, in one of the poorest countries in the world. The UK agency Child Advocacy International has a programme in place which is training a flying squad to aid traditional birth attendants. Such people will travel with the ambulances, providing mothers in villages with vital medical care.

## **GHANA**

### **Concern Universal**

#### **Water and Sanitation Project, Upper West Region**

**£29,577**

The aim of this project is to eradicate water-related and faeco-oral diseases in 10 villages in Upper West Region in the impoverished northern half of Ghana, reaching 10,000 beneficiaries, including 4,000 children, through the provision of clean water, sanitation and by improving hygiene practices.

The project's objectives and activities are: (1) Ensuring that 84% of the population has adequate access to clean, potable water, by drilling 25 tubewells, and promoting rainwater harvesting during the 4-month rainy season; (2) Providing sanitation facilities in schools, by building 20 toilets and 5 urinals, and additionally providing clean drinking water in 5 schools; (3) Improving community knowledge of good hygiene and sanitation practices, by holding four durbars (community celebration / events) in each of the 10 villages to promote health, sanitation and hygiene; (4) Empowering village groups to maintain water facilities and to continue to promote changed hygiene and sanitation behaviour after the project has ended, through establishing, training and supporting (a) five Health Committees in schools, and (b) ten Well Maintenance Committees.

The Upper West has a harsh, dry climate; 83.9% of the population live below the poverty line; and the area has the worst infant and under-five mortality rates in Ghana (105 and 208 deaths per 1,000 live births, respectively). UNICEF estimates that 40% of childhood diseases are faeco-oral or water-related (most commonly diarrhoea, dysentery, cholera, guinea worm and trachoma). A survey by Concern Universal's local

partner in 2006 found that not one out of 127 villages in the area met WHO minimum standards for access to water and sanitation. This project will contribute to two of the Millennium Development Goals: the reduction of the child mortality rate by two thirds; the halving of the proportion of people without safe drinking water.

## **GHANA**

### **Habitat for Humanity Great Britain (HFH)**

#### **Sustainable Potable Water for Rural Communities, Brong Ahafo Region**

**£22,060**

The aim of this project is to improve the health, living standards and long-term viability of the rural communities of Asiri, Buoyem, Akumasa and Kintampo, in the impoverished Brong Ahafo region of Ghana, by providing reliable, convenient access to clean water through the provision of one borehole for each community and appropriate training, to greatly improve the health and living standards of over 2,000 people.

Currently women and children spend up to five hours a day walking to fetch water, which is ultimately unsafe for drinking and can lead to exposure to guinea worm, bilharzia and other water-borne diseases. Even the daily trek to collect the water exposes them to insect and snakebites as they walk through the bush. Improved access to safe water will not only improve the health of the communities, it will also enhance school attendance, reduce women's workloads and free them to focus on improving their income and empowerment. Habitat for Humanity (HFH) Ghana will be partnering with two of Water Aid's partners, New Energy and Rural Aid, who have a long history of working in the region and who will use their significant experience and knowledge of how to best position the boreholes geographically and in relation to the community. HFH will also work with the Community Works and Sanitation Agency (CWSA) and District Assemblies. Although Water Aid and the CWSA are already involved in providing access to clean water in the Brong Ahafo region, neither agency has the funds to bring clean water to these four impoverished communities, over 80% of whom are subsistence farmers. Funding is principally for the drilling costs of the four boreholes, representing 87% of total project costs.

## **INDIA**

### **Arpana Charitable Trust (UK)**

#### **Upgrading of Diagnostic Facilities at Arpana Hospital, Haryana State**

**£40,371**

The aim of this project is to improve and upgrade the diagnostic facilities of Arpana Hospital, Haryana State, in order to meet the acute medical needs of the rural people in the 500 surrounding villages with a population of approximately 600,000, directly benefiting approximately 25,000 poor patients per year.

Arpana has an extensive outreach and referral health care programme, especially among the economically and socially deprived, who come to avail themselves of the medical facilities and treatment at Arpana Hospital. The villagers are extremely poor and disadvantaged and, for them, modern medical treatment for acute diseases is an absolute necessity because: (a) the Government Primary Health Centres have no modern facilities for treating life-threatening diseases; (b) the District Government Hospital is distantly located, and with overcrowded facilities and no outreach; (c) private hospital fees for treating critical cases are not affordable to these poor patients; and (d) outside of inadequate Government facilities, only Arpana Hospital offers free or heavily subsidized modern health care to the desperately poor rural population.

Of the approximate total number of 25,000 poor patients per year, the Endoscope and Sigmoidoscope will benefit about 4,500 patients with acute medical problems like acid peptic ulcers, gastric disorders, irritable bowel syndrome (IBS) and lower intestinal bleeding; the Blood Gas Analyzer with Electrolyte Analyser will provide critical information for about 500 cardiac and respiratory patients; the Cell Counter will enable the Hospital to increase the number of patients needing vital, routine laboratory tests, electronically conducting at least 20,000 cell counts (4-5 parameters) required in the Hospital which is, at present, an inefficient and time consuming manual procedure.

## **INDIA**

### **Disability and Development Partners**

#### **Setting Up and Equipping a Rehabilitation Centre: Land Costs, Andhra Pradesh State**

**£5,000**

The aim is to establish a Rehabilitation Centre for community-based rehabilitation services for people with mobility impairments in Prakasam District, Andhra Pradesh State, which will provide prostheses, braces and callipers, wheelchairs and tricycles, other aids and appliances as well as rehabilitation therapy as well as incorporating a workshop where these mobility aids will be made.

There are no such services available in or near the project area (the town of Bestavarapet in Prakasam District of Andhra Pradesh State), and so disabled people – almost exclusively poor – have to manage as best they can without them. The benefits of mobility are many: increased opportunities to earn a living and the dignity that this brings; children able to go to school and play; and disabled people more visible in their communities and seen to be contributing to community life, which helps to combat stigma and discrimination.

Disability and Development Partners expects approximately 500 direct beneficiaries in the first year of the Centre's existence and then recurring provision for at least 3,000 people. Funds for the building, machinery and equipment, technician training and a

supply of aids and appliances have already been raised or committed from the Jersey Overseas Aid Commission and CordAid. Funding is for the cost of the land.

## **INDIA**

### **International Childcare Trust**

#### **Silvarpatti Community Health Centre, Tamil Nadu State**

**£10,815**

The aim is to increase access to basic health services, awareness and participation in preventing illness for indigenous women and children in 37 rural isolated villages in the Silvarpatti area, Dindigul District, Tamil Nadu State, through improving the health provision afforded by the Silvarpatti Community Health Centre, a community-based sustainable health centre that currently offers medical care and support to 15,000 villagers, of whom 2,135 are girls between the ages of 13 to 19 years.

A recent Needs Assessment conducted by the Dindigul-based SEEDS Trust highlighted that: (1) women and adolescent girls in the community are suffering from a lack of health care, and health and nutrition awareness. The community is very traditional: women and young girls will only agree to see female doctors and practices such as forced early marriage and early pregnancy remain commonplace. Many women and adolescent girls unnecessarily suffer from a lack of pre-, anti-, and post-natal care (2) the Silvarpatti region, particularly the dry plains of Tamil Nadu, is suffering from a drought caused by the continued failure of the monsoon over the past few years. The existing bore wells are not supplying sufficient water to support the needs of the community health centre; (3) Village children often live in very cramped small houses with little room to play or complete their homework.

This project will: (i) ensure that a female doctor is available for consultation at the community health clinic and that additional outreach workers and Traditional Birthing Assistants provide basic health, hygiene, natal, nutrition and STD/HIV-AIDS education and care to parents and young adolescents; (ii) sink a 300-350ft bore well to cater for the increasing water needs of the community health clinic; (iii) establish a child-safe playground and area for after-school activities for the village children.

## **KENYA**

### **Advantage Africa**

#### **Creating Opportunities for Health, Siaya District**

**£24,570**

The aim of the project is to create new opportunities for health among 5,000 people in the Kenyan village of Obambo, Siaya District, one of the poorest districts in Kenya,

where HIV prevalence is as high as 30%, by: (1) Adding a small laboratory room to the Obambo village clinic with a microscope and reagents, so that diagnosis and treatment of a wider range of diseases can be carried out than is currently possible. A fridge will also be installed, after electricity is brought to Obambo later in 2007, so that vaccines can be safely stored and administered; (2) Constructing and equipping a small resource room where young people can access and discuss information on health and social issues such as HIV, drug abuse and relationships; (3) Training two village nurses to improve the skills and management with which they provide healthcare and carry out health education outreach in schools and churches; (4) Training two local people in voluntary counselling and testing so that diagnosis of HIV and subsequent care of people can be undertaken professionally within the community; (5) Enabling a clinical officer to provide weekly specialist health services that the two resident nurses are unable to provide; (6) Expanding an orphans' nutrition and health programme so that 70 orphaned children can receive a nutritious meal each day, and medical care as required; (7) Assisting a group for people living with AIDS so that they are able to access antiretroviral drugs (these drugs are available free at Siaya Hospital and funds are not requested to purchase them) and provide each other with the practical and emotional support they need to live positively and start small enterprises from which to earn an income and overcome poverty.

The existing clinic directly serves the population who will benefit from access to improved healthcare services as a result of the project. This project will strengthen the work that has already started in Obambo and transform the health of many more disadvantaged people by providing them with new knowledge, skills, facilities and opportunities.

## **KENYA**

### **Excellent Development**

#### **School Water Tanks, Makueni and Northern Machakos**

**£20,006**

The aim of the project is to provide clean water for drinking, cooking and hygiene for 5 schools in Makueni and Northern Machakos, through the installation of one water tank at each school, to benefit approximately 2,000 students per year, in order to reduce the high prevalence of diseases brought about by the current lack of safe drinking water and poor hygiene. In Kenya, 50% of the population lacks access to safe drinking water – 80% of whom live in rural areas.

Access to clean water such as that provided by Excellent Development's school water tanks project can help reduce child mortality by 65%. Together with the schools and communities Excellent Development will build the five water tanks which will have 18,500 litre capacity. The tanks will be filled twice a year with water collected during the rainy season. The water tanks have a life expectancy of at least 25 years which means that generations of students will continue to benefit from this project. The project outputs will be five water tanks, providing direct benefits to 50,000 students over the life of the tanks.

**KENYA****WASOT-UK INTERNATIONAL****Basic Health-care Facility for Fishermen and Beach Dwellers Along Misori Beach, Mbita, Rarieda and Bat Kopany, Lake Victoria****£16,350**

The aim of this project is to establish a basic health care facility along the impoverished beach on Lake Victoria in Misori. This beach is inhabited by fishermen and their families as well as fishmongers. The facility will serve the greater Mbita, Rarieda, and Bat Kopany divisions which are some of the poorest areas in Western Kenya. The regions is predominantly rural with no access roads, no health facility and majority are subsistence farmers and fishermen using crude fishing methods. This project has four main facets and expected outcomes: 1). Establishing a simple health care facility incorporating small consultation rooms, a small delivery room, a pharmacy and simple laboratory, treatment rooms and a mother and child centre. 2). Setting up an antenatal and post natal walk in centre at the beach complete with mother and child services such as vaccinations, immunisations, family planning etc. 3). A discreet sexual health drop in centre for HIV testing and counselling, sexually transmitted diseases, establishing a home based care project within the beach communities. 4). Education and capacity building for the women and fishermen along the beach to advocate and lobby for more government funding and improved infrastructure and health services for people living along the beach as a long term goal.

