



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Wednesday, 28th May 2014

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Present:

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Law Officers

H. E. Roberts Esq., Q.C. (H.M. Procureur)

People's Deputies

St. Peter Port South

Deputies P. A. Harwood, J. Kuttelwascher, B. L. Brehaut,
R. Domaille, A. H. Langlois, R. A. Jones

St. Peter Port North

Deputies J. A. B. Gollop, P. A. Sherbourne,
R. Conder, M. J. Storey, L. C. Queripel

St. Sampson

Deputies G. A. St Pier, K. A. Stewart, P. L. Gillson,
P. R. Le Pelley, S. J. Ogier, L. S. Trott

The Vale

Deputies M. J. Fallaize, D. B. Jones, L. B. Queripel, M. M. Lowe,
A. R. Le Lièvre, A. Spruce, G. M. Collins

The Castel

Deputies D. J. Duquemin, C. J. Green, M. H. Dorey,
J. P. Le Tocq, A. H. Adam

The West

Deputies R. A. Perrot, A. H. Brouard, A. M. Wilkie,
D. de G. De Lisle, Y. Burford, D. A. Inglis

The South-East

Deputies H. J. R. Soulsby, R. W. Sillars, P. A. Luxon,
F. W. Quin, M. P. J. Hadley

Representatives of the Island of Alderney

Alderney Representatives L. E. Jean and R. N. Harvey

The Clerk to the States of Deliberation

A. J. Nicolle, Esq. (H.M. Deputy Greffier)

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Comptroller); Deputy M. K. Le Clerc (*relevée à 11h 50*);

Deputy E. G. Bebb (*absent de l'Île*); Deputy B. J. E. Paint (*absent de l'Île*);

Deputy S. A. James, M. B. E. (*absent de l'Île*); Deputy M. G. O'Hara (*absent de l'Île*)

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States of Deliberation

*The States met at 9.30 a.m. in the presence of
His Excellency Air Marshal Peter Walker C.B., C.B.E.
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

[THE BAILIFF *in the Chair*]

PRAYERS

The Deputy Greffier

EVOCATION

CONVOCATION

The Deputy Greffier: To the Members of the States of the Island of Guernsey, I hereby give notice that a meeting of the States of Deliberation will be held at the Royal Court House on Wednesday, 28th May 2014 at 9.30 a.m. to consider the Items contained in Billets d'État X and XIII which have been submitted for debate.

The Bailiff: Members of the States of Deliberation, good morning to you all.

STATEMENTS

Strategy and Policy on Access to Public Information – Statement by the Chief Minister

The Bailiff: The first Item this morning is a Statement to be delivered by the Chief Minister, Deputy Le Tocq.

The Chief Minister (Deputy Le Tocq): Thank you, Mr Bailiff.

As States Members will recall, in July 2013 this Assembly agreed a Strategy and Policy on Access to Public Information. This Strategy included a Code of Practice to be implemented by 31st March 2014. The timescale was set to allow for the roll out of the new Code and to allow procedures to be put in place for the recording of data.

I am sure Members will be interested to know that so far, since 31st March 2014, two requests have been logged as being made specifically under the Code. Neither of these requests has been refused under that Code. The Policy Council's view is that this Code remains a proportionate approach to the maintenance and improvement of the standards of open government within a small jurisdiction. The practical application of the principles in the Code will foster greater transparency across the States.

Sir, during the debate in July 2013, Deputy Green successfully proposed one of the amendments to this report which was agreed by this Assembly. The amendment required that and I quote :

‘... by no later than July 201, the Policy Council shall report to the States of Deliberation setting out their assessment of the feasibility, desirability and potential cost of providing a right of appeal to an independent person or persons in respect of a request made for access to information which is refused by a States Department or Committee.’

Unfortunately, given the pressure on resources within the Policy Council it has not been possible to finalise this report in time for the July States meeting. While this is in due part to unanticipated demands, it is also true to say that to date the focus has been on implementing the Code of Practice as a priority.

That is not to say that the thinking and work on meeting Deputy Green's amendment is not advanced. It is simply that it has not been possible to implement the Strategy whilst at the same time researching and finalising this part of the States' Resolution.

Sir, I apologise for the short delay in bringing forward this matter for debate. It is anticipated that the report will be presented at this Assembly at a meeting shortly after the summer recess. These proposals will look at alternative models under a non-statutory code and take into account the administrative structures already available. It is my view that creating the appropriate form of independent scrutiny of decisions to withhold information under the Code of Practice is an important next step, particularly as the Code itself is beginning to be bedded in.

I am of the view that the Code of Practice is an important stage in the ongoing development of how the States engages with our community. This is why I particularly look forward to presenting this report to the Assembly.

The Bailiff: Do any Members wish to ask any question within the context of the statement that has just been delivered?

Deputy Gollop.

Deputy Gollop: Has the Chief Minister in this context received enquiries from various arms of the free mass media in particular, for the sake of argument, ITV, BBC or *Guernsey Press*, because they were particularly interested in seeing legislation or at least a code along these lines at one point?

The Bailiff: Chief Minister.

The Chief Minister: In terms of the appeals procedure, no.

The Bailiff: Deputy Green.

Deputy Green: Thank you, sir.

I thank the Chief Minister for updating the Assembly in the way that he has on this matter. Would the Chief Minister agree with me that it is absolutely essential that an aggrieved party have the right to appeal or complain to a genuinely independent body if a request for information, for public information, is declined?

Would he further agree with me that an independent appeal or complaints system – if it can be developed and built upon the existing administrative structures we have – it really ought to be as cost effective and as simple as is possible to do the job properly?

The Bailiff: Chief Minister.

The Chief Minister: Sir, I completely concur with Deputy Green's views on that matter.

The Bailiff: Any further questions? No? I see no-one rising.

Progress report on finances and Financial Transformation Programme – Statement by the Minister of the Treasury and Resources Department

The Bailiff: We will move on to the next Statement, which is to be delivered by the Minister of the Treasury and Resources Department, Deputy St Pier.

Deputy St Pier: Thank you, sir.

Mr Bailiff, thank you for the opportunity to make a Statement this morning, to update the Assembly on the overall financial position at the end of the first quarter of 2014 and progress with delivery of the Financial Transformation Programme.

I intend to focus this Statement on the expenditure incurred by Departments and Committees in the first quarter. I will limit my comments on revenue income to two areas. A much better and more rounded picture of the overall income position can be gathered after the first half of the year, when significant Income Tax receipts will have been collected and analysed.

At this earlier point in the year, the two key income streams worthy of comment are ETI and Document Duty. ETI represents the key fiscal indicator of the Island's economic health and is updated every quarter. The collections for the first quarter of 2014 totalled £44.2 million. This compares with £43.2 million in the same period last year, and therefore represents a £1 million or 2.3% increase. This marginal real terms growth shows a significant improvement on the same point last year, when a nominal fall in receipts was experienced.

This good news is tempered by the fact that ETI receipts remain short of the budgeted position for this point in the year and the second quarter results will be critical in forming a view of the likely fiscal outturn for the remainder of the year.

90 Another key economic barometer is Document Duty receipts. A budget estimate of £14.5 million was made for 2014 based on more subdued activity in recent years, and allowing for the impact of the budget measures which were approved, which raised Document Duty thresholds and temporarily reduced the rates for properties below £400,000. It is disappointing the Document Duty receipts in the first three months at just over £3 million were over 10% lower than the same period last year and that there was almost an 8% drop in local market transactions between the two periods.

95 My Department will continue to monitor receipts over the next period and seek to analyse the impact of the budget measures on 2014 revenues.

Sir, overall in the first three months of the year, Departments and Committees underspent their authorised budgets by just under £0.9 million, or 1%. However, this overall underspend conceals a number of significant overspends and underspends.

100 In particular, the Health and Social Services Department has overspent its authorised budget in the first quarter by £1.5 million or some 5%. The majority of this is explained by the inability to deliver sufficient FTP benefits in the period. The Department has an overall FTP target for the year of £4.7 million which would equate to a monthly target of £0.4 million. However, it is important to note that even if the Department delivered £400,000 every month, it would still end the year with an overspend against its
105 authorised budget. This is due to the in-year impact of savings. In order to deliver the full value of the target in the year, the Department would have had to sign off projects with savings of the full £4.7 million in January 2014, which was never a realistic prospect. As each month passes therefore, the in-year benefit of any project diminishes, which places greater budgetary pressure on the Department. As a consequence of this and supplemented by pressure on both non-pay and income budgets, the Health and Social Services
110 Department is currently forecasting year end overspend in the range of £4.5 to £5 million or 4.3 to 4.8% of its overall net expenditure budget.

