



TREASURY AND RESOURCES

A STATES OF GUERNSEY GOVERNMENT DEPARTMENT

QUESTIONS AND ANSWERS

Why has the Department established the Sub-Committee?

The Treasury and Resources Department acts on behalf of the States as shareholder in four States-owned trading companies: Guernsey Electricity; Guernsey Post; the Cabernet Group (including Aurigny Air Services and Anglo Normandy Aero Engineering); and, Jamesco 750 (the company established for the management of the Island's fuel tank ships).

In fulfilling its shareholder responsibilities, the Department agreed to establish the Sub-Committee in July of this year. The Department felt that the establishment of this dedicated resource would provide a more focused vehicle for undertaking its related corporate supervisory mandate. In seeking to become a more active shareholder than perhaps in the past, the Department will be seeking to act in the best longer-term interests of islanders.

So, in setting corporate objectives for the trading entities concerned, the Department will not be seeking to maximise short-term financial returns, but to provide to Islanders an efficient, sustainable and responsive set of services, whilst recognising related public asset investment costs.

How will the Sub-Committee approach its responsibilities?

One approach the Sub-Committee will adopt in assessing the trading companies' delivery of the corporate objectives set for them will be by benchmarking (ie systematically comparing) various aspects of their performance against international best practices. The merits of such benchmarking are widely recognised; indeed, various management teams in the corporate world adopt such an approach to help judge their own performance against peer groups.

The Sub-Committee will also work with the companies to establish revised Memoranda of Understanding with them. These will include: criteria for the delivery of cost-effective services which are responsive to customer needs; requirements to operate ethically in the interests of the community; revised public reporting requirements; and, other performance criteria.

The Sub-Committee will also trigger detailed strategic and efficiency reviews of the trading companies on a periodic basis.

What kind of benchmarking will be involved?

In conjunction with the Boards of the trading entities, the Sub-Committee intends to apply three levels of benchmarking which will cover: strategic development;

operational efficiency; and, customer responsiveness. This will help to inform the States of Guernsey and Islanders generally that:

- The longer-term strategic development of the trading companies is appropriate and sound;
- Best practices are being pursued in achieving appropriate levels of operational efficiencies and results; and,
- Customer responsiveness is at desirable levels in terms of the availability, range, cost, quality and method of service delivery to personal and business customers.

Of course, benchmarking will not necessarily be a completely new process for the trading companies. However, the Sub-Committee intends to apply it in a more systematic and open manner that supports the Department's intention to take on a more active shareholder role.

Will the benchmarking results be published?

Subject to any considerations around commercial confidentiality (primarily in the area of longer-term strategic planning), it is intended that benchmarking results will be made public in the areas of operational efficiency and customer responsiveness.

What will be the focus and attention of the Sub-Committee across the four trading companies?

It is too early at this stage to state the balance of attention likely to be applied across the four trading companies. All four will be systematically benchmarked and the resulting follow-up focus is likely to vary by entity over time.

What will be the benefits of the Sub-Committee and its approach?

The Department anticipates that the Sub-Committee will provide a range of benefits, including:

- It establishes a dedicated and active shareholder resource function as a Sub-Committee of the Treasury and Resources Board;
- The Sub-Committee and the Department will benefit from the services of three highly experienced executives, with skills spanning Board governance, strategic direction, relevant regulated industries, operational efficiency and performance reviews, strategic and operational benchmarking and customer responsiveness;
- It facilitates improved and more challenging senior level interaction with the Boards of the trading companies, given the experience of the executives on the Sub-Committee;
- It will extend the use of benchmarking from an approach that previously focused on "tariff/cost" to one that includes strategic initiative and customer needs and responsiveness, increasing its value to all parties;
- It achieves better political oversight, whilst avoiding inappropriate political interference;

- By operating with the support of the existing central administration team at the Treasury and Resources Department, the Sub-Committee can operate via a “virtual office” and avoid costly overheads.

Who are the Members of the Sub-Committee?

The Sub-Committee is presently made up of two members of the Treasury and Resources Board, Deputy Gavin St Pier and Deputy Roger Perrot, and three non-States Members in an advisory and consultative capacity. These are:

- Sir John Collins – a former Chairman and Chief Executive of Shell UK, a former Chairman of both National Power and DSG (Dixons Stores Group), a former Non-Executive Director of NMR Rothschild & Sons, a previous Chairman of the DTI/DEFRA Sustainable Energy Policy Advisory Board, with substantial experience of operating and group Board direction, shareholder value and regulatory regimes;
- John Hollis – a former global Accenture partner, with extensive experience of strategic and operating performance reviews across multiple industries and innovative benchmarking, and a non-States Member of the Treasury and Resources Board;
- Steve Le Page – a former PwC Channel Islands Managing Partner, with substantial experience in regulatory reporting and performance reviews.

The three non-States members are Guernsey residents, who have recently retired from active careers. They are not civil servants; they are not paid executives and their focus is on the long-term benefit the Sub-Committee can provide to the Island community as a whole. They will operate without remuneration (aside from reimbursement, if applicable, of any travel or related expenses).