The project will be considered successful when over 4,500 fishing population within the region and 45,000 locals are accessing basic health care locally, when there are improved and safer births amongst women and reduced incidence and prevalence of HIV/AIDs and related illnesses. Misori beach is one of the epicentres of high HIV/AIDS prevalence (34%) with high maternal mortality rates (1in12), high child mortality (39%) and 96% have no clean water or sanitation. The fishermen suffer from water-borne diseases and high levels of depression, and mental health related illnesses as a result of secondary syphilis and adverse life events e.g. drowning, crocodile attacks, and snake bites. The project beneficiaries will include fishermen, widows, orphans, sex workers along the beach and 120 local indigenous village midwives and community health workers who will be trained in home-based care and safe-motherhood practices.

**KENYA****Wishing for a Well Appeal****Construction of Earth Catchment Dams: Matakere, Kyuso District and Manzola, Mivukoni District, Eastern Province****£16,000**

The aim is the construction of two earth catchment dams, one to serve the village of Mataker in Kyuso District and the other to serve the village of Manzola, in Mivukoni District, very arid and impoverished areas inhabited by the Akamba tribe in Eastern Province. Around 860 people from Mataker Village will benefit and 700 from Manzola Village. However, the overall number of beneficiaries will be far more than these 1,560 people as the dams will also be serving the surrounding areas.

## **KENYA AND SIERRA LEONE**

### **Marie Stopes International**

#### **Anaesthesia in Challenging Environments, Nairobi, Kenya and Freetown, Sierra Leone**

**£33,700**

The overall aim of this proposal is to ensure that pregnant women in Nairobi (Kenya) and Freetown (Sierra Leone) can access quality, affordable anaesthetic services during emergencies and complicated deliveries, through the provision of two machines, one for each location. Anaesthetic services, especially in parts of Africa, can be very difficult and expensive to access, and of questionable quality.

At present Marie Stopes International (MSI) offers high quality obstetric services from existing maternity units in Nairobi and Freetown. However, its partner in Sierra Leone, Marie Stopes Society Sierra Leone (MSSSL), does not have a functioning anaesthetic machine while in Kenya, its partner Marie Stopes Kenya (MSK) has a very out-of-date machine that urgently needs replacing. MSI has identified a specialist provider of anaesthetic machines that are specially designed for use in resource-poor settings and thus are ideal for use by MSSSL and MSK. The purchase of two machines will ensure that women visiting both units can access quality, affordable anaesthetic services. In addition, in Kenya the anaesthetic machine will be used to train other health providers from across Kenya and other parts of East Africa in administration of anaesthetic. This machine is called the Glostavent and is manufactured by an organisation called Diamedica. MSI expects at least 900 women to benefit from this project per year.

## **MADAGASCAR**

### **Water Aid**

#### **Improving the Health and Quality of Life of People Living in Poor Rural Communities of Antanifotsy, Vakinankaratra Region**

**£38,800**

The aim is to improve the health and quality of life of 2,513 people living in poverty in Antanifotsy District, Vakinankaratra Region, by improving water supply, sanitation

facilities and hygiene promotion in two villages: Mananetivohitra and Mahatsinjo Centre. The water supply will include the development of 14 tap stands, water quality testing and capacity building for community members. With regard to sanitation, the project will construct 250 family latrines and two school latrines. All project components will involve maximum use of local materials and a range of capacity building initiatives particularly with regard to advocacy.

The project will carry out a comprehensive programme of hygiene education activities to ensure that the people targeted understand the causal links between unsafe hygiene practices and disease, and the importance of practising safe hygiene behaviour, such as hand washing after using a latrine. The project will be implemented by CNEAGR, Water Aid's local implementing partner organisation in this region. This non-governmental organisation has well established relationships with local leaders and strong links with the community.

CNEAGR will undertake the technical assessment, mobilisation of community members, infrastructure and service implementation whilst providing day-to-day management and supervision of all project activities in the two villages. Community members will provide contributions in kind such as the digging of latrine pits and collecting and delivering local materials. Funding is for the provision of infrastructure and materials, hygiene promotion activities, education materials, project monitoring, evaluation and accounting, project office running, transportation, materials haulage and partner's project staff costs.

## **MALAWI**

### **The Salvation Army International Development (UK)**

#### **Water Project, Phalombe District**

**£9,858**

The aim is to improve the health and safety of over 840 households (approximately 4,200 people) in Mahoria and Nansolola villages and surrounding communities, Phalombe District, through the provision of a borehole and relevant training in each village.

For many years the villagers have been without nearby reliable clean and safe drinking water. It is the Salvation Army International Development's experience working in the two villages that clean and safe drinking water is one of their main concerns. Currently, the two villages often get their water from swamps and seasonal rivers. Hence, water-borne diseases including typhoid, bilharzia and amoebic dysentery cause acute and chronic health problems.

Women, the main water collectors in the villages, have to walk long distances to obtain clean and safe drinking water. Sometimes they return without any. "We have to wake around 5am to go to the collection centre. We spend an average of 2 hours both ways.

It is not safe early in the morning to walk by ourselves, sometimes we are attacked by men, and men on the way rape some women.” Carrying out this vital task means that women can then spend less time on childcare, cooking and generating income.

This project seeks to minimise the problems by establishing a borehole in each village to provide clean and safe drinking water within easy walking distance. In addition, the project will provide training on borehole management to eight women from each village to build the capacity of the beneficiaries and to ensure sustainability of the project. It is expected that a safe supply of clean water will attract users from the surrounding villages, increasing the number of potential beneficiaries to approximately 7,000. The investment in both the borehole technology and the management skills of the community that this project will provide will mean that the provision of clean, safe water should be sustained for the foreseeable future.

## **NEPAL**

### **IMPACT Foundation**

#### **Provision of Mobility Aids, Prostheses and Physiotherapy to Put People Back on Their Feet Again, Kathmandu**

**£15,038**

The aim is to provide prostheses, mobility aids and physiotherapy to help put people with physical disabilities in Kathmandu back on their feet again thereby promoting independence and offering the opportunity to earn a living or attend school. As a result, this affords a ‘hand up’ enabling them to lift themselves out of extreme poverty by their own efforts.

Disabled people are so often among the very poorest in developing countries; frequently considered a burden by their family with begging or charity the only way to support themselves. Orthopaedic care in Nepal ranges from traditional but untrained bone-setters to under-resourced government hospitals, leaving a chronic shortage of appropriate treatment for the majority of people.

There is no facility for gait analysis (an important part of providing the correct solution to orthopaedic problems) and a serious lack of trained manpower. Through this action, IMPACT Foundation’s local partner will manufacture, supply, fit and service mobility aids and prostheses, train paramedics and provide vitally needed support services to orthopaedic ‘outreach’ camps in rural parts of Nepal. This action will also provide employment to local people (many of whom will be disabled) as technicians to manufacture and fit the aids. It is anticipated that each year, 200 prostheses and 2,400 mobility aids would be provided and with the addition of physiotherapy 7,000 people would be served. Funding is for the provision of equipment and instruments, training technicians, raw materials, local operational and staffing costs.

**NEPAL****Karuna Trust****Improving Maternal, Infant Health and Young People's Sexual Health in Post-Civil War Nepal, Pharping and Kathmandu Districts****£32,819**

To provide health promotion and education in rural areas in Pharping and Kathmandu Districts, to decrease maternal and infant mortality; improve young people's sexual health; encourage support and understanding from the wider community about health issues facing mothers, infants and young people; and to advocate changes to the health system locally and nationally, including assisting the government to rewrite the national health education curriculum.

Following the end of the civil war, the project will work in rural areas that have hitherto been too dangerous to access. Conditions facing women and children in Nepal are amongst the worst in the world. The situation is particularly bad in rural areas because of extreme poverty and poor access to health facilities, and has been exacerbated by the civil war that has led to the destruction of health facilities, infrastructure and the flight of medical professionals. Maternal and infant mortality rates are very high. Malnutrition is widespread and there is very little use or knowledge about contraception. There are only 5 doctors for 100,000 people. Many health staff in rural areas do not come to work and have insufficient training. Health indicators and sexual violence have been getting worse since the start of the civil war, and HIV and other sexually transmitted infections are increasing rapidly.

Project activities include: (1) Mothers and infants: Provide mothers with group training about pregnancy and post natal care, set up a mentoring system, provide clean delivery kits and provide post-natal checks within 48 hours; (2) Young People: Set up peer-led groups and help them to develop media output in order to improve knowledge about sexual health knowledge and create behaviour change; (3) Health promotion training: Provide a full-time health promoter to train health staff and local volunteers, facilitate group discussion, and guide and motivate beneficiary behaviour change; (4) Impact on government policy, lobbying and advocacy: Working with local GPs, government officials and NGOs to improve health services; re-write the health education curriculum; and encourage communities to advocate for health promotion at local and central levels. The project will directly benefit 5,500 people, predominantly women, and teenagers, and over 100,000 people indirectly.

**PAPUA NEW GUINEA****United Nations Children's Fund (UNICEF)****Improving Water and Sanitation in Schools and Health Centres, Chimbu, Eastern and Western Provinces****£39,933**

This project aims to increase sustainable access to safe and affordable water supply, sanitation and hygiene in rural primary schools and health centres in impoverished, marginalised communities in the highland Provinces of Chimbu, Eastern and Western Highlands. Health standards of women and children will be improved and the burden of carrying water of lengthy distances eased. Schools and communities will also have their knowledge and skills enhanced on how to operate and maintain water and sanitation facilities and carry out hygiene education in their areas.

Activities will be to provide 8 hand-dug wells with hand pumps for 6 schools and 2 health centres, and establish 8 rainwater catchment systems for 6 schools and 2 health centres, and latrines for 6 schools and 2 health centres. Demonstration latrines will be built for 20 communities in one province in order to create demand for suitable toilets. This will then be replicated in the other two provinces once the results have been analysed so that lessons learned can be incorporated when it is rolled out.

With matched funding from the EU, over 10,500 people will benefit from 72 wells fitted with hand pumps and 72 rainwater catchment systems. Another 10,500 people will benefit from latrines installed in schools and health centres. In addition, 20 communities will have access to demonstration latrines to encourage them to set up the same in their homes. A total of 32,000 people will benefit from the overall project. Water and sanitation committees will also be established and members will benefit from training on hygiene promotion and basic maintenance of water and sanitation facilities. Funding is for one quarter of the overall project, to benefit around 8,000 people, enabling the balance to be funded by the EU who have committed to providing three times the amount raised.