I previously outlined how the two Departments work closely in order to monitor the financial position. This includes monthly ministerial meetings with an agenda focused on progress with HSSD's financial recovery actions which incorporate FTP performance. As a result of this close working further significant
115 and targeted resource has been provided to the Department from within the FTP team in order to try and secure delivery of just under £2 million of savings which have been forecast for this year. However, there is an expectation that HSSD will be some £2.9 million short of its overall target by the end of the year, and I will return to this shortly when considering the FTP overall.

HSSD is not the only Department forecasting a year-end overspend. Although overall, and taking into
120 account the substantial budget reserve, the current forecast outturn for Departments and Committees is an underspend of under 1%, the three largest Departments are all forecasting overspends and citing the challenges in delivering their FTP targets as the cause.

The Education Department is forecasting an overspend of £2.7 million against its authorised budget. This is not at all unexpected, and arises largely as a result of the budgetary savings from FTP benefits
125 signed off, not accruing to the Department until after 2014. I am also holding monthly meetings with the Minister of the Education Department in order to closely monitor their financial performance.

It now seems almost certain that the known risk that these Departments will not be able to deliver all their FTP benefits by the end of the year will materialise. The risk was acknowledged in the 2014 Budget Report. An additional allowance was made in the 2014 budget reserve in order to deal with the risk that this
130 poses. This is now likely to be required to ensure the benefits from transformational projects which may take slightly longer to deliver are not jeopardised by a dash to deliver the cash by 31st December 2014.

Sir, the FTP is targeted to deliver at least £31 million of annual recurring savings by the end of 2014. The programme has to date signed off a total of £26 million. The delivery of projects that permanently
135 reduce revenue expenditure by £26 million per annum is a significant achievement. This States has committed to delivery of a target which means that at least a further £5 million needs to be delivered. It is fair to say that projects capable of delivering more than £31 million have been identified by Departments and the cross cutting teams. There are many projects and initiatives already underway which will see savings delivered in 2015 and beyond. However, the ability to deliver the remaining projects before the year end is now questionable without a renewed vigour and drive to complete this important piece of the
140 overall fiscal strategy to reduce the continuing deficit.

It is clear that the Health & Social Services and Education Departments will not deliver against their targets before the end of the year. That does not, and should not, mean that those savings identified should not continue to be delivered in 2015 and beyond. On the contrary those Departments understand that they must and they will continue to work towards their targets in 2015 and this will be factored into the 2015
145 Budget Report.

As I have previously said, transformation, change and improvement cannot stop at the end of the FTP this year. There will be an ongoing need for Department targets and Government's continuous improvement in efficiency to ensure that both the existing deficit and future unavoidable cost pressures can be mitigated and sustainably funded, and my Department will formulate proposals in this respect for consideration as part of the 2015 budget.

We should also bear in mind that staff pay is the single largest cost item in our budgets. It makes up 70% to 80% of most Departments' costs. In 2013 with voluntary severance and other measures, the average number of full time equivalents employed in public services fell by 72, or 1.6%. We need to continue to keep our pay bill and staff numbers under review.

Before closing, sir, I would like to briefly mention two other matters. In the 2014 Budget Report, States Members were advised the Health and Social Services Department would submit a States Report on the future of the Ambulance Service in the first half of this year. This would include proposals for the repayment of the loan made in 2012 as well as the future service model and financial arrangements. I understand that the Department may not now be in a position to submit by June, due to ongoing work and discussions with St John, but the HSSD Minister has assured me that his Department will report back to the States at the earliest opportunity this year.

Secondly, it had been my Department's intention to submit for consideration at the June meeting of this Assembly the accounts for the States for 2013. This is the first set of accounts that have been put together following the reimplementation of the SAP system at the beginning of 2013. Although the audit process is largely complete, and we met with the auditors yesterday, my Department, supported by the Public Accounts Committee, has decided to delay consideration of the accounts as last year to the July States meeting. This will ensure that final quality checking and formatting can be done without unnecessary time pressures. It is our intention to publish the accounts in the regular July Billet rather than a special Billet and therefore the practical impact of this is that they will be published just over two weeks later than if they were to be tabled for the June meeting.

In closing, sir, I must stress the need for the States to continue to focus on expenditure restraint. The FTP has delivered considerable benefits to date, but still has a gap to close by the end of the year. Notwithstanding delivery against that target, a stubborn budget deficit remains and the ongoing sluggishness of our revenue income during the economic recovery means that we cannot rely on income growth closing the gap.

It is my intention to continue to keep Members regularly updated about our financial position. I therefore anticipate making a further statement to the Assembly in September.

The Bailiff: Do any Members wish to ask any questions arising in the context of that Statement?
Deputy Gollop.

Deputy Gollop: Sir, a question that many Members and officers are beginning to ask is: 'what will replace FTP?' Now the Minister has given us some indications but is the Minister and the Department able to give us assurance of a timeline really of announcing the next stage of a fundamental transformation or efficiency or staff reduction programme in some way shape or form?

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I think the Policy Council indicated in the annual report on the FTP, which was debated, I think, in February this year, that it was Policy Council's intention to outline its proposals for post-2014 transformation in a report later this year. So I would expect that to be probably the final quarter of this year now, sir.

The Bailiff: Deputy Sillars.

Deputy Sillars: Sir, would the Treasury and Resources Minister agree with me that the Education Department's forecast overspend is entirely due to the timing of FTP benefits? For example, college grants funding will deliver another £0.7 million. Post-2014 transformation of our primary education will deliver almost £720,000 in reduced expenditure, but not for this year. In December 2014, we are currently forecasting a shortfall of £800,000 against our FTP and there has always been a disconnect with the timing of our FTP savings and our cash limits.

However, to address our shortfall, the Department has identified a further £1 million in potential projects that they will be pursuing with delivery after 2014. So we are continuing the FTP beyond 2014 and we understand the need to reduce expenditure and play our part – I have not finished – we also knew and made it clear to Treasury and Resources that hitting our five-year departmental targets within the three

years was not going to be achievable. Indeed that is why our counterparts in Jersey were given an extra two years to hit their Department efficiency savings.

And as a final question, (*Laughter*) would the Treasury and Resources Minister agree that Education has done remarkably well (*Laughter*) to get this close to its target in the time frame, particularly with regard to the under-delivery of cross-cutting initiatives within the FTP portfolio?

Thank you, sir.

The Bailiff: That was a statement rather than a question, Deputy Sillars.

Deputy St Pier, can you identify a question in there?

Deputy St Pier: Yes I think I do identify a couple of questions in there, sir. (*Laughter*) It is remarkable that Deputy Sillars prepared that without having seen my statement beforehand. (*Laughter*)

Sir, yes, as my Statement indicated, Education's financial position is not a surprise. It was well forecast and indeed has been planned for through the budget reserve – a much higher budget reserve over £19 million that we put into the budget reserve last year, precisely in anticipation of some of the challenges which we knew both Education and Health and Social Services Department would face and that has been acknowledged in my statement, sir.

The other comment I would make is Education have identified significant savings that they believe they can deliver from the end of this year and up to the end of 2017 which is very encouraging, which is an encouraging start to the post FTP transformation programme that was referred to in the previous question, sir.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, bearing in mind what the Minister has said regarding the inability of HSSD to meet its FTP target, the Public Accounts Committee and other reports into the Department as well as major contracts coming up for review, does he not agree with me that a full and comprehensive ground-up review of services provided by HSSD is undertaken as a matter of urgency?

The Bailiff: Deputy St Pier.

Deputy St Pier: I certainly agree with Deputy Soulsby again, as I have expressed before, that Health and Social Services Department has many financial management challenges and it is therefore very difficult for any of us in this Assembly to say whether HSSD is over or under funded until such time as we have established a good financial management framework that enables us to budget and forecast the needs of that Department properly. That indeed will require a good understanding and analysis of future demand, which I think is the premise underlying Deputy Soulsby's question.

So, I certainly agree that that work is necessary. It is a question of the time at which that work is undertaken in light of all the other pressures on the Department.

The Bailiff: Deputy Langlois and then Deputy Trott.

Deputy Langlois: Sir, in the light of the overall financial situation we have just heard about, would the Minister agree with me that we should here recognise and applaud the restraint shown by employee organisations when negotiating pay settlements (**A Member:** Hear, hear.) across 2013 and 2014, and hence the part played by all our employees in contributing to getting the books balanced?

Several Members: Hear, hear.