## **SOMALIA**

### **ActionAid**

#### **Safe Drinking Water for Pastoralists, Salahley and Sabawanaag Districts**

**£39,179**

This project will provide safe water to 2,500 families (15,000 people) across eight villages in Salahley and Sabawanaag Districts, Somaliland, by constructing four underground reservoirs (berkheds) which can each store up to 380,000 litres (83,600 gallons) of water for domestic and livestock use. In addition, four hand-dug wells will be rehabilitated with protection walls to prevent contamination. The project will also benefit 12,500 heads of livestock who will be able to access the clean water.

Somalis face an endless search for water, driving their herds towards those few places where wells have not dried up. Only 29% of people in the project area are able to access safe, clean water. Somali pastoralists have to walk an average distance of 20km to fetch water for themselves and their livestock, which is their only source of livelihood. Communities are forced to drink sulphurous water, which is very difficult to consume and causes dehydration – especially in children, the elderly and sick people.

Lack of clean water causes poor sanitation and diseases such as diarrhoea, dysentery and other water-borne illnesses. Livestock in Somaliland often dies because of lack of water and people are forced to migrate to urban areas. Lack of water also creates wider problems as women and children spend up to six hours a day collecting water, there is regular conflict between clans and local teachers often abandon schools and move to better areas. The project will improve the general health of 15,000 people by providing permanent sources of clean water and will contribute to the overall development of the region as the wells and berkheds will be constructed close to schools and health centres.

## **SUDAN**

### **Merlin**

#### **Construction/Rehabilitation of Two Permanent Health Clinics, South Darfur**

**£39,683**

The aim is to rehabilitate two clinics in Yassin (Shearia locality) and Hilal (Adilla locality), both located in South Darfur, in order to provide a full primary health care package to the communities of both areas, thus improving their health and reducing their vulnerability. Of all supported clinics in the area, Yassin has the largest population and is the administrative centre for Shearia locality. It is accessible by UN helicopter and Merlin already has a small field office there.

The number of internally displaced people in Yassin has recently increased due to fighting in other areas and the existing clinic is overcrowded and unsuitable. UNICEF and the World Food Programme have recently identified Yassin as a site for implementing a supplementary feeding programme. The expansion and renovation of this existing clinic will be a key step towards the success of the feeding programme, as well as help meet the increasing demand on its services.

This work will benefit 20,835, both internally displaced and residents of Yassin. In Hilal, the rural clinic for rehabilitation is a disused MoH building which is in desperate need of work. Merlin currently runs a mobile clinic twice a week at Hilal, using a temporary structure made of grass mats, plastic sheeting and sand floors. It is very susceptible to wind and rain damage and needs constant repairs. It creates difficulties in maintaining a hygienic environment, particularly for deliveries and dressings, and damages drugs and equipment. In addition, it does not allow for refrigeration (for vaccines) or basic laboratory facilities and has limited drug storage capacity. A rehabilitated, concrete facility at Hilal will enable Merlin to provide services six days a week, serving a population of 14,428 people. The total population served by both facilities is 35,263. Funding for both is for materials, labour, transport, signage and administration costs.

**TANZANIA****African Medical and Research Foundation (AMREF)****Pambana na Malaria! Tackling Malaria in Mtwara District****£38,950**

This project aims to address malaria in Mtwara District, which has unacceptably high levels of maternal and child mortality, largely due to high levels of the disease, and which is one of the poorest districts in the Country, through empowering communities to take responsibility for preventing and controlling malaria and build their knowledge and skills to do so. Activities will target 53,000 women and 42,444 children under five, recognised to be the groups most vulnerable to ill health and malaria.

AMREF will promote methods to prevent malaria such as insecticide treated bed nets and treatment of the disease within the first critical 24 hours. Village health workers will be trained and equipped with kits to promote health messages within their communities. In more remote villages, they will carry drugs to treat children within their homes.

Malaria is the leading cause of mortality among adults and children in Tanzania, causing 125,000 deaths each year, 80,000 of which are among children. Despite its scale, malaria is preventable and curable, if caught early, with cost effective, proven interventions. AMREF adopts an integrated approach to health - the project will address malaria as an urgent priority in itself and as an entry point to strengthen the local health system to manage other health issues. This includes five preventable diseases that account for the majority of deaths of children (malaria, measles, pneumonia, malnutrition, diarrhoea).

This project has been awarded a grant from the European Union for 75% of the project costs on the condition that AMREF secures a matched contribution for the remainder. Overseas Aid Commission funding will thus have a leverage effect, enabling AMREF to secure this funding. As the wider project is working across 118 villages, Guernsey's funds will reach 30 villages, directly benefiting 13,025 women and 10,600 children under five. The leverage effect of Guernsey funding enables AMREF to work across all 118 villages in Mtwara, reaching a wider population of 212,200. Funding is for equipment and supplies, training and education costs and a contribution toward transport and local management of the grant.

**TANZANIA****IMPACT Foundation****Children's Orthopaedic Outreach Programme, Arusha and Manyara Districts****£27,780**

The aim is to run a mobile clinic to enable a rural orthopaedic outreach programme for children living in extreme poverty in Arusha and Manyara Districts, to travel into remote areas taking a team to conduct monthly screening work in order to locate children disabled by conditions such as club foot and to transport them for treatment including surgery and physiotherapy, not only preventing a lifetime of pain and limited mobility but also giving them the potential to improve their situation in life.

Rehabilitating such children removes the many disadvantages of living with a disability in the developing world and provides them with a much better start in life than they might otherwise have received. For example, making it possible to attend school or later to earn a living provides a route out of extreme poverty. Disabled people tend to be among the very poorest in many societies. It is anticipated that 200-300 children each year would have mobility-restoring surgery at the Selian Lutheran Hospital as a result of this outreach clinic and 1,000 children would be screened and provided with other assistance (e.g. physiotherapy). The aim is to establish accessible and full-time specialist orthopaedic care for the people of Arusha and Manyara. Funding is for the provision of a Toyota Landcruiser and equipment to become a mobile clinic, plus ancillary costs.

## **TANZANIA**

### **Sense International**

#### **Sustainable Services for Deafblind People, Dar-es-salaam, Morogoro and Moshi**

**£15,000**

The overall aim of the project is to address the acute lack of services for the deafblind in Dar-es-salaam, Morogoro and Moshi, by establishing sustainable community-based rehabilitation (CBR) programmes for deafblind children and adults in the area through training, information dissemination, networking, organisational development, community-based rehabilitation and capacity building.

Deafblind people are the most marginalised of disabled people. A person is deafblind when he or she has a severe degree of combined visual and hearing impairment. The total population of deafblind people in the Country is estimated at 14,000. A total of 76 deafblind people have so far been identified, of which 66 are children. There are thousands more yet to be identified and provided with appropriate services either at home or in schools.

The project will first sensitise Government social workers, NGOs in the disability sector, grassroots community-based organisations, and the relevant professionals about deafblindness. To this extent, Sense International East Africa (SIEA) has enlisted the partnership of two organisations that will cover most of the three regions: Comprehensive Community Based Rehabilitation of Tanzania (CCBRT) works in Dar es Salaam and Moshi, while Safina Women's Association will cover Morogoro Municipality. These institutions will be involved in the screening, assessment and

identification of up to 1,000 deafblind people in the 3 regions of Dar es Salaam, Moshi and Morogoro by 2010.

Through such partner organisations, SIEA will be able to establish new schools for those deafblind children who can benefit from such programmes; CBR programmes for those who can not go to school; CBR programmes for adult deafblind people; and will strengthen the families of deafblind people to self-advocate for government recognition, influencing policy at local and national levels, and increasing wider public awareness of deafblind peoples' human rights. In the long run, Sense International envisages a Country where all deafblind children and adults are active members of the society. Funding is for 60% of project costs, for the provision of training to 40 CBR workers and 23 Government social workers, information dissemination, networking costs, organisational development of the two partner organisations, advocacy and capacity building.

## **TOGO**

### **Sight Savers International**

#### **River Blindness Prevention through Community Directed Treatment with Ivermectin, Nationally**

**£29,500**

The overall aim of this project is to control onchocerciasis nationally in order that the disease ceases to be a public health problem and a brake on social and economic development, covering more than 2,750 communities/villages throughout the onchocerciasis-endemic zone and close to 2,100,000 people will be treated or affected positively.

Onchocerciasis (a.k.a. 'river blindness') is a parasitic infection, spread by flies that live in fast flowing rivers, which, over years of exposure, leads to irreversible blindness. The consequences of blindness for the individual and their family, and the wider community, can be devastating, with the onset of blindness (depending on the levels of infection, generally from the early 30s) occurring at the point at which individuals are at their most economically active and having to support families. To achieve effective treatment and prevention of the disease, minimum coverage rates have to be sustained.

The CDTI programme places great emphasis on the involvement of beneficiary communities because the goal of the programme is to break the cycle of infection. This requires the population to receive repeated treatments over a number of years, to break the life-cycle of the parasite, although the benefits for the individual are almost immediate (treatment stops any further optical damage, if it has begun, as well as the chronic itchiness and skin damage which precedes the blinding effects). Hence the programme operates through a 'community-directed' structure, whereby the community nominates a 'Community Directed Distributor' (CDD) who is responsible for the collection and distribution of the drugs from the local health post, and reporting to the

Ministry of Public Health personnel who supervise them. This will be achieved through the following major activities:

## **UGANDA**

### **The British Red Cross Society**

#### **Sanitation Project, Katakwai District**

**£39,817**

The aim is to improve the health status, health awareness, and reduce the incidence of water-borne diseases amongst displaced persons and returnee households in the Katakwai District of northern Uganda, through sanitation and health-awareness sessions and interventions to benefit at least 2,000 households, representing some 9,400 people, with community sanitation facilities.

The project will enable: (1) The construction of 200 latrines (2 stance block each for at least 10 households of 5-6 persons); (2) The distribution of 200 community Latrine digging kits (consisting of 1 hoe, 1 spade, 1 pick axe, 1- 10 litre metallic bucket with nylon rope); (3) The distribution of 200 latrine cleaning kits (consisting of 1 cleaning brush, 1 water bucket metallic, pair of hand gloves, and pair of gum boots); (4) The presenting of at least 180 hygiene awareness sessions; (5) The procurement and distribution of information, education and communication materials- posters and brochures; (6) The procurement and positioning of 1m by 1.2 m billboards in strategic location with key sanitation messages (at least 4 pieces).

The project objective is a discrete element of a wider objective, which is: Water and Sanitation – To improve the health status, health awareness, and reduced incidence of water-borne and vector transmitted diseases amongst at least 32,000 Displaced Persons and returnee households through combined water, sanitation and health awareness sessions and interventions. Finding for this project represents 19.3% of the total overall objective.