Deputy St Pier: Sir, absolutely, I think I absolutely applaud that sentiment. It is very important that recognition is given to the part which has been played by the public service employees in pay restraint as being an important contributory factor to controlling expenditure. As I indicated in my statement, with 70% or 80% of our budget largely being taken up by pay, it will remain an ongoing pressure. That is the reality in which we are currently operating, sir.

The Bailiff: Deputy Trott.

Deputy Trott: Sir, may I start by thanking the Treasury and Resources Minister for the update.

Sir, can I make the point that the forecast overspend for HSSD equates to £80 for every citizen in this Bailiwick. And would the T&R Minister agree with me that if this Assembly allows overspends of £5 million per year against the HSSD budget to continue most, if not all, of the budgetary benefits of the FTP

so far would be lost within a single term of this Assembly and *consequently* it would be the failure of this Assembly in terms of cost control that results in the introduction of a goods and services tax?

270 **The Bailiff:** Deputy St Pier.

Deputy St Pier: I am not sure all of that question arose from the Statement, sir. But yes, clearly this States' biggest challenge is ensuring that we do have good expenditure control. We have known for some time that HSSD, as our largest Department with the largest expenditure, is our biggest challenge. And as a
275 follow up to the previous question, given some of the financial management and reporting resource challenges within that Department has merely compounded the task with which we are faced. Clearly we cannot continue to allow any Department, but particularly our largest Department, to continue to overspend. But again on the back of Deputy Soulsby's question we clearly have to get to a point where we have established a sensible baseline budget for that Department and until we have undertaken both of those
280 pieces of work then to some extent we are reacting to and managing the situation.

The Bailiff: Deputy De Lisle.

Deputy De Lisle: Sir, can I ask are we likely to see further deterioration from 2013 in the overall deficit, or is the Minister hopeful of some improvement?
285

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I think I left my crystal ball at home this morning. (*Laughter*) It is clearly very much dependent on the revenue position, and as identified we will have greater clarity on that, I would hope, by the time I am able to make a statement in September. If in the meantime all Departments are able to continue to keep good cost control which clearly has happened in that overall, we are still forecasting – we have had overall underspends in the first quarter and that we will be operating within our budget reserve. Then if those two conditions continue to apply then I would hope that we would be able to function
295 within the budget deficit that was forecast for this year.

The Bailiff: Any more questions? Yes, Deputy Brouard.

Deputy Brouard: Thank you, sir.
300 Would the T&R Minister extend to HSSD the full support and resources of his Department to assist us in resolving some of the issues we have with finance, because we have at times struggled being hit with one stick that says you must get on top of these particular expenditure items and then no resources are forthcoming to actually make that come about? So we cannot have the bun and the penny. If the Minister just could confirm that his Department would fully support us in these endeavours.

305 Thank you, sir.

The Bailiff: Deputy St Pier.

Deputy St Pier: Sir, yes, I am happy to confirm that my Department is fully supportive of providing the resources that are required. In my monthly meetings with the Minister for HSSD, resources are always an issue which is addressed, and I have certainly received confirmation from HSSD, from the Minister of HSSD, that the Department has received all the support that has been requested from my Department and indeed that has involved assistance from other Departments as well.

315 There are a number of key vacancies. Those are currently being advertised and it is hoped that those will be filled shortly, but in the meantime I am pleased to say that the Departments have co-operated well and the Minister has confirmed that resources in terms of the requests that have been made have been met wherever possible.

The Bailiff: Deputy Brouard.
320

Deputy Brouard: Just a supplementary, sir. Would that include funding for key posts, sir?

The Bailiff: Deputy St Pier.

325 **Deputy St Pier:** That has not been a barrier to the discussions so far. The two key posts which I understand are required to be filled and which are being advertised are within the Department's existing budget as far as I am aware. There has not been a request for additional funding resource.

The Bailiff: Deputy Trott.

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

Sir, Deputy St Pier and his Department have been strong supporters of economic growth as evidenced by their provision in a recent budget of an economic development fund. Growth in the economy remains sluggish. Is the Minister aware of any tricks that we may be missing with regard to economic stimulus?

335 **The Bailiff:** Deputy St Pier.

Deputy St Pier: I was rather hoping that, in posing that question, Deputy Trott would perhaps have the answers – he often does! (*Laughter*)

340 **A Member:** Hear, hear.

Deputy Trott: Happy to discuss with Deputy St Pier if he wishes, sir.

The Bailiff: Thank you. Any further questions? No.
345 Well, before we move on to the next Statement, those who wish may remove their jackets.

**Confidentiality provision re the *Schofield* case –
Statement by the Minister of the Treasury and Resources Department**

The Bailiff: Deputy St Pier, you have another statement to deliver.

Deputy St Pier: I do indeed, sir, thank you.

350 Sir, I should emphasise that I do not intend to make a statement on each occasion that the States reaches an out-of-court settlement. However, I recognise that because this settlement in the *Schofield* case is the first significant settlement since the *AFR* case and because it is also the first settlement since the Code of Practice for Access to Public Information, which the Chief Minister referred to, formally came into practice on 31st March 2014, it is a matter of public interest.

355 However, we should remember at the heart of this case is the late Mr Schofield, his widow and their family, and firstly, therefore, I should like to express regret for the additional distress Mrs Schofield and her family are undoubtedly experiencing as a result of the attention this matter is attracting.

360 In this particular case, following an inquest into the death of Mr Schofield whilst in the custody of the Prison, a claim was made by Mrs Schofield against the States of Guernsey acting through the Home Department and a former employee. This claim sought damages in connection with Mr Schofield's death, alleging amongst other things negligence and a breach of the duty of care owed by the States of Guernsey to Mr Schofield. As this claim fell within the States of Guernsey's insurance arrangements, as is normal, the matter has been handled by claims handlers on the States of Guernsey's and insurer's behalf.

365 The Treasury and Resources Department is mandated to be responsible for the insurance of States activities and resources and the management of any legal claim is based on advice received from our insurers and our legal advisers. Where a claim is made under the States' insurance programme, the claims handlers may choose to instruct external lawyers if the claim is litigious. This is what happened in this case. It is neither a one-off decision nor a change in policy. It is simply part of the insurance arrangements and has been the case for many years.

370 In this case on 16th May 2014, an out-of-court settlement was reached at a significantly lower figure than the original claim made, subject to a confidentiality provision. The confidentiality provision was inserted as a condition of the settlement at Mrs Schofield's specific request for personal reasons. Neither the Home Department nor the Treasury and Resources Department sought, requested or needed such a provision.

375 However, in light of the expediency required in securing the settlement before the case proceeded further, I authorised the acceptance of this condition. I took this decision in good faith, in the best interests of the States of Guernsey, in the context of the effective management of the financial interests of the States, not least to reduce the risks and costs associated with proceeding through a full court case. This decision was unanimously ratified by the Treasury and Resources Department at its meeting on 27th May 2014.

380 I wish to take this opportunity to make some generic comments about confidentiality provisions. They are, of course, a standard feature of many litigation settlements, for a variety of reasons, including for example to protect the privacy of those involved, to avoid emotional distress or upset, to protect

commercial interests or to limit future claims as confidentiality can deter spurious similar claims being made in the hope of a windfall.

385 The States have a duty to the public and the insurers to limit claims against the States and the costs thereof. This means that the detail of such settlements cannot always be disclosed. The use of confidentiality provisions should not be sensationalised as secret but recognised as sometimes being necessary. There is an important balance to be reached between the needs for openness and transparency and the need to safeguard the public purse and protect individuals' rights of privacy.

390 The principle of openness not being absolute and subject to some limitations is recognised with the Code of Practice for access to public information. The policy on the use of confidentiality in contracts and agreements within that Code of Practice states that the inclusion of confidentiality clauses can be agreed, where it is necessary and justifiable, but not simply to avoid the prospect of disclosing information.

395 The Treasury and Resources Department is content that the use of confidentiality clauses in some litigation settlements does meet the aims of the Code of Practice taking into account the need to balance the public interest in maintaining confidentiality against the public interest in making the information publicly available, and recognising that in some cases concluding an agreement is dependent on the inclusion of a confidentiality clause.

400 A Departmental policy is being developed to set out the circumstances in which it would be appropriate for a confidentiality clause to be included within an insurance claim settlement and on whose authority inclusion of such a clause would be agreed.

I would add finally, that as a general principle where a confidentiality agreement has only been agreed at the request of another party, if that party decides they no longer wish the confidentiality agreement to be binding then nor should the States.

405 Sir, I am aware that some Deputies may have questions in relation to this statement. I hope that in framing these they will respect the feelings of the Schofield family.

Thank you, sir.

The Bailiff: Are there any questions? Deputy Kuttelwascher.

410 **Deputy Kuttelwascher:** Sir, would the Minister agree with me that should the media decide to further report on this subject they should restrict any comment to what is actually in the public interest, (**A Member:** Hear, hear.) rather than what may be of interest to the public?

Thank you, sir. (*Laughter*)

415 **The Bailiff:** Deputy St Pier.

Deputy St Pier: Yes. (*Laughter*)

420 **The Bailiff:** Deputy Gollop.

Deputy Gollop: Sir, along with the review from time to time of the philosophy of confidentiality agreements, will the Department be considering – without going in to the specifics of this case, which I agree are highly sensitive – the criteria for considering a counterclaim and whether to go through with that or not? In what circumstances would the States counterclaim and after a significant period has elapsed and then decide not to do that?

The Bailiff: Deputy St Pier.

430 **Deputy St Pier:** Sir, I do not think the Department, or indeed the States, could draft a policy that could seek to lay down when the States should or should not issue a counterclaim in any case in which it is involved. I think that would entirely turn on the facts of each individual case. Again acting on advice from insurers and the States' legal advisers, those decisions I would think need to be made on a case by case basis, sir.

435 **The Bailiff:** The Procureur.

The Procureur: I think Deputy Gollop probably meant an indemnity anyway, but I think the answer of the Minister is quite right.

440 **The Bailiff:** Any further questions? No.

Questions for Oral Answer

POLICY COUNCIL

International and external affairs – Co-operation with States of Jersey

The Bailiff: In that case, we move on to Question Time.
Deputy Gollop has two questions to address to the Chief Minister.

445 **Deputy Gollop:** The questions are directed to the Chief Minister. The first question is – thank you, sir – in view of the success of the new or newish Brussels Office and the optimism generated by the newer Caen joint venture for the Normandy links, does the Policy Council anticipate further bridge building and co-operation with the States of Jersey on the international and external affairs stage of activity?

450 **The Bailiff:** The Chief Minister to reply.

The Chief Minister (Deputy Le Tocq): Sir, the Islands of Guernsey and Jersey are frequently known as the Channel Islands outside of the Bailiwick, and it is increasingly important that we target any misperceptions about the Islands together. This is one of the main reasons that the Policy Council continues to work closely with the States of Jersey's Department of External Relations in our international engagement and to work on joint initiatives. It is often in our mutual interest and has the added benefit of providing for wider efficiencies.

455 The Channel Islands Brussels Office (CIBO) provides an invaluable service and is an excellent example of this sort of inter-island co-operation. The Caen office, to be known as *Bureau des Iles Anglo-Normandes* (BIAN), provides an exciting opportunity for the Islands to work more closely in the relationship with regional and national administrations in France.

The Bailiff: Deputy Gollop, do you have a supplementary, or your next question?

465 **Deputy Gollop:** My second question, which is linked really, is: will the Chief Minister and Policy Council be continuing and strengthening the success of his predecessors in working together constructively with our sister Isle of Jersey on issues as diverse as joint regulation, comparable legislation in appropriate areas and tourism transport budgets and infrastructural commercial development opportunities, and positive possibilities?

470 **The Bailiff:** Chief Minister.

The Chief Minister (Deputy Le Tocq): Yes. The Policy Council continues to liaise and work closely with counterparts within the States of Jersey where it is of mutual benefit for meeting the Island's strategic objectives, where it assists in making financial savings, or it simplifies the ability for the commercial sector to operate in each Island or it helps ensure that the services provided to residents are efficient and of sufficient quality.

475 I remain in regular contact with Jersey's Chief Minister and Minister of External Relations to discuss how the Islands are working closely together and in order to find new opportunities to explore. This work continues across the Policy Council. For example, the Treasury and Resources Minister also has a very close working relationship with the Treasury Minister in Jersey and I will continue to encourage co-operation between the Islands where those benefits exist.

The Bailiff: Deputy Gollop.

485 **Deputy Gollop:** A supplementary: in a recent BBC interview, the Commerce and Employment Minister, Deputy Stewart, correctly identified that his Department does not really have the budget for television advertising of the Island, unlike Jersey. Would there be a case made to consider for certain niche markets a joint televisual campaign which the two Islands could share and get equal benefit from?

490 **The Bailiff:** Deputy Le Tocq.

The Chief Minister: On matters of specifics, I think those sort of questions should be referred to the Departments concerned. But all things will be considered and that is very much the policy and the atmosphere in which we are working and co-operating with our sister Island at this moment.

The Bailiff: I see no-one else rising to ask any further supplementary...
Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.
I am not sure if this is permissible but I am going to ask a question regarding... Jersey have a far more proactive approach to the freedoms of sex offenders – for example, they have implemented Clare’s Law and Sarah’s Law. Can the Minister give me an assurance that we will monitor the development of the implementation of those kind of laws in Jersey and if we consider them to be beneficial to Guernsey, can he give me an assurance that we will indeed give that serious consideration?

Thank you, sir.

The Bailiff: I am not sure that that is a supplementary arising out of the answer you delivered – Deputy Le Tocq?

Deputy le Tocq: I think if Deputy Queripel has concerns with regards to the matters he has raised, he should raise them with the Home Department Minister. But I can say from my own experience that the improvements that we have made in Guernsey in that respect have made our legislation – our current legislation – far more appropriate and proportionate for Guernsey to provide the same outcomes than that sort of legislation provides in Jersey and in other jurisdictions.

The Bailiff: I see no-one else rising, so we will move on, Greffier, to legislation.

Billet d’État X

I. The Merchant Shipping (Bailiwick of Guernsey) (Amendment) Law, 2014 approved

Article I.

The States are asked to decide:

Whether they are of the opinion to approve the draft Projet de Loi entitled “The Merchant Shipping (Bailiwick of Guernsey) (Amendment) Law, 2014”, and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

The Deputy Greffier: Sir, Billet d’État X, Article I – The Merchant Shipping (Bailiwick of Guernsey) (Amendment) Law, 2014.

The Bailiff: This is at page 1 of the brochure. Is there any request for any debate or clarification? We go to the vote then. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

II. The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2014 approved

Article II.

The States are asked to decide:

Whether they are of the opinion to approve the draft Ordinance entitled “The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

530 **The Deputy Greffier:** Article II – The Disclosure (Bailiwick of Guernsey) (Amendment) Ordinance, 2014.

The Bailiff: Any requests for clarification or debate? We go to the vote. Those in favour; those against.

535 *Members voted Pour.*

The Bailiff: I declare it carried.

**III. The Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Ordinance, 2014
withdrawn with leave of the Assembly**

Article III.

The States are asked to decide:

Whether they are of the opinion to approve the draft Ordinance entitled “The Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

540 **The Deputy Greffier:** Article III – The Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Ordinance, 2014.

The Bailiff: Mr Procureur.

545 **The Procureur:** I am going to have to seek the leave of the Assembly to withdraw this Item from this month, just temporarily and bring it back in July. Without going into any great detail, it is all to do with compliance with FATF requirements. It says the same thing as legislation in other places, but at the April FATF Plenary meeting it become evident that it would not pass muster for technical reasons with the Financial Action Task Force, so we will bring it back in July in its correct form.

550 **The Bailiff:** So Members, the motion is that this be withdrawn. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it withdrawn.

IV. The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Ordinance, 2014 approved

Article IV.

The States are asked to decide:

Whether they are of the opinion to approve the draft Ordinance entitled “The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

555 **The Deputy Greffier:** Article IV – The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Ordinance, 2014.

The Bailiff: Any requests for debate or clarification? No? Those in favour; those against.

560 *Members voted Pour.*

The Bailiff: I declare it carried.

V. The Drug Trafficking (Bailiwick of Guernsey) (Amendment) Ordinance, 2014 approved

Article V.

The States are asked to decide:

Whether they are of the opinion to approve the draft Ordinance entitled “The Drug Trafficking (Bailiwick of Guernsey) (Amendment) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

565 **The Deputy Greffier:** Article V – The Drug Trafficking (Bailiwick of Guernsey) (Amendment) Ordinance, 2014.

The Bailiff: Any requests for debate or clarification? No? Those in favour; those against.

570 *Members voted Pour.*

The Bailiff: I declare it carried.

VI. The European Communities (Bailiwick of Guernsey) (Amendment) Ordinance, 2014 approved

Article VI.

The States are asked to decide:

Whether they are of the opinion to approve the draft Ordinance entitled “The European Communities (Bailiwick of Guernsey) (Amendment) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

575 **The Deputy Greffier:** Article VI – The European Communities (Bailiwick of Guernsey) (Amendment) Ordinance, 2014.

The Bailiff: Any requests for debate or clarification? We go to the vote. Those in favour; those against.