## **UGANDA**

### **World Vision UK**

#### **Rukiga Gravity Water Flow Scheme, Kabale District**

**£25,643**

This project aims to improve access to clean and safe water in the 12 villages of Kibanda Parish, Rukiga sub-county, Kabale District. The water source is already protected and successfully providing water through a gravity flow scheme to 1,089 households in the neighbouring parishes of Rwenyangye and Kigara. The purpose of this project is to extend this distribution through the construction of a tank and pipeline

along an estimated 8km distance with 18 tapping centres, which the 1,411 households (5797 people) of Kibanda Parish will be able to access, thereby contributing to a reduction in incidences of ill health and water diseases in the three parishes.

Project activities include: (1) Mobilise the community to provide the locally available materials (bricks, stones, sand and unskilled labour for trench digging); (2) Procure and transport the non-locally available materials, e.g. pipes, concrete and masonry, to be used by the project; (3) Construct reserve tanks, water tap stands at the collection centres; (4) Identifying and hiring skilled labour to do technical work; (5) Training community leaders and volunteers on maintaining the gravity flow scheme; (6) Mobilising and educating the community on the dangers of using unsafe water and living in unhygienic conditions; (7) Liasing with government water department and public health extension workers to educate the community and provide oversight to the programme.

## **UGANDA**

### **World Vision UK**

#### **Secure Water and Sanitation for Internally Displaced People, Pader District**

**£31,742**

The aim is to provide secure water and sanitation for Internally Displaced Persons (IDPs) in Pader District, targeting approximately 2,220 internally displaced and returning people affected by the 21-year long conflict, in four parishes of Lobo Rom and Lamin Cwida in Puranga sub-county and Lacek and Ayuuee Paicam parishes in Lira Palwo sub-county within Pader District, Northern Uganda.

Around 350,000 Internally Displaced People in Pader live in squalid and congested conditions in camps where they do not have access to safe water, sanitation or health facilities. District government figures show that none of the parishes in Pader district have reached the SPHERE standard of 15 litres per person per day. The district average is 7.2 litres. The chosen locations will be permanent parish centres to which people are returning. Improving basic facilities contributes to the ability of people to return to their original homes and ultimately to the peace process itself.

This project aims to: (1) Improve the provision of water through the construction of 4 boreholes and provide water and sanitation training to the water sanitation committees involved in maintaining these water supplies for all community members; (2) Support the construction of 200 pit latrines in 4 parishes; (3) Provide and reach school children in 4 parishes with teaching on sanitation. Activities will include: (a) Mobilisation of 4 target communities including school representatives; (b) Identification and hiring of reputable contractors, and installation of 4 hand pump boreholes in IDP camps or sites of 'returning' schools; (c) Provision of Maintenance/tool kits for boreholes to sub-county officials; (d) Train Water Sanitation Committee for each borehole that is installed; (e) Training of sanitation platform (sanplats) production teams; (f) Procure

materials and tools for pit latrine construction and support the making of latrine sanplats; (g) Procure and distribute tool kits for latrine construction to community; (h) Train selected teachers and pupils in hygiene and sanitation; (i) Procure and distribute information, education and communication materials. The funding represents 52% of total project costs.

## **ZAMBIA**

### **Sight Savers International**

#### **Providing Quality Eye Care Services, Lusaka Rural Province and Southern Province**

**£38,671**

The overall aim of the project is to provide high quality, affordable and accessible eye care services in Luangwa, Chongwe and Kafue Districts (Lusaka Rural Province), and Choma and Siavonga Districts (Southern Province), rural districts of Zambia, to benefit a population of approximately 570,000 rural people in two Provinces.

The key challenge is lack of basic eye care equipment and staff capacity in health centres. Services provided will range from basic treatment for conditions such as red eye and refractive error, to cataract surgery to restore lost sight.

The main activities will be: (1) Renovation of the operating room for eye surgeries and outpatient eye departments at the district level in five districts; (2) Provision of basic eye care equipment which will be used to carry out ophthalmic surgery, screening, diagnosis and treatment of common eye conditions and basic refraction; (3) Training eye care staff in the care of equipment and instruments. Most of the above equipment and instruments are made in developed countries and, even with normal and careful use, are subject to wear and tear. It is therefore important to take good care of them and employ preventive maintenance to keep them working at all times. The down time, if any, during which an instrument or equipment is not working should be reduced to a minimum; (4) Eye health education and promotion to the community to help build understanding and adoption of appropriate eye health behaviour. In addition, to ensure medical advice is sought where necessary.

## **ZAMBIA**

### **TB Alert**

#### **Ranchod Hospice Kabwe – Raising Awareness of TB in Kabwe and Surrounding Districts and Providing Easier Access to Testing for TB, Kabwe District**

**£11,909**

The aim is to decrease unnecessary deaths in the HIV positive community of Kabwe District by increasing the numbers of TB cases detected early through; increasing knowledge and awareness of TB and the significance of co-infection with HIV;

increasing numbers of people coming forward to be tested for TB; and improving access to TB testing in Kabwe town by providing testing services at Ranchod Hospice.

Hundreds of people in Kabwe District die unnecessarily due their belief that TB is not curable. Even though TB treatment is freely available to all, TB remains one of the main killers of people living with HIV/AIDS in Zambia. There is a lack of awareness about the disease and also many people are deterred by the lengthy diagnosis procedure (waiting for samples to be sent off and results to return) and disappear before being treated.

Activities are: (1) Purchasing a microscope and training for staff to provide TB diagnosis on site (6-week training course in TB detection offered by Evelyn College in Lusaka). (2) Production of TB awareness materials, developed in consultation with ex-TB patients and produced in local languages, and cartoon form for those who are not literate. (3) Outreach programmes to different rural communities each week. There will also be a door-to-door campaign in Kabwe town, persuading people to come for TB testing. This will be done by a group of cured TB patients associated with the hospice, called Chichetekelo or 'hope' – through their activities they will spread the word that TB is curable, they are living examples of the success of the treatment. (4) radio campaign to raise awareness.

Expected results: awareness materials and community outreaches address the challenges of living positively with HIV and will focus specifically on the need to be tested for TB – reaching 88,000 people and resulting in more self-referrals and earlier detection. Funding is for: a microscope and training in its use, awareness materials, outreach activities to rural areas and a local radio campaign.

## **Integrated Development**

### **AFGHANISTAN**

#### **Concern Worldwide**

#### **Flood Mitigation, Rustaq River Region**

**£40,000**

The project will work towards Concern Afghanistan's goal of alleviating poverty by reducing community vulnerability to flooding in the Rustaq River Region, Takhar Province through the construction of flood mitigation structures and raising community and relevant Government officials' awareness of, and participation in flood protection schemes and disaster mitigation in the project area. The project will build flood control gabion walls (approximately 18, totalling 450 metres long and 4 metres high) in 3 villages of Rustaq District.

These target villages are located alongside the Rustaq River. The project will directly benefit 475 families (2,250 people). An additional 1,530 families (7,252 people)

residing in the nearby villages will also benefit. This is due to the fact that over 1,000 hectares of agricultural (rain fed and irrigated) as well as homestead land and 475 homes will be protected from floods and landslides. The total direct and indirect beneficiaries is 9,502 people. Rustaq District, located in the north of Takhar Province, can be considered one of the most remote districts in Afghanistan due to its topography and geographical location.

The rationale for the project is that rural communities in the district are vulnerable to various natural hazards, particularly floods and drought. Community vulnerability is compounded by high levels of extreme poverty, lack of water catchments and flood mitigation infrastructure, dependence on rain-fed agriculture and absence of disaster preparedness and response interventions and structures. Flooding originates from high mountains that surround many of the rural villages in Rustaq District. Seasonal floods annually damages hundreds of hectares of agricultural land, livestock and homes. This annual cycle continually threatens livelihoods, food security and other stocks of capital of community members. Government departments in turn, lack the necessary resources and capacities to support communities to mitigate such natural hazards.

## **BANGLADESH**

### **CAFOD**

#### **Rural Development in the Context of Climate Change, Khulna Region**

**£39,734**

The aim is to improve the self-sufficiency, reduce the vulnerability and improve the health of people living in the rural south west coastal Khulna region who, for generations, have been largely dependent on the Sundarban Forest. In more recent times these livelihoods have come under severe threat due to the degeneration of the forest as a result of climate change impacts such as cyclones, increased salinity, river erosion, waterlogging and tidal surges. The population has also been affected by the overexploitation of forest resources.

The project will: (1) Improve the self-sufficiency of 650 individuals living in chronic poverty by making them less dependent on traditional sources of income, through awareness raising of climate change issues and training in alternative livelihoods. Examples include carpentry, boat repairing, mat making, fish processing, motorcycle repairing, saline water fish rearing, tailoring, grocery shops and pig rearing; (2) Reduce the vulnerability of 250 families to disasters, in particular flash floods and increased wind speed, through the provision of fortified houses; (3) Improve the health and water sanitation of 1,000 individuals through an improved drinking water programme. The project will also be supported by an advocacy component, aiming to influence policies of local and national government. Funding is for the provision of the construction of 250 flood and wind resistant houses, and improved water facilities and sanitation practice for 1,000 individuals, representing 40% of the second year of this six-year project.

**BURKINA FASO****International Service****Helping Disabled People to Help Themselves, Ouagadougou & Fada N’Gourma****£13,946**

The aim of this project is to improve incomes and access to services for an initial 200 people with a wide range of disabilities living in one of the poorest countries in the world, through two small grassroots Disabled Peoples Organisations (DPOs): Djigui Espoir operating in a shanty town in Ouagadougou, the capital, and nearby villages, and L’Association des Personnes Handicapées du Gourma (APHG) operating in Fada N’Gourma in the east of the Country and its nearby rural villages, providing start-up funds and training for income-generation.

These Organisations have helped International Service to identify a further 370+ disabled people who would like to be part of the project at a later stage. In all, it is expected that over 4,000 people will benefit directly and indirectly from the project. As disabled people have difficulty in competing with other poor but able people, they have identified a number of niche activities, including the production of fruit and vegetable concentrates which sell at a premium in local markets; small businesses such as hairdressing; making wedding rings; making school uniforms and wedding clothes, and market gardening. They have also requested training in sign language to enable deaf people to benefit from the project.

To ensure sustainability, International Service will be strengthening the volunteer Management Committees of the two DPOs and providing training for their volunteer staff in credit management as well as training the Trainers. It is International Services’ experience over 30 years in West Africa that, once disabled people become economically active, they are better regarded and their opinions listened to. Funding is for staff and members’ training at the two DPO’s in credit and savings as well as providing credit funds. As well as training the Trainers, International Service will be using its recently-produced illustrated deaf sign language dictionary of 1,500 basic words. In addition, funding from Irish Aid will pay for two development workers and to run training courses in disability rights, HIV/AIDS awareness, take-up of civic rights, and a media campaign to enable the members of both organisations to be part of International Services’ nation-wide Disability Programme.

**DEMOCRATIC REPUBLIC OF CONGO****Mines Advisory Group (MAG)****Humanitarian Mine Action/Small Arms Light Weapons Support, Katanga and Equateur Provinces****£35,759**

The aim is to enable the Mines Advisory Group (MAG) to enhance its medical capability, transportation capacity and overall ability to operate effectively in locations with limited or no power supply in Katanga and Equateur Provinces through the procurement of the following items: (1) Four Trauma Kits - additional medical supplies such as stretchers and materials contained in trauma bags including life saving and supporting pharmaceuticals; (2) Three motorbikes; (3) Two High Frequency (HF) radio units and two HF base stations; (4) Three diesel generators and an inverter, charger and set of batteries to supply power to a total of three locations, namely Mbandaka, Mbuji Mayi and Pweto.