Members voted Pour, one Member voted Contre.

580 **The Bailiff:** I declare it carried. *(Laughter)*

**VII. Treasury and Resources Department –
Income Tax: Restriction on Tax Relief for Interest Paid) –
Propositions carried**

Article VII.

The States are asked to decide:

Whether, after consideration of the Report dated 21st March, 2014, of the Treasury and Resources Department, they are of the opinion:

- 1. To rescind Resolution 13A of Billet d’État XXI of 2013, except to the extent that it applies in respect of section 1 of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007.*
- 2. To approve the introduction of a cap on the amount of tax relief on interest paid in respect of a principal private residence at a rate of £25,000 per individual borrower, with effect from the Year of Charge 2014, in addition to the existing cap of £400,000 on the value of the money borrowed in respect of that residence.*
- 3. To approve the draft Ordinance entitled The Income Tax (Tax Relief on Interest Payments) (Guernsey) (Amendment) Ordinance, 2014, and to direct that the same shall have effect as an Ordinance of the States.*

The Deputy Greffier: Article VII – The Income Tax (Tax Relief on Interest Payments) (Guernsey) (Amendment) Ordinance, 2014.

585 **The Bailiff:** Treasury and Resources Minister.

Deputy St Pier: Sir, I do not know whether you wish to deal with this until after we have dealt with the States Report?

The Bailiff: Yes, well I was assuming we would take both together at this stage. It is not a separate item on the Agenda, so do you wish to open debate on the States Report?

Deputy St Pier: I will, sir.

Sir, Members may recall that during the debate on the 2014 Budget Report last October, Deputy Bebb laid an amendment which purported to place a cap on mortgage interest relief at £25,000 per person. Now whilst this only impacts four taxpayers at present, the effect of this is to mitigate the risk to the States, of course, if interest rates rise in the future.

However, as drafted it inadvertently caught all property and the impact of this on the wider property market and the commercial sector in particular would be significant. The purpose therefore of this short Report and the legislation is to give effect to the amendment as debated.

Sir, before bringing this Report, the Department consulted with the Guernsey Society of Chartered and Certified Accountants. It also consulted with the Housing Department, whose letter of comment is at page 1003 of the Billet, and we are grateful to the Housing Department for their unequivocal support.

When it became apparent that this Report would be brought to the States, I did speak with Deputy Bebb who acknowledged the position. Quite reasonably he asked me to explain in debate for the benefit of States Members, and indeed the record, the rationale for granting interest relief against rental income, which I undertook to do.

Sir, there are exceptions, but it is a general tax principle that the cost of earning income should be deducted from that income so that only the profit is taxed, and this is clearly understood in the context of a trading business. So for example if a business borrowed to purchase a piece of plant and machinery the interest on the loan could be offset against the interest earned from its use in the business. And the same principle applies to letting property where the cost of earning the rent includes any cost of borrowing.

Rental income from Guernsey-based property is subject to income tax in Guernsey at 20% irrespective of whether the taxpayer is tax resident in the Island or not and also irrespective of whether the taxpayer is an individual or a company. In other words, to be clear, the Zero-10 corporate regime does not apply to Guernsey rental income.

Subsequent to my conversation with Deputy Bebb, Deputy Harwood contacted me with a more narrowly focused question. Accepting the need to grant tax relief on loans related to commercial properties, Deputy Harwood questioned whether granting it on loans for residential properties contributed to higher property prices. In responding to Deputy Harwood, I advised that my Department has no reason to depart from the long-established principle of taxation that I referred to earlier, of granting relief to a taxpayer for the cost of earning an income.

However, as I have said many times before my Department remains very open to discussion with other Departments and particularly, as they know, Housing and Environment Departments, to use the tax system to achieve other non-fiscal policy objectives. So for example, if it was felt that there was merit in having higher rates of TRP on derelict properties, or properties which have had long standing planning consents for example, we would be very pleased to explore any such ideas.

In this case, therefore, if the Housing Department felt that the current tax relief for residential lettings was distorting the market place, I am sure that they would advise us accordingly, and on the contrary the letter of comment is supportive of the *status quo*, and therefore, sir, I seek support from the Assembly for the Propositions.

The Bailiff: Deputy Dave Jones.

Deputy David Jones: Thank you, Mr Bailiff, Members of the States.

I just want to briefly expand on the comments made in the Housing's supportive letter of comment, which is appended to the T&R Report. If you cap interest tax relief in a way that discourages investors from buying and letting properties, you risk restricting the growth of the private rental sector. To us, it is vitally important that we increase the number of rental properties, if we are to keep social housing waiting lists down, and to encourage people to look at options other than home ownership.

Deputy Harwood seems to make the point, and you heard the Treasury Minister refer to something that Deputy Harwood said, that if you create too favourable a market for investment in buy-to-let properties, then you increase competition for those properties and drive prices up, which in turn forces landlords to charge higher rents as a means to recouping their investment. But then again, a heated buy-to-let environment also exerts a downward pressure on rental prices too. The more properties available for rent, the more landlords need to do to attract tenants, and one way to do this is to undercut the competition by of course charging less rent.

Ultimately, however, it is cyclical because if rental income drops too far, then buying to let becomes less attractive regardless of the absence of a cap on interest.

In short the Housing Department believes that a cap in interest relief on property investments is likely to do more harm than good. Are the proposed new rules discriminatory against home owners and prospective home owners? Well, they are insofar as the cap would affect them and not investors.

But from Housing's perspective, the pertinent question is whether such discrimination would have an adverse effect on the housing market, and we do not think that it would. If tax relief on mortgage interest was completely uncapped, first-time buyers could in theory afford to borrow more because all of the interest would be subject to tax relief. They would save money and they would take this saving into account when working out how much they could afford to borrow.

However, the States has already agreed to cap at £400,000 the amount of money on which tax relief on interest is paid, so there is already a limit to the extent to which first-time buyers can enhance their purchasing power, and in Housing's view introducing a £25,000 cap on the value of the tax relief is not going to further reduce their purchasing power to the extent that it would adversely affect the market.

So for all these reasons Housing stands by its letter of support to the T&R Report.

Thank you.

The Bailiff: Deputy Harwood, then Deputy Gollop.

Deputy Harwood: Thank you, sir. I thank the Minister for Treasury and Resources also for acknowledging the question that I had raised by e-mail with him.

My concern with this particular amendment, firstly I actually challenge the basis upon which it is assumed that there was an error when this was originally debated, because the whole purpose of imposing the cap on the amount of interest that can be claimed was in recognition that as interest rates start creeping upwards there is a diminution, or potential diminution, of the amount of income that goes to the States of Guernsey because the greater the amount of interest paid by the commercial sector in particular, the less and to the extent that tax relief is allowed against that, then there will be an inevitable reduction in the amount of interest that is earned by the States of Guernsey. So the imposition of a cap on the amount of interest that can be claimed, I would argue actually should apply or there should be an equivalent on the commercial sector.

However, my real concern, and the reason I raised this with the Treasury and Resources Minister, and also by copy to the Housing Minister, was that this actually throws into stark relief what I believe is a discriminatory practice. By the whole purpose of allowing tax relief on interest, there is a distinction between the tax relief on interest payments for a principal private residence, which is for the person who is buying a property for his own occupation, and there is a separate set of rules which applies to tax relief on interest payments for let property. Now, my question is, and I would ask both the Treasury and Resources Department and also the Housing Department to reconsider, in fact whether it is sustainable to have this distinction because I would argue that actually as we have concerns about the availability of property, affordable property, for first-time buyers for the Guernsey – for the people who actually want to occupy property themselves rather than for commercial purposes – the concern I have is that there is a supply and demand issue. Now the supply side is being dealt with, I believe, by the Housing Department in relation to housing target areas and things like that. But on the demand side, demand can be affected by the preferential treatment that is available for the commercial sector, for people who want to buy property to let, which is not available to the owner-occupier. Therefore I would argue there is discrimination and I think this needs to be addressed.

I have raised this in the context of this particular amendment because I believe it does actually throw the whole situation into stark relief. There is a discriminatory practice. I believe it could affect the demand side of the equation because effectively the taxpayer is subsidising the commercial sector in terms of providing tax relief and subsidy for the capital value they are prepared to put into the property, and therefore by doing so there is increasing of the demand or potential demand for property for residential property in Guernsey which I believe is detrimental to certainly for first... not only for first-time buyers but all the way up the chain as people want to move up the chain of property ownership.

So I will certainly particularly vote against the Ordinance but I would also in any case ask both the Treasury and Resources Minister and the Housing Minister to consider the effectiveness and the appropriateness of continuing this discrimination.