MAG's DRC teams often work in extremely remote locations, therefore it is vital that they deploy with adequate equipment and supplies ensuring that they can work effectively, efficiently and safely, which this project will support. Increased medical supplies will allow MAG to conduct essential MEDEVAC/CASEVAC training more frequently. Furthermore, these supplies will allow MAG's trained medical emergency professionals to perform life support services over a longer period of time. This is vitally important in a country where evacuation to proper medical care can take up to 48 hours.

Additionally, the purchase of motorbikes will improve the mobility of the teams and help meet MAG commitment to reaching and supporting the most vulnerable populations, which can often only be reached on foot, or by bike. The four HF radios (two based in vehicles and two in base stations) will improve programme communications in areas where there is no other method of contact between locations. The provision of diesel generators plus batteries will solve the current problem of a lack of a regular power supply at its regional support office in Mbandaka, and its field bases in Pweto and the immediate area of operations and Mbuji Mayi. This will ensure that programme/field management can proceed uninterrupted on a daily basis, increasing the productivity and efficacy of all MAG projects.

## **DEMOCRATIC REPUBLIC OF CONGO**

### **SCIAF**

#### **Support to Women Rape Victims, South Kivu**

**£29,950**

This project will provide care and support in various ways, to around 3,000 women and girls in South Kivu who are victims of rape and sexual violence by members of the various rebel factions still operating in South Kivu and the Eastern Region, despite a formal end to the 5-year war in 2003 in which an estimated 3.8 million people have died, mainly from starvation and disease, and around a further 5.5 million more displaced – 2 million of those to neighbouring countries.

This project, run by SCIAF's local church-based partner Codilusi, aims to help women/girl rape victims to regain health, dignity and hope, and to reintegrate into their

families and communities, by providing such essential medical and obstetric attention, treatment for HIV and other infections contracted as a result of their ordeal, and counselling to assist their rehabilitation and reacceptance by their families/communities.

Around 500 of their children born of rape will receive food, clothing and medical care, and be assisted where possible to gain legal paternity from their mothers' family. The project will also provide micro-credit and training to help 500 women to start income generation for self reliance. Legal advice and support will enable some cases to be brought to court, which, together with advocacy with local leaders and military personnel, aims to secure some compensation, challenge stigma, tackle the climate of impunity, and so help reduce future incidence of rape and sexual abuse.

Codilusi has access to every community, including remote isolated locations, and enjoys a respected position in society and the trust of local people. The project will assist re-integration into family and community will enable the majority of women and girls to regain their former way of life. The small businesses developed with the help of micro-credit (selling fish and other goods, tailoring etc) will enable the women to regain self-sufficiency and ability to support themselves and their children. Funding is to enable continuation of the pilot project begun in 2004. The programme will be delivered by 4 Codilusi staff and 164 trained community volunteers, with specialist assistance from other NGOs for counselling and legal work.

## **DEMOCRATIC REPUBLIC OF CONGO**

### **Tearfund**

#### **School Construction and Public Health Education in Fizi Territory, South Kivu Province,**

**£39,967**

The purpose of the project is to positively contribute to the reduction of vulnerability of targeted communities in Baraka and Lusenda, Fizi Territory South Kivu Province, through: (1) Improving access to primary education by constructing and equipping two schools, one in each of the villages of Baraka and Lusenda and (2) Improving health and hygiene practices to benefit 4,572 members of the communities.

The construction and equipping of the two community schools are in an area where schools were destroyed during the war. UNICEF will provide books and materials for each school and each school will have latrines according to the number of potential pupils. Developed and trained PTAs will constitute the backbone for sustainability of the schools as the Ministry of Education has limited capacity to support education in the target area. The health component will involve increased awareness on the prevention of malaria, water borne diseases and HIV/AIDS among school children and communities in the targeted villages. The education programme in schools includes improving the knowledge of the pupils and the teachers themselves. The programme will make use of the training curriculum designed by the Ministry of Education together with the Tearfund developed modules.

The selection of the teachers to be trained will ensure that all grades are covered to ensure that the programme is implemented with a wide range of ages. Out-of-school clubs will be established with the objective of engaging out-of-school young people in HIV/AIDS awareness activities. The main focus for this activity is empowerment of young people through the information, education and the development of life skills which will equip them to thrive as healthy and engaged members of families, communities and society. With regards to malaria, Tearfund's focus will be on preventative measures to reduce the incidence of malaria in the target areas. Education will target all beneficiaries as well as school children, through child-to-child participatory teaching and learning through peer education in health clubs. These clubs will be set up with the assistance of teachers who will be trained on child-to-child teaching methodology.

## **GHANA**

### **Opportunity International UK**

#### **Micro Enterprise Development and Training for Poor Women, Northern Region**

**£20,000**

The aim is to improve the income-generating capacities and general welfare, especially in areas of health, of poor and marginalised women in Tamale in the impoverished Northern Region.

Poverty is pervasive in this region. Hunger, malnutrition and environmental degradation constitute serious problems for most people. Women are particularly marginalised in the areas of asset ownership, income generating opportunities, education, access to information and community participation. This weakened position of women leaves them vulnerable to continued poverty, discrimination and diseases, notably malaria and HIV/AIDS.

This project builds upon the success of a previous grant implemented by Opportunity International's partner organisation, Sinapi Aba Trust (SAT) and will enable SAT to continue to deepen its outreach in the poorer areas of the Northern Region. The project activities will involve providing micro credit to at least 200 poor and disadvantaged women entrepreneurs to create and sustain their businesses. The increase in household income as a result of the capitalisation of the business will indirectly benefit a total of 1,000 dependents. In addition, capacity building training will be provided to all project participants on a wide variety of issues, including business management, health and sanitation (e.g. malaria, HIV/AIDS), community participation and personal development.

The project outcomes will include: (1) The formation of 7 new Trust Banks; (2) Fourteen Trust Bank leaders/members will participate in four HIV/AIDS and Malaria Peer Education Training sessions. Funding is for the provision of micro loans, the cost of training and project management.

**INDIA****Interlock****Sustainable Income-generating Activities for a Group of Villages in Thiruporur Block, Tamil Nadu****£21,477**

The aim is to improve the living conditions of all beneficiaries and specifically the sanitation and education of the children of the communities in Thiruporur Block, Kancheepuram District, Tamil Nadu, by working with the communities to create sustainable, income-generating activities to empower them to be independent and thereby producing models of excellence for replication.

The projects indicated below have developed as a direct result of the relationship that Interlock/RDT has fostered in Thiruporur Block, through the Education Centres, which were set up in villages affected by the Tsunami. Poverty is endemic in many areas of India and Thiruporur Block is one such area, which is currently trapped in the poverty cycle. This cycle is a result of a variety of issues, but has been compounded by the lack of water in the area, which has virtually halted all agricultural based activities and the closure of the quarries, which has equally caused widespread unemployment and hardship. These families have not been able to find sufficient alternative work, though they have sought it. Interlock/RDT has consulted with the villagers on the desperate need for income generating activities.

This process has resulted in five projects, which with beneficiary involvement and the accompanying monitoring processes will create sustainable livelihoods for the beneficiaries and a more certain future for them and their children. Three of these projects are income-generating: the Hollow Block Making Unit (which will utilise quarry waste as one of the raw materials); the Multi Purpose Community Hall, with attached guest rooms for rent; and the deepening of 30 wells to regenerate the agricultural land. A further two projects are designed to improve the sanitation and education of the children: creating a source of drinking water; building lavatories and supplying the necessary provisions to enable them to attend school.

By assisting and empowering the beneficiaries to create and develop their own sustainable income-generating activities, the lives of 3,710 families (a total of 18,550 individuals) will be changed. They will also be creating models which can be replicated in other development Blocks and similarly empower their inhabitants to a sustainable future, developing rural areas.

**INDIA****Interlock****Residential Hostel and Education, Health Awareness and Vocational Training for Abandoned Children Victims of HIV/AIDS, Vadadhasol, Konkan, Maharashtra State****£40,000**

The aim is to provide a residential hostel for abandoned children/ surviving spouses and their children, affected by HIV/AIDS, who have been turned away from their homes and communities in Vadadhasol, Ratnagiri District, Konkan, Maharashtra State, where they will be provided with education, health awareness and vocational training in order to make their futures more secure.

Because they are from families with one or more HIV-positive members, many children are abandoned and turned away from home and community. Also, the complexities of HIV/AIDS within the Indian village structures of caste and untouchability, causes surviving spouses with their children to be turned out of their families and then community, school and away from the basic every day needs to survive. Because of this social crisis, care within the community' is not, in most cases, an option. By providing a residential Hostel with education, health awareness and vocational training for the children and their siblings, infected and not infected, some of the many pressures of the survival of the family will be reduced and the remaining parent can have an opportunity of receiving treatment for themselves and for their children at the Hostel.

The children will receive schooling and vocational training, health awareness and the adults' occupational studies. This Hostel and training unit will be within the Interlock Shanty Van complex where there will be paying visitors and guests, which income will help to support the Hostel, and provide a situation for a better understanding and attitude to the complexities of HIV/AIDS and its eradication. This complex is at the same location where the Commission granted a project in 2006 to provide earth blocks, and a project in 2007 for the development of alternative energy, particularly mobile solar/wind irrigation systems. These existing facilities will provide the construction material and power for the Hostel. Land has been donated for the Hostel and training facility with sufficient area for the project to be extended to provide eventually for in excess of 200 children. The immediate requirement is the establishment of a forty-child unit with 10 rooms, toilet block and central court yard and provision for trade workshops, sewing room / class room the sanitary layout and provision of essential services.

**KENYA****NEW WAYS****Construction of Rock Catchment Dam to Provide Permanent Water Resource, Turkana District****£26,100**

The aim is to establish a permanent water resource to benefit around 2,700 impoverished people living in Turkana District, a region that has a harsh and often inhospitable climate, through the construction of a rock catchment dam which will provide a ready access to fresh water.

This resource will benefit the local community in several areas – it will provide a supply of water for their livestock reducing the long distances the local people need to travel to find fresh supplies. This also relieves tension in the area between tribes as conflicts do arise over scarce resources. It will also help establish a nursery school which will reduce the mortality rate in under-7's and allow women and children in particular to receive regular meals while attending the nursery and access to a clinic.

The people are largely nomadic and semi-nomadic communities with large herds of goats and cattle. This project is part of an integral programme to bring sustainable water supplies to the nomadic peoples of Northern Kenya. The specific purpose of this project is to construct one double wall rock catchment dam that consists of a 30m long retention wall which is 6m thick and 10m high in the Maisa dry riverbed where the rock formation already stores rainwater (the dimensions given are approximate). Maisa dam will be located 24 kms north of Kokuro, just 2 kms off the main sandy track to Kibish. In Northern Turkana, the MCSPA, has already built 74 such dams which have been filled with water following rains and have proven to be successful. Guernsey has provided 4 of these dams since 2003.

**KENYA****WASOT-UK INTERNATIONAL****Sustainable Income-generating Project as an Alternative for 'Sex Workers' (Working Women) in Obunga Slums, Kisumu****£17,070**

This project aims to reduce the dependence of poor exploited women from waiting for hand-outs and instead starting simple sustainable income-generating activities (IGA) that improves their lives and takes women away from prostitution and sexual exploitation, through the construction of a simple 10-12 bed-roomed Guest House at Riat Estate, a 45 min. walk away, on the outskirts of the city centre and away from the slums within Kisumu Township, to be given in exchange as an income-generating project to replace street prostitution.

The impact of HIV/AIDS amongst young families living within the slums of Kisumu has resulted in over 200-300 'working women' within the streets of the town. The women are severely marginalised and are regularly abused, assaulted and raped. The guest house will be handed over to Ombura Widows Group - a self help group that is run and managed by widows who themselves were until recently selling sex.

The group now has 50 members who between them support up to 300 siblings and the wider extended family network from their original villages. The women leaders will be trained in small business management. Given the rapid growth of tourism within the region, the guest house will generate a profit of £1,500-£1,800 per month and this will be shared amongst the widows as a source of income. Some of the profits will be set aside for an educational trust fund for their children and orphans they look after.

A few of the women will be trained to work at the guest house, while the rest will use their profits to start up simple businesses. OGRA Foundation will train, advice and monitor the progress of the guest house and ensure that only those women who adhere to the principles of rehabilitation benefit. This project follows numerous visits and assessment of a similar project that has been very successful both in Rongo and Awasi towns where former sex workers continue to benefit from a bed and breakfast project to fund their food, shelter and education for their children. The project will benefit up to 3,000 people both directly and indirectly and guarantee each family an income of between £30- £50 a month. Once each group of women have benefited and started their own businesses from the profits, new recruits will join the scheme and the process repeated without reliance on external funding.

## **MOZAMBIQUE**

### **Casa Reom Trust**

#### **Life Skills Training and Education for Street Children, Beira**

**£21,000**

The overall aim of this project is to help address the problem of street children in Mozambique, in particular through developing a new site at Inhamizua, Beira, to include the construction of dormitories to accommodate approximately 100 boys and a new school and provision of vocational training including building, welding, animal husbandry and agriculture. Specifically, funding is for Classroom Block II and Sanitary BlockII.

Since the end of the civil war in 1992 the problem of street children has existed in Mozambique. Some of these children were orphaned by war or disease while others are a result of broken homes whose families can no longer support them. This has resulted in some children leaving home to fend for themselves. There are also an increasing number of children who have lost their parents as a result of HIV/AIDS and this problem is likely to increase over the next few years, placing additional pressure on the agencies providing care. An additional cause for concern is that some of these children carry the virus and with no one to care for them, they resort to risky behaviour such as

prostitution and drug abuse. In 2004 Casa Re'Om was home to 43 boys between the ages of approximately 8 and 18. The accommodation was extremely crowded, with only 2 rooms available as dormitories and some boys sharing beds. There was no room for growth and the buildings, in the centre of Beira, were in a very poor state of repair with no facilities for learning vocational skills, although basic primary education was provided. In the light of these limitations, a piece of land has been purchased at Inhamizua, within 10kms of Beira, upon which a new facility is being provided.

The new Centre will provide the following advantages: more space, on-site supervision by the Centre's head and scope for training, not currently available in the town centre buildings. There is also space for recreation, away from the dangers of the city streets. An additional facility at a separate location is planned for the accommodation of girls (the demand for places for girls being substantially less than the demand for boys).

## **NEPAL**

### **Appropriate Technology Asia**

#### **Skills and Resource Development for Sustainable Livelihoods, Humla and Surkhet Districts**

**£24,057**

To improve the livelihoods of marginal communities in Humla and Surkhet Districts, Mid Western Nepal, and their ability to self-manage their development through the demonstration and education in appropriate technologies and capacity building approaches that: promote sustainable agriculture and permaculture: increase skills of farmers to farm using new techniques: increase the availability of food – particularly fresh fruit and vegetables: improve women's health status and increase the capacity of local communities to plan, implement and manage self-help programmes. The activities have been selected because they address the priorities of the population: health, agricultural productivity and capacity building in the most holistic, participatory and integrated way.

The techniques and approaches used are based on the considerable experience of Appropriate Technology Asia in working in such climatically challenging areas, as follows: (1) Development of sustainable agriculture learning centre plots in 2 villages benefiting 1,080 people; (2) Training for 320 farmers in sustainable agriculture with specific remit to disseminate training to a further 1,024 people; (3) Create kitchen gardens, nurseries and construct greenhouses for 200 families (approximately 1,245 people); (4) Distribution of 400 fruit trees as part of a 'Mother Orchard' for future scion stock, benefiting up to 7,345 people; (5) Provide training in health care and women's reproductive health and medicines for 2 women to enable improved health care access to around 3,190 women in the areas; (6) Capacity building training for local communities, including 1 in PRA, 1 in training of trainers and 2 in Monitoring and Evaluation benefiting directly 200 stakeholder representatives and indirectly 7,345

people; (7) Planting of around 2,500 seeds and saplings as part of an environmental regeneration/carbon offsets scheme. The funding will provide the infrastructure, training and support needed to undertake this project. This includes the materials for the infrastructure, training materials, trainers, specialist expertise for design, travel and accommodation as well as administrative support costs for the programme staff running the programme in Nepal.

## **RWANDA**

### **Mines Awareness Trust**

#### **Mine Detection Dog Support to the National Mine Action Programme, Ruhengiri District**

**£25,354**

The aim of this programme is to hand land back to the indigenous peoples of Ruhengiri District, so they can work the land identified and feed their families, as they did prior to the conflict in their homelands and farms, through the use of Mine Detection Dogs (MDD) to accomplish the final ‘signing off’ of ‘cleared land’ to international standards, in particular through supporting a three-months deployment of one MDD dog set. A dog set comprises two MDD dogs, two handlers, one supervisor, one 4x4 vehicle and trailer, one camp kit plus accessories.

The country Mine Action programme in Rwanda has seen various areas ‘cleared’ through manual de-mining and ‘Battle Area Clearance’ tasks. These areas, although cleared, cannot be handed back to the local communities until a ‘final check’ has been carried out. Indeed, if these ‘cleared areas’ are to be signed off to International Mine Action Standards (IMAS) then there has to be a tool to ensure that clearance has been done effectively. This final ‘signing off’ cannot be achieved without the use of external Quality Assurance such as MDDs. These dogs are the key to this land being of use again.

There will be 15,000 direct beneficiaries through employment and use of the land released by this work, some 350,000m<sup>2</sup>, which will also increase employment in the area for another 5,000 people. Rwanda has been severely affected by a landmine and UXO threat since the 1990 – 1994 Tutsi insurgencies. The Rwandan National De-mining Office (NDO) was created in 1995, under the Ministry of Defence, and is comprised of a co-ordination unit, survey teams and operational teams. The period prior to the 1994 genocide saw the laying of landmines and booby traps in areas of the country, which are now needed for socio-economic and subsistence reasons. Rwanda has 16 recorded minefields, which comprise up to 1,000,000 m<sup>2</sup> of land, which needs to be surveyed/ de-mined and finally checked to ensure the clearance done meets International Mine Action Standards (IMAS). The Rwandan Defence Force (RDF) was trained by the International Mine Action Training Centre in Nairobi funded by the British Government. They were then sent back to Rwanda, where MAT has provided technical advisors, who to date have led the RDF in clearing almost 300,000m<sup>2</sup> of Rwanda, this funded by the US Department of State.

## **SOUTH AFRICA**

### **The Tumaini Fund**

#### **Support to AIDS Orphans, Widows/Widowers, Kagera Region**

**£20,000**

Further to the Commission's grant in 2005, the aim is to continue to provide support to the estimated 200,000 AIDS orphans in Kagera Region, one of the poorest Regions of this impoverished Country, through the provision of another vehicle, in particular a second-hand 4WD vehicle, various spare parts and spare tyres, and running costs, to cover specifically the North of Kagera Region, with the current vehicle serving the South of the Region.

At present Tumaini Fund is offering some level of support to in excess of 10,000 orphans and widows/widowers (including over 3,500 children that are currently on the sponsorship programme) and has a core team of 7 local social workers, working out of 2 offices, one in the South (Murgwanza) and one in the North (Muleba) of the province and a network of 50 parish workers, who cover 2-3 villages each and support the families at the local level. The inhabitants of Kagera are almost entirely subsistence farmers living on well below US\$1/day. Tumaini commences by registering affected families and offering them contact with Tumaini's local Social Workers.

Tumaini's immediate aim is to case-find all AIDS orphans in Kagera in need of support, to keep them alive by attending to immediate needs and to get them to school, to enable them to become literate and numerate so as to give them the chance to move out of the grinding poverty of subsistence farming. Primary Schooling is paid for by the Tanzanian Government, but pupils must have school uniforms and books and pencils to attend. Everyone in the affected family is given a mosquito net, two sets of clothing, a set of school uniform and books and pencils. Also, family allowance is provided to families to enable the children to continue in education. Tumaini is setting up chekacheas (nursery schools) in each village it works in and offers scholarships to pupils who pass the 11+ sufficiently well to be accepted for a Government (fee-paying) Secondary School. Tumaini Fund is sending 1,000 students to secondary school in 2008 at a cost of £35 per head. The continuing support of the target families is through the Tumaini child-sponsorship programme, whereby Guernsey/UK families sponsor a Kageran family.

## **TANZANIA**

### **Huruma Rehabilitation Programme**

#### **Single Young Mothers Vocational Training Centre, Shinyanga Region**

**£10,500**

The aim is to assist in the alleviation of poverty and create an awareness in health issues to benefit around 51 Single Young Mothers directly plus 107 indirect beneficiaries, through the construction and equipping of a Vocational Training Centre at Negezi Village, 7 kms from Shinyanga Town, thus improving their skills so as to enable them to provide for their needs and be able to live more fulfilled lives. The Centre will be provided with sewing machines, embroidery machines and fabric.

The target group experience disadvantage in many ways. Their literacy rate is worse than the national average due to poverty in the area. Most of them come from destitute families. Their parents cannot feed them and their babies. They are then forced to leave the school, as current school regulations do not permit them to continue with studies. Some of them are so poor that they cannot provide for education or other basic necessities for their children. They are vulnerable to exploitation as they have nowhere to go. Some are taken to cities to work as maids where they are physically abused and sometimes sexually assaulted. If these problems are not addressed, many of the young mothers will resort to prostitution, or become beggars and pickpockets in order to obtain income. The Nation will lose some of the talented people who might otherwise have contributed their skills simply because they are poor/destitute and cannot pay their way to get food, medical care, clothes shelter etc. A Vocational Training Centre will help them to help themselves, enabling them to be able to provide for their needs. Funding is for 60% of total project costs.