Thank you, sir.

The Bailiff: Deputy Gollop.

Deputy Gollop: Deputy Harwood has made a very thought-provoking speech here, and I think actually he is advising us to vote against the Ordinance. I must admit I have got reservations about the methodology

710 by which this has come to us. I sit, as you know, on the Legislation Select Committee and I had some of these discussions with some of the Members when this came before us, a bit unexpectedly, because it was very much urged on us to work on this relatively expeditiously.

Deputy Bebb is not here, which of course perhaps limits debate on his intentions for the original amendment, and I was concerned when I first saw this that Treasury and Resources were amending the
715 budget half way through the year in a sense and could, or perhaps should, have advised us of these consequences and ramifications in the period leading up to Christmas. Because the way it seems to me is the States in good faith listened to Deputy Bebb's points of view, we voted for something that had been drafted and then the professional experts – the corporate lobby, the accountants, land agents, real estate and so on, advised us that we were possibly doing something silly.

720 Now the way it seems to me is that we had opened ourselves to the possibility, perhaps unwittingly, of causing a shock, a downturn in our tenant landlord market, the one Deputy Jones has referred to, which we should be encouraging. In fact I think we should go much further. I think Housing should work with the Policy Council at the next stage of the corporate programme on a landlord strategy, which would involve maybe statutory controls, regulation, direct encouragement to rental buy, all kinds of things, maybe taking
725 on some of the States older stock as they build new stock. I think we are looking for that rather than more than a piecemeal approach. But as far as this goes, my problem with it is that we are chaotically interfering with housing and taxation policy, without really not only not knowing what we are doing, but not having a clear philosophy of where we are going.

To cite an example, Deputy St Pier gave a statement only a few minutes ago really, about the disappointment that house sales had been more sluggish than usual. Now that could indicate that the house prices are too high for the market, or it could indicate that there is insufficient demand in the market.

Now clearly, Deputy Harwood has intimated, and I think it stands from the evidence that we have got before us, that imagine a little house somewhere up the Grange, or quite a big house up the Grange, as it would occur to me if it was purchased by a local man or a local couple they would be subjected not only to
735 the £400,000 cap but the £25,000 interest cap but a corporate company that was letting the property would not be. And those owners might not even be Guernsey people in any way. They could be living in London, the Middle East or Europe or anywhere. So in a way the cost of property is cheaper to them than it is to a local resident, at least as far as a home is concerned. We are having a policy here whereby it would make more economic sense to be a landlord than to be a homeowner.

740 And also that for your first home that you live in yourselves you are restricted, but for the second home that you buy to let you would not be financially in quite the same way.

In a way it is Zero-10 all over again. The paradox of this is the House supported Zero-10 and now we are not too sure about it because effectively Zero-10 was enabling an enterprise culture within corporate bodies for all the good reasons that they bring employment and economic generators of money, whilst
745 implying that the local person who was resident here would have to pay a bit more in tax whether through appropriated capital apportionments or whatever and this is the same principle.

It is actually logical that we support this today, I have to say. We also have to be cautious when people involved in the offshore sector advise us that we could be losing business. And as Deputy St Pier has already said the last thing we want is to see a depression in our property prices, because then of course, not
750 only do we probably see a decline in the building and maintenance sectors but we would certainly see a decline in State revenue based upon the Document Duty. So we are really between the devil and the deep blue sea on this one. Because we have not got clear policy direction, and I agree with Deputy Harwood when he said at the end of the population debate that what we actually need is to increase the supply of properties to rent and to buy for our local people.

755 I think the lesson to be drawn from this is to be cautious – this applies to me too – at supporting hastily drafted budget amendments that have not had professional advice and not just through the States, but from experts in their field.

The Bailiff: Deputy Storey.

760 **Deputy Storey:** Thank you, sir.

I just would like to respond to some comments that have been made in this debate. First of all, sir, I have to declare an interest in that I do own two properties which I rent. Having said that the main point I wanted to address was Deputy Harwood's contention that there is discrimination between two types of property
765 owner.

The point I would like to draw to everyone's attention is the point that actually Deputy St Pier made in his introduction of this, and that is that whatever we do we will be discriminating. Because on the one hand, as Deputy Harwood stated, there is discrimination between somebody who buys a house for their own occupation and there will be a different set of circumstances applied to somebody who bought a property
770 for rent. On the other hand, sir, if we change the rules on buying property to rent, effectively we are

discriminating against investment in property as against investment in other forms of profit generation on the Island. Why should somebody who is going to invest in a building in order to produce something or to provide a service get interest relief when somebody who is purchasing a property in order to rent it to people should not get that relief? If we discriminate this in this way against people who are going to invest in property for rent then it seems to me that we are likely to reduce the amount of property that is going to be available for rent in the long term, because people will find other more attractive areas in which to invest money.

We on this Island, one of the biggest problems we have is housing. And a large proportion of people when they are setting up their homes cannot afford to buy a property because they need a deposit, and that is one of the reasons why Housing Department have gone into shared equity. But a lot of people go into rented property for a period in the hope that they are going to be able to save up the money for their deposit while they are in that rented accommodation. If that rented accommodation is not available what do they do? And we are short of rented accommodation as it is. So it seems to me to be quite daft for this Assembly to adopt a policy which is effectively going to reduce the amount of rented property that is going to be available for people to rent on this Island.

Whilst I acknowledge that there is an inconsistency in the property market, I think to go to the situation that is being suggested would in fact bring an inconsistency in terms of investment in property or other assets, and which it is discriminatory. In addition, it would have the unfortunate side effect of reducing the amount of property available for people to rent whilst they try to get themselves on the property ladder.

So, I would ask everybody to support the proposals in this Report and to go ahead on the basis recommended by Treasury and Resources Department.

Thank you, sir.

The Bailiff: Does anyone else wish to speak? No?

Deputy St Pier.

Deputy St Pier: Thank you, sir, and thank you to those that have spoken.

Deputy Harwood challenged the premise on which this Report was brought, but actually if you go back and read the *Hansard* debate at the Budget time, the discussion was all around this cap applying in respect of mortgage interest relief. All the discussion of the impact and the numbers and so on that would be affected was in that context.

Deputy Harwood's analysis is seductively simple, but I would urge Members of this Assembly to recognise, as Deputy Gollop has, that the property market is fragile and that we do risk 'chaotically interfering in the market' is a phrase which he used. The property market is... There are a number of variables to consider. Of course supply is one that has been referred to in debate. Access to borrowing is another and as we know that market is changing all the time, both locally and nationally with the change in the monetary policies nationally. Then of course we then have the question of confidence – individual buyer confidence – to actually commit to the market place. So it is much more complicated than a simple relationship between some people obtaining a tax deduction on rental properties and others not.

Deputy Storey also spoke about distorting the market and I think that is right. If we were to say this should only apply to those who buy to let residential properties, then clearly those who wish to invest in property will switch to other asset classes including of course potentially commercial, and then you have got a debate about what is residential and what is commercial, and you end up distorting the market at that level.

The question of discrimination – well, of course, we already do discriminate, as Deputy Storey has said. In relation to home owners, of course, we discriminate in that if you rent, you do not get a tax deduction for the rent that you pay for your living accommodation – perhaps you should – whilst if you buy, you do get a tax deduction in respect of the interest that you pay. So that is already a discrimination which exists in the market place.

In short, what I am saying, sir, is that this is a much more complicated picture and we do risk meddling with it at our peril. It is something that requires considerable and detailed consideration. As I referred to in my opening speech, sir, there are a number of fiscal levers which are available to Treasury and Resources to recommend to this Assembly to influence and use in the property market. They are not measures which we would seek to deploy for fiscal reasons to either raise more or less revenue, but nonetheless they may have a place to play. But we should be doing that, considering that in a well thought-through plan, working with Housing Department and Environment Department, considering the impact on planning and so on. Certainly Treasury is very happy to engage in those conversations, but in the meantime, sir, I would strongly urge Members to listen to Deputies Gollop and Storey and stick with the amendment which we thought that we were approving in the Budget debate and therefore accept the Propositions before you today, sir.

The Bailiff: Members, the Propositions are to be found on page 1004 of the Billet – there are three. I will put the first two to you together and then put separately the approval of the draft Ordinance, if we reach that far. So I am putting to you Propositions 1 and 2 as they are found on page 1004. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare them carried.
Proposition 3 to approve the draft Ordinance: those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

ORDINANCES LAID BEFORE THE STATES

**The Ukraine (Restrictive Measures) (Guernsey) Ordinance 2014;
The Territorial Integrity etc. of Ukraine (Restrictive Measures) (Guernsey) Ordinance, 2014; and
The Central African Republic (Restrictive Measures) (Guernsey) Ordinance, 2014**

The Deputy Greffier: The following Ordinances are laid before the States: The Ukraine (Restrictive Measures) (Guernsey) Ordinance 2014; The Territorial Integrity etc. of Ukraine (Restrictive Measures) (Guernsey) Ordinance, 2014; and The Central African Republic (Restrictive Measures) (Guernsey) Ordinance, 2014.