## **TANZANIA**

### **VETAID**

#### **Supporting Income Generation for Maasai Women, Manyara Region**

**£18,000**

The aim is to improve food security for vulnerable Maasai households in Simanjiro District, Manyara Region, by supporting and increasing the sustainability of a community-based income-generation activity for a network of 16 women's groups which have come together to form a community-based organisation (CBO) called Osetwa Mama Maasai, and which make and sell a range of products based on traditional leather-work and beading skills. The project will also raise the status of women, who traditionally lack financial autonomy and therefore a voice in family decision-making.

Simanjiro is an extremely remote, semi-arid region in Tanzania, inhabited mainly by the pastoralist Maasai. For generations, the livelihoods of the Maasai have been based on livestock (mainly cattle), which provide food as well as a means of exchange for other essentials. The pastoralist way of life has come under threat in recent years from government policies - which restrict critical access to land for grazing and water - and droughts which are increasing in frequency and severity. It is increasingly difficult to sustain a livelihood from livestock alone; poverty amongst pastoralists is increasing and most families are only able to eat one nutritious meal a day.

The sustainability of the women's groups will be strengthened through the following activities: (1) Supporting the registration of the CBO at district, regional and national level; (2) Building the capacity of group members by providing training on business and marketing skills; (3) Providing training on product design and quality; (4) Establishing sustainable links to local and international markets, for example by establishing a showroom in Arusha and supporting the attendance at fair-trade shows and artisan exhibitions. Approximately 250 Maasai women will benefit from this project. This represents a total of at least 2,000 people benefiting from increased food security as the average family size is 8. The benefit will also spread more widely as the status of women within Maasai communities increases. Funding is for training sessions, materials, equipment and promotion of market links/fair trade.

## **Emergency Disaster Relief**

### **BURMA**

#### **Disasters Emergency Committee**

##### **Donation to Myanmar (Burma) Cyclone Appeal**

**£50,000**

To enable the thirteen British aid agencies participating in the Disasters Emergency Committee's Myanmar (Burma) Cyclone Appeal to provide emergency relief following the devastating cyclone that struck the Irrawaddy Delta and other areas of southern Burma.

Cyclone Nargis swept across the region with winds of up to 120 miles per hour, torrential rain, and created tidal surges up to 3.5 metres high wiping out towns and villages in this low-lying area. Over 22,500 people are said to have been killed by the disaster with around 41,000 missing. An estimated 1 million people have been made homeless and much essential cropland has been lost. The funds will be used to provide plastic sheets and emergency health kits, water purification tablets, food, essential drugs, mosquito nets, clothing, basic sanitation etc.

### **DEMOCRATIC REPUBLIC OF CONGO**

#### **Disasters Emergency Committee**

##### **Donation to Congo (DR) Crisis Appeal**

**£50,000**

To enable the twelve British aid agencies participating in the Disasters Emergency Committee's Congo (DR) Crisis Appeal to provide emergency relief following the escalation of fighting in August 2008 between government troops and various rebel forces in North and South Kivu and around the regional capital of Goma.

The current estimated number of Internally Displaced People is 1,000,000, a rise of 250,000 since August. There are people who have been displaced for months that still have no access to camps. In addition, since August around 17,000 refugees have fled from the DRC to Uganda and Rwanda.

The Eastern Congo has been described as one of the world's forgotten disasters. The region has continued to be affected by conflict despite a formal end to the 5-year war in 2003. It is estimated that over 5.4 million people have died since the outbreak of fighting in 1998, the majority from starvation and water-borne disease, and rape is used as a systematic weapon of war. The funds will be used to provide food, water, shelter and sanitation, cooking utensils, hygiene kits, health/ medical care including trauma counselling to women and girls who have been victims of rape.

## **ETHIOPIA**

### **The British Red Cross Society**

#### **Ethiopia Food Crisis Appeal**

**£25,000**

In response to the successive failure of the seasonal rains and resulting alarming deterioration in the level of food security, particularly in Ethiopia which is worst hit, but which is also facing several countries in Eastern Africa, to enable The British Red Cross in Ethiopia to provide clean water, food, sheep, farming tools, seeds, training in hygiene and sanitation etc. In addition to Ethiopia, the severe food crisis is also affecting Somalia, and northern parts of Kenya and Uganda as well as Eritrea and Djibouti.

Around 17M people in the region are estimated to need food aid as a result of drought and a sharp increase in food and fuel prices. However, In Ethiopia, where the situation is worst, 4.6M people need emergency relief in addition to the 8M people already receiving food relief. Ethiopia is the seventh lowest "Least Developed" country in the world.

## **HAITI**

### **Christian Aid**

#### **Haiti Storms Appeal**

**£25,000**

In response to the massive flooding and devastation which has destroyed much of Haiti's meagre and decaying infrastructure resulting from being hit by Tropical Storm Fay in August, followed by Hurricane Gustav, Tropical Storm Hanna and Hurricane Ike, leaving an estimated 1 million people homeless and at least 600 dead, to enable Christian Aid to provide clean water, food, clothing. Toiletries, basic medicines etc.

Because of Haiti's high population density it is particularly vulnerable to the effects of natural disasters. Haiti is the poorest nation in the Western Hemisphere with 54% of the population living on less than \$1 a day.

## **INDIA**

### **Grants to Two Agencies' Appeals for the India, Bihar Floods**

#### **India, Bihar, Floods Appeals**

**£25,000**

In response to the catastrophic floods covering half of Bihar, an area roughly the size of Belgium, caused by the river Kosi bursting its banks, to enable HelpAge International and Oxfam to provide clean water, food, temporary shelter, sanitation and medical support etc. to those in need in the region, where the lives of over 2.5M million people have been affected and over 300,000 homes swept away.

Bihar is one of India's poorest States and has the worst malnutrition, child mortality, maternal mortality and child trafficking statistics in the Country. The Commission's grant of £25,000 has been divided equally between the above two agencies.

**COMMERCE AND EMPLOYMENT DEPARTMENT**

ANNUAL REPORT OF THE PUBLIC TRUSTEE AND AUDITED ACCOUNTS

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

21<sup>st</sup> April 2009

Dear Sir

The Public Trustees (Bailiwick of Guernsey) Law, 2002 provides, in section 6(1) that the Commerce and Employment Department is required to submit the report and accounts to the States on the exercise of the Public Trustee's functions for the preceding year.

I am pleased to enclose a copy of his report and audited accounts for the period 1 January 2008 to 31 December 2008.

Section 6 of the Law also provides that the Department may, at the same time, submit its own report commenting on the activities of the Public Trustee during this period.

The attached report is comprehensive and demonstrates that the function of Public Trustee is operating well within the Department's budgetary and operational expectations.

I would be grateful if you would arrange to publish this submission as an Appendix to the June Billet.

Yours faithfully

C S McNulty Bauer  
Minister

## **REPORT OF THE PUBLIC TRUSTEE TO THE DEPARTMENT OF COMMERCE AND EMPLOYMENT FOR THE YEAR TO 31 DECEMBER 2008**

### **Introduction**

1. Under Section 6(1) of The Public Trustee (Bailiwick of Guernsey) Law, 2002, the Public Trustee is required in each calendar year to submit to the Department of Commerce and Employment (“the Department”) a report on the exercise of his functions in the preceding year together with the audited accounts of the Office of the Public Trustee.

### **Appointments and Assets held in Trust**

2. During the period covered by the report, no new appointments of the Public Trustee to act as trustee were made. However, notification was received of a situation that may result in appointments being made in 2009.
3. The Public Trustee remained as trustee of the two trusts to which he was appointed in 2004, as stated in the report for that period.
4. The assets of the trusts were cash deposits in sterling and US dollars amounting in total at the end of 2008 to the equivalent of about £256,000. The increase compared with the balances at the end of 2007 (£211,000) is due in part to the continued accumulation of interest income less expenses but mainly to the appreciation of the US dollar against sterling.
5. The fees recoverable from the trusts for 2008 for the services of the Public Trustee amounted to £200.

### **Accounts and Auditors’ Report**

6. The accounts of the Office of the Public Trustee for the year to 31 December 2008, together with the auditors’ report thereon, accompany this report.
7. They show that the cost of operations of the Office in 2008 amounted to £7,738 (2007: £8,739). Against this, £200 (2007: £76) was recoverable in fees.
8. The fall in the cost of operations is mainly due to less time having been spent on administrative matters by both the Public Trustee and the staff of the Department who provide administrative services to the Office.
9. It was possible for the Department to cut the grant from the States for the year by over £4,000 compared with that in 2007. However, since the grant is treated as income in the accounts of the Office, this has meant that a deficit of income against expenditure of £1,328 for the year is shown (2007: £1,989 surplus), reducing the balance on the Public Trustee Fund at 31 December 2007 to £3,357. This sum is available to meet future expenditure of the Office.

**Conclusion**

10. The primary function of the Public Trustee is to act as a trustee of last resort. The fact that there has been little call on the services of the Public Trustee during the year is an indication of the health and well regulated conduct of trust business in the Bailiwick.
11. Nevertheless, should further appointments be made, arrangements remain in place to deal with an increased workload, in particular the power of the Public Trustee to delegate trustee functions to competent professional trust administrators.

D P Trestain  
Public Trustee  
Bailiwick of Guernsey

27 March 2009

OFFICE OF THE PUBLIC TRUSTEE

STATEMENT OF ACCOUNT

31st DECEMBER, 2008

LINCE SALISBURY

Chartered Accountants

Avenue House,

St. Julian's Avenue,

St. Peter Port,

GUERNSEY

**OFFICE OF THE PUBLIC TRUSTEE**

**Statement of responsibilities for the preparation of financial statements**

In accordance with The Public Trustee (Bailiwick of Guernsey) Law, 2002 the Public Trustee is responsible for the preparation of a statement of account for each financial year which gives a true and fair view of the state of affairs of the Office of the Public Trustee. He is responsible for selecting suitable accounting policies and, in preparing the statement of account the Public Trustee is expected to:

- \* apply suitable accounting policies on a consistent basis;
- \* make judgements and estimates that are reasonable and prudent;
- \* state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts; and
- \* prepare the statement of account on a going concern basis, unless it is inappropriate to do so.

The Public Trustee acknowledges responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Office of the Public Trustee.

It is the responsibility of the Office of the Public Trustee to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes. Thus the Office of the Public Trustee is responsible for safeguarding the assets in its care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE OFFICE OF THE PUBLIC TRUSTEE**

We have audited the financial statements of the Office of the Public Trustee for the year ended 31st December, 2008 which comprise the income and expenditure account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of the Office and Auditors**

The Office is responsible for the preparation of the financial statements in accordance with applicable Guernsey law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared. We also report to you if, in our opinion, the Office has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland), issued by the Auditing Practices Board. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Office in the preparation of the financial statements and of whether the accounting policies are appropriate to the Office's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the affairs of the Office at 31st December, 2008 and of its surplus for the year then ended.