The Bailiff: I have not received any motion to annul those Ordinances.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

**The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit)
(Amendment) Regulations, 2014;
The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit)
(Amendment No. 2) Regulations, 2014**

The Deputy Greffier: The following Statutory Instruments are also laid before the States: The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment) Regulations, 2014 and The Health Service (Benefit) (Limited List) (Pharmaceutical Benefit) (Amendment No. 2) Regulations, 2014

The Bailiff: And similarly, I have received no notice of any motion to annul the Statutory Instruments.

Billet d'État XIII

I. Environment Department – Election of a Minister – Deputy Burford elected

Article I.

The States are asked:

To elect a sitting Member of the States as Minister of the Environment Department to complete the unexpired portion of the term of office of Deputy R. Domaille, who has resigned as Minister of that Department, namely to serve until May 2016, in accordance with Rule 7 of the Rules relating to the Constitution and Operation of States Departments and Committees.

The Deputy Greffier: Billet XIII, Article I – Environment Department, new Minister.

The Bailiff: Chief Minister, you wish to nominate a candidate?

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The Chief Minister (Deputy Le Tocq): Yes, sir, I nominate Deputy Yvonne Burford.

The Bailiff: Thank you.

Deputy Burford's nomination is seconded by Deputy Luxon, I believe.

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Deputy Luxon: Yes, sir.

The Bailiff: Thank you.

Are there any other candidates to be proposed? Yes, Deputy Laurie Queripel.

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Deputy Laurie Queripel: Thank you, sir.

I propose Deputy Lester Queripel, sir.

The Bailiff: Deputy Lester Queripel. Thank you.

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Do we have a seconder for Deputy Queripel?

Deputy Le Pelley: I will second that, sir.

The Bailiff: Deputy Le Pelley, thank you.

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Do we have any other candidates to be proposed? No?

I wonder, we now need to have... Each candidate is entitled to speak for not more than five minutes and thereafter the candidates may be questioned. As they are both seated right at the back of the Assembly I wonder whether it would be better if they came up on to the Bench (**A Member:** Pour.) so that they can be seen and everybody can see them as they make their speeches and as they answer questions. We do have two empty seats on the Bench. I wonder whether they are occupied, those two seats, or whether...? If they are happy to occupy those two seats, they can be seen by everybody.

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So Deputy Burford and Deputy Queripel, would you like to come up to the Bench?

Deputy Burford and Deputy Lester Queripel moved to take seats on the Bench.

The Bailiff: Members, may I just remind you then of the procedure.

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The procedure is first of all that each of the candidates may speak for not more than five minutes, and thereafter they may be questioned by other Members in the Assembly. The question session shall not exceed 60 minutes.

Deputy Burford, do you wish to address the Assembly first? Deputy Burford.

Deputy Burford: Thank you, sir.

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Yes, firstly, I would like to thank the Chief Minister for his nomination. Before setting out my reasons for standing for the position of Environment Minister, I would like also to put on record my thanks to Deputy Domaille for the collegiate manner in which he has presided over the Environment Department for these last two years. (**Members:** Hear, hear.)

900

When I was elected in 2012, Environment was the one Department above all others that I was keen to serve on. Whilst my interest in transport only goes back a handful of years, my passion for the built environment and all things architectural spans back 30 years and more. Indeed many of us have a missed career, the one we wish we really had done before time ran out, and mine would have been to have been an architect.

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In addition to the built environment, the protection of the natural environment is of great importance to me. So it seemed that the mandate of Environment was tailored perfectly to the things I really care about and I was delighted when I was elected on to the Committee – and it has not disappointed. Despite often being the Department that everyone loves to hate, mainly because everything we do involves balancing conflicting needs and desires, I found the work interesting, engaging and productive, with staff who were extremely knowledgeable and committed.

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Moving now to why I feel I have the skills to be Environment Minister, as many of you will know, in a previous life I was a commercial airline captain, firstly with British Airways, and subsequently with locally-based airlines. The management and crew resource element of those roles in particular, together with the two years I have already spent within the Environment Department will I believe stand me in good stead to chair the Committee in a productive way.

I will also bring organisational and analytical skills to the role along with a proactive and collaborative approach that will help the Department to deliver its mandate for the people of Guernsey.

Before joining British Airways I spent the best part of a decade in local finance in general banking at first, and latterly as a foreign exchange dealer including international loan book funding and swap arbitrage.

Of course the role of Minister also requires a firm commitment to the work of the Policy Council. If required I would be pleased to be part of the Environment and Energy Sub-groups. Energy, particularly renewable energy, is an area in which I have a special interest, having studied it in some detail in recent years including completing my Master's thesis on public attitudes to wind power in Guernsey in 2011.

Furthermore, as the Chief Minister has mentioned I would be interested in being involved in areas of social policy.

Looking to the future, the first and most important thing is to get a good political team together with diverse skills and experience. In 2012 the previous Minister set up working groups for four principal work streams in addition to the day job of the Department.

Of course, there was transport, which has been well rehearsed in this Assembly in recent weeks. But the Department has also produced in draft form and ready for consultation the Island's first biodiversity strategy, which if accepted by the States will lead to a more effective and holistic way of managing and protecting the wonderful diversity of wildlife in Guernsey, and lead to us becoming an extended signatory of the Convention on Biological Diversity.

The recent report on coastal defence and future flood management that was approved by this Assembly set priorities for dealing with the risks posed by storm surge flooding. These will need to be considered hand in hand with the more acute issues that manifest themselves on our structural coastal defences, usually as a result of severe storms.

The detailed development plan is a major piece of work which will soon be reviewed by the Planning Inspector and will provide a new Island Development Plan from 2016.

My aim, if elected, will be for the Department to continue to deliver pro-actively on these workstreams where appropriate, as well as looking to further review the Guernsey Building Codes towards creating more sustainable and energy efficient buildings. This would involve evaluating the desirability of taking the construction standards closer toward zero carbon homes in line with developments in the UK and elsewhere, especially in respect of the application of energy efficiency technology for example solar PV and solar thermal and enhanced U-values. Energy is a key challenge for the Island and not using it in the first place is the best option of all, followed by generating it sustainably.

I also consider that interdepartmental working is crucial to ensure that work is set in the wider context of the States and not the sometimes narrow focus of an individual Department.

My five minutes is nearly up so I will finish...

The Bailiff: Just – exactly as you said it, your five minutes is up. *(Laughter)*

Deputy Burford: Thank you.

The Bailiff: Deputy Queripel.

Deputy Lester Queripel: Sir, the reason why I want to be Environment Minister is because I think the Department need to raise their game. That is not a criticism of the outgoing Minister or the Board. They have their own approach to environment issues, but I do not resonate with that approach because I think the Department needs to be much more considerate and compassionate in their approach.

They also need to be a lot more aware of the needs of the community. And it is not acceptable that they refuse permission for care homes to be established as they did recently for the Manor Hotel and Green Acres and that really does display a lack of awareness.

Another example of this lack of awareness is when our pensioners and our disabled people are refused permission to create parking places in front of their homes, and then their neighbours are given permission to do what they have been refused to do. How insensitive is that?

Then there is the issue of closing roads for weeks – reopening them for a fortnight or so and then closing them again for more road works to take place. If any of my colleagues think I am exaggerating, sir, then I suggest they talk to the owners of businesses who are severely affected by constant road closures. Also if they talk to the people who once owned businesses that have now gone out of business because of those road closures.

And then there is the issue of abandoned cars, which has been a major problem for as long as I can remember. Yet it was not until my brother Deputy Laurie Queripel focused on the issue recently that the Department finally realised they needed to draft new legislation to address the problem.

That kind of lackadaisical approach has been deep rooted in the Department for years and really does need to be eliminated.

The Department need to improve the bus service, and in order to be able to that they will need to provide minibuses to drive down narrow lanes to pick up the thousands of Islanders who live in those narrow lanes. The bus routes will have to be greatly improved and an abundance of bus shelters will need to be provided. And I have identified 27 sites where bus shelters are needed in four Parishes alone, and if those shelters and buses are not provided then the whole Transport Strategy will fail.