*Lince Salisbury Limited*

23rd March 2009  
 Avenue House,  
 St. Julian's Avenue,  
 St. Peter Port,  
 GUERNSEY

LINCE SALISBURY LIMITED  
CHARTERED ACCOUNTANTS

OFFICE OF THE PUBLIC TRUSTEE  
INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31st DECEMBER, 2008

	Note	2008 £	2007 £
<b>Income</b>	<b>1</b>		
Grant from States General Revenue Account		6,210	10,652
Trustee fees		200	76
		<u>6,410</u>	<u>10,728</u>
 <b>Expenditure</b>	 <b>1</b>		
Audit fees		945	1,000
Bank charges		67	90
Public Trustee remuneration		6,498	7,156
Office administration		228	493
		<u>7,738</u>	<u>8,739</u>
 <b>(Deficit) / Surplus of income over expenditure for the year</b>		 <u>£(1,328)</u>	 <u>£1,989</u>

**OFFICE OF THE PUBLIC TRUSTEE**  
**BALANCE SHEET AT 31st DECEMBER, 2008**

	Note	2008 £	2007 £
<b>Current assets</b>			
Debtors		200	76
Bank		4,117	5,579
		<u>4,317</u>	<u>5,655</u>
<b>Current liabilities</b>			
Creditors	3	30	65
Accruals	3	930	905
		<u>960</u>	<u>970</u>
<b>Net assets</b>		<u>£3,357</u>	<u>£4,685</u>
<b>The Public Trustee Fund</b>			
Retained excess of income over expenditure	4	<u>£3,357</u>	<u>£4,685</u>

The balance sheet was approved on *23 March 2009*



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D Trestain  
Public Trustee

**OFFICE OF THE PUBLIC TRUSTEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST DECEMBER, 2008**

1. ACCOUNTING POLICY

The statement of account is prepared under the historical cost convention and in accordance with UK applicable accounting standards.

**Grants**

Grants from the States of Guernsey Commerce and Employment Department are included on a cash basis. Grants have been recognised as revenue items.

**Other income and expenditure**

Other income and expenditure is included on an accruals basis.

2. TAXATION

The Office of the Public Trustee is not subject to States of Guernsey Income Tax.

3. CREDITORS AND ACCRUALS

	2008 £	2007 £
<b><u>Creditors</u></b>		
Administration and Deputy Trustee charges from Commerce & Employment Department	£30	£65
<b><u>Accruals</u></b>		
Audit fee	925	905
Bank charges	5	-
	£930	£905

4. THE PUBLIC TRUSTEE FUND

Balance brought forward	4,685	2,696
(Deficit) / Surplus for year	(1,328)	1,989
Carried forward	£3,357	£4,685

**IN THE STATES OF THE ISLAND OF GUERNSEY  
ON THE 24<sup>th</sup> DAY OF JUNE, 2009**

**The States resolved as follows concerning Billet d'État No XVI  
dated 5<sup>th</sup> June 2009**

**PROJET DE LOI**

entitled

**THE DIGITAL SWITCHOVER (DISCLOSURE OF INFORMATION)  
(GUERNSEY AND ALDERNEY) LAW, 2009**

I.- To approve the Projet de Loi entitled “The Digital Switchover (Disclosure of Information) (Guernsey and Alderney) Law, 2009” 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 STATEMENTS OBTAINED UNDER COMPULSION (RESTRICTION OF  
USE) (BAILIWICK OF GUERNSEY) LAW, 2009**

II.- To approve the Projet de Loi entitled “The Statements Obtained Under Compulsion (Restriction of Use) (Bailiwick of Guernsey) Law, 2009” 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 EVIDENCE IN CIVIL PROCEEDINGS (GUERNSEY) LAW, 2009**

III.- At the instance of HM Comptroller, TO GRANT LEAVE TO WITHDRAW this article.

## **PROJET DE LOI**

entitled

### **THE GENERAL SALES TAX (ENABLING PROVISIONS) (GUERNSEY AND ALDERNEY) LAW, 2009**

IV.- To approve the Projet de Loi entitled “The General Sales Tax (Enabling Provisions) (Guernsey and Alderney) Law, 2009” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

### **THE INCOME TAX (GUERNSEY) (APPROVAL OF AGREEMENTS WITH FRANCE, GERMANY AND IRELAND) ORDINANCE, 2009**

V.- To approve the draft Ordinance entitled “The Income Tax (Guernsey) (Approval of Agreements with France, Germany and Ireland) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

### **THE INCOME TAX (FORMS OF OATH) (AMENDMENT) ORDINANCE, 2009**

VI.- To approve the draft Ordinance entitled “The Income Tax (Forms of Oath) (Amendment) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

### **THE INCOME TAX (EXEMPT BODIES) (GUERNSEY) (AMENDMENT) ORDINANCE, 2009**

VII.- To approve the draft Ordinance entitled “The Income Tax (Exempt Bodies) (Guernsey) (Amendment) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

### **THE HOUSING (CONTROL OF OCCUPATION) (EXTENSION) ORDINANCE, 2009**

VIII.- To approve the draft Ordinance entitled “The Housing (Control of Occupation) (Extension) Ordinance, 2009” and to direct that the same shall have effect as an Ordinance of the States.

## **TREASURY AND RESOURCES DEPARTMENT**

### **COMPULSORY PURCHASE OF LAND**

IX.- After consideration of the Report dated 24<sup>th</sup> March, 2009, of the Treasury and

Resources Department:-

1. To amend the Compulsory Acquisition of Land (Guernsey) Law, 1949 as set out in that Report.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

***ORDINANCE LAID BEFORE THE STATES***

**THE CRIMINAL JUSTICE (PROCEEDS OF CRIME) (BAILIWICK OF GUERNSEY) (ENFORCEMENT OF OVERSEAS CONFISCATION ORDERS) (AMENDMENT) ORDINANCE, 2009**

In pursuance of the provisions of the proviso to Article 66 (3) of the Reform (Guernsey) Law, 1948, as amended, the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Enforcement of Overseas Confiscation Orders) (Amendment) Ordinance, 2009, made by the Legislation Select Committee on the 11<sup>th</sup> May, 2009, was laid before the States.

***STATUTORY INSTRUMENTS LAID BEFORE THE STATES***

**THE TRADE MARKS (FEES) REGULATIONS, 2009.**

In pursuance of section 101 (3) of the Trade Marks (Bailiwick of Guernsey) Ordinance 2006, as amended, the Trade Marks (Fees) Regulations, 2009, made by the Commerce and Employment Department on 21<sup>st</sup> April, 2009, were laid before the States.

**THE REGISTERED DESIGNS (DESIGNATED COUNTRIES AND DESIGNATED OFFICES) REGULATIONS 2009**

In pursuance of Section 35(3) of the Registered Designs (Bailiwick of Guernsey) Ordinance, 2005, the Registered Designs (Designated Countries and Designated Offices) Regulations, 2009, made by the Commerce and Employment Department on 21<sup>st</sup> April, 2009, were laid before the States.

**K H TOUGH  
HER MAJESTY'S GREFFIER**

**IN THE STATES OF THE ISLAND OF GUERNSEY  
ON THE 25<sup>th</sup> DAY OF JUNE, 2009**

**(Meeting adjourned from 24<sup>th</sup> June, 2009)**

**The States resolved as follows concerning Billet d'État No XVI  
dated 5<sup>th</sup> June 2009**

**COMMERCE AND EMPLOYMENT DEPARTMENT**

**GUERNSEY RENEWABLE ENERGY COMMISSION LEGISLATION**

X.- After consideration of the Report dated 30<sup>th</sup> April, 2009, of the Commerce and Employment Department:-

1. To approve the proposals set out in that Report, but without at this stage indicating States support for any “feed in tariffs”, and subject to any sponsoring Department reporting back to the States for approval of any funding mechanism.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decision.

**K H TOUGH  
HER MAJESTY'S GREFFIER**

**IN THE STATES OF THE ISLAND OF GUERNSEY  
ON THE 26<sup>th</sup> DAY OF JUNE, 2009**

**(Meeting adjourned from 25<sup>th</sup> June, 2009)**

**The States resolved as follows concerning Billet d'État No XVI  
dated 5<sup>th</sup> June 2009**

**COMMERCE AND EMPLOYMENT DEPARTMENT**

**THE AIR TRANSPORT LICENSING (GUERNSEY) LAW, 1995**

XI.- TO POSTPONE CONSIDERATION of this Article until the meeting of the States to be held on 15<sup>th</sup> July 2009.

**STATES ASSEMBLY AND CONSTITUTION COMMITTEE**

**RULES RELATING TO UNPLANNED OR UNFORESEEN CIRCUMSTANCES**

XII.- TO POSTPONE CONSIDERATION of this Article until the meeting of the States to be held on 15<sup>th</sup> July 2009.

**S M D ROSS  
HER MAJESTY'S DEPUTY GREFFIER**

**IN THE STATES OF THE ISLAND OF GUERNSEY  
ON THE 16<sup>th</sup> DAY OF JULY, 2009**

**The States resolved as follows concerning Billet d'État No XVI  
dated 5<sup>th</sup> June 2009**

**STATES ASSEMBLY AND CONSTITUTION COMMITTEE**

**RULES RELATING TO UNPLANNED OR UNFORESEEN CIRCUMSTANCES**

XII.- After consideration of the Report dated 11<sup>th</sup> May, 2009, of the States Assembly and Constitution Committee: -

To approve the contents of that Report.

# **IN THE STATES OF THE ISLAND OF GUERNSEY ON THE 17<sup>th</sup> DAY OF JULY, 2009**

(Meeting adjourned from 16<sup>th</sup> July 2009)

**The States resolved as follows concerning Billet d'État No XVI  
dated 5<sup>th</sup> June 2009**

## **COMMERCE AND EMPLOYMENT DEPARTMENT**

### **THE AIR TRANSPORT LICENSING (GUERNSEY) LAW, 1995**

XI After consideration of the Report dated 30<sup>th</sup> April, 2009, of the Commerce and Employment Department:-

1. That the Air Transport Licensing (Guernsey) Law, 1995 shall remain in force for the purposes of licensing the carriage for reward of passengers or cargo on flights to which the Law applies.
2. That responsibility for licensing should be transferred to the Director General of Utility Regulation under the terms described in that Report.
3. **TO NEGATIVE THE PROPOSITION** to approve the revised Air Transport Licensing Policy Statement attached to that Report and submitted under Section 7.(1) (a) of the Air Transport Licensing (Guernsey) Law, 1995.
4. That amendments to the Air Transport Licensing (Guernsey) Law, 1995 to facilitate the streamlining of the licensing process, the varying of penalties and other incidental matters shall be made as described in that Report.
5. To approve the approach for administering the licensing regime pending the coming into force of the amendments to the Air Transport Licensing (Guernsey) Law, 1995 as described in that Report.
6. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

**S M D ROSS  
HER MAJESTY'S DEPUTY GREFFIER**