Then there is the issue of the new land development plan which will continue to focus on overdeveloping the north of the Island and St Peter Port. Yet there are 253 disused vineries in the Island. The greenhouses on 17 of those vineries have completely collapsed, resulting in the combined totally useless landmass three times the size of Saumarez Park. And yet we are desperate for land for housing and light industry to support local businesses. Sir, I will certainly be addressing that issue if I am elected as Minister.

Then there is the issue of far too much bureaucracy within the Department, which is a waste of taxpayers' money, (A Member: Hear, hear.) and that is another issue that desperately needs to be addressed.

In fact, there are a multitude of issues that need to be addressed, and they cannot be addressed one at a time. They all need to be addressed all at the same time.

Sir, if I am elected I will expect staff and Board Members to be available every evening and Saturday and Sunday if need be (*Interjections*) because that is the level of urgency that needs to be introduced into the Department.

Sir, I think I have proved to my colleagues on more than one occasion that I am not a yes man. I would never rubber stamp proposals that I am not satisfied with. I would like to close by reminding my colleagues of my credentials. Up until becoming a Deputy, I ran my own successful business for 28 years. Prior to that I was the manager of the largest record shop in London employing 21 staff. I am currently a St Peter Port Douzenier, a committee member of the Guernsey Community Foundation and I am also Chairman of Age Concern Guernsey. I am a team player but I am also a leader, and I think I have got what it takes to be Environment Minister.

Thank you, sir.

The Bailiff: Well, Members, we now come to question time. There will be a maximum of 60 minutes and I would remind you that questions to persons standing for the office of Minister must relate to the areas of policy included in the mandates of the Department concerned.

Actually it says:

‘...in the mandates of the Policy Council or the department concerned’.

I interpret that as... Mr Procureur, I interpret that as being the Department concerned, because the mandates of the Policy... I suppose ‘the mandate of the Policy Council’ not the Departments of the Policy Council. Questions must be limited to the mandates of the Policy Council itself or the Departments concerned.

The Procureur: Well, I am not sure that we can really expect the candidates for Minister of Environment to answer questions about the mandate of the Policy Council.

The Bailiff: Well, that is what Rule... (4)(b)(1) says.

The Procureur: Well, it may be what the words on the piece of paper say but – (*Laughter*)

Deputy Fallaize: Sir, with respect, the Procureur is trying to reinterpret the Rules. It was very clear when this Rule was proposed in the States that adopted it, that candidates for the office of Minister should be able to answer questions in relation to the mandate of the Department they are standing for and the mandate of the Policy Council, (*Interjection*) since they happen to have a seat *ex-officio* on the Policy Council. (*Interjections*)

The Bailiff: Yes, yes, so – (*Laughter*) So Members your questions must relate to areas of policy included in the mandates of the Policy Council or, in this case, of the Environment Department. No Member may ask more than one question, save that if there are no further questions to be asked, then Members who have already asked a question may be permitted to ask further questions.

Questioners may not speak for more than 30 seconds and each candidate must respond with an answer that shall not exceed one minute. So it is 30 seconds for questions, one minute for answers.

Deputy Burford will be answering the first question first, then Deputy Queripel then Deputy Queripel followed by Deputy Burford, and they will rotate in that way.

1035 And as I say, questions will run for a maximum of an hour. It is very nearly 11 o'clock, so we will be finishing round about 12 o'clock – if not sooner. (*Laughter*)
Deputy Gollop will be asking the first question. Deputy Gollop.

1040 **Deputy Gollop:** Earlier this year, I think on two occasions, I attended presentations given by housing experts who said that a large number of properties that had been given planning permission sites had not manifested themselves into properties yet. What will the two candidates do to ensure that these properties are more likely to be developed than not for local housing, in liaison with Housing too on the Policy Council?

1045 **The Bailiff:** Deputy Burford.

Deputy Burford: Thank you.

Well, clearly, to an extent what private developers do with their property is up to them, although of course, the States can adjust policy to encourage them in a certain direction. We also need to remember that we do have States property as part of housing target areas as well, and obviously we will work with the Housing Department in looking to fulfil the housing target, which is currently 451 houses a year.

1050 Thank you. That is the housing need, sorry – the target is 300.

The Bailiff: Deputy Queripel.

1055 **Deputy Lester Queripel:** Sir, well perhaps penalties could be incurred for properties laying derelict for too long, or time limits etc. But that is exactly why I would be relying on the civil servants to advise me. The way I look at it I would be injecting the urgency and the compassion that is needed into the Department and I will be sitting with the civil servants and then listening to what they have to say as well, sir, in that respect.

1060 **The Bailiff:** Deputy Soulsby.

Deputy Soulsby: Sir, I would like to ask the candidates: do you believe in climate change; if not, why not; and if so, how far will you be able to help mitigate the effects in your role as Environment... under the Environment Department mandate?

1065 **The Bailiff:** Deputy Queripel.

Deputy Lester Queripel: Yes, I do believe in climate change. I think the ultimate of course would be sea defences, first and foremost. I see that as a priority. So I take some comfort that the current Board are submitting a £20 million bid in the forthcoming debate, for sea defences primarily at Belle Greve I believe and St Sampson's Harbour. So I see that as a priority, in that respect.

1070 **The Bailiff:** Deputy Burford.

1075 **Deputy Burford:** Yes, I consider that climate change is most definitely happening and that we do need to have a response. We have a lot that is already in the Energy Resource Plan and in the Environmental Policy Plan that we need to start putting or continue to put those things into action. Also, as I mentioned in my speech, one particular area that I would like to concentrate on is the improvement of energy and efficiency in homes through the building codes.

1080 Thank you.

The Bailiff: Any more questions? Deputy Stewart, then Deputy Brouard and Deputy Kuttelwascher.

1085 **Deputy Stewart:** Could I ask the candidates: over the years, Guernsey has benefitted from reclaiming quite large amounts of land, particularly if you look back at old maps and look at the map of Guernsey today. In terms of our sea defences do either of the candidates think that this might be an opportunity to mitigate some of the costs of our sea defences by reclaiming certain parts of land, and perhaps in particular some parts of Belle Greve Bay?

1090 **The Bailiff:** Deputy Burford.

Deputy Burford: Thank you, Deputy Stewart.

1095 Land reclamation indeed has good history. As you have mentioned, we are currently reclaiming Longue Hougue and when that is reclaimed then for inert material we will be looking for somewhere else for that material to go.

1100 I have in the past not been in favour of proposals that I have seen to date for Belle Greve, (**A Member:** Hear, hear.) However, I keep an open mind on these. One of the particular parts of the mandate of Environment is planning and therefore I would have to see any context in the proposals before I made a firm decision on that one.

The Bailiff: Deputy Queripel.

1105 **Deputy Lester Queripel:** Sir, we definitely need to do something on the Belle Greve Bay issue because the sea rages over the walls there for many months of the year, and causes severe problems. But I would never be in favour of reclaiming the whole of Belle Greve Bay – possibly an additional road width just to mitigate the sea raging over the wall there, sir.

1110 **The Bailiff:** Deputy Brouard.

Deputy Brouard: Thank you, sir. A very small matter. With many coastal car parks being the responsibility of the Environment with potholes large enough to sail a boat on, which candidate will fill them in first?

1115 **A Member:** Hear, hear.

The Bailiff: Deputy Queripel will answer first.

1120 **Deputy Lester Queripel:** Seeing as I came off my bike and broke my arm recently, sir, I do see potholes as a priority. I do not think it is acceptable that the roads are in the condition they are in, but I do not think it is acceptable that the car parks are in the condition they are in. That would be one of the many priorities to be addressed, certainly.

1125 **Deputy Burford:** Yes, it would be lovely to have the money to do absolutely everything. I think Environment is responsible for somewhere in the order of 50 coastal car parks. I cannot remember the exact figure from the budget but I seem to remember it is in the order of about £28,000, so as with everything else, it is a matter of prioritising. We have identified already two car parks which we are working on, it is well on the radar of the Department, but I am absolutely not in a position to say that we will divert the budget just purely to doing coastal car parks.

1130 **The Bailiff:** Deputy Kuttelwascher next, then Deputy Conder and Deputy Dave Jones.

1135 **Deputy Kuttelwascher:** Sir, what do the candidates think is the connection between climate change – which is something that has been the norm since geological time was ever invented, it has never been constant – global warming, which seems to have abated for the last decade and a half, and indeed man-induced warming or indeed cooling of the atmosphere? Cooling was the prediction just in the early 1970's –

The Bailiff: Your 30 seconds are up –

1140 **Deputy Kuttelwascher:** Done. (*Laughter*)

The Bailiff: Deputy Burford.

1145 **Deputy Burford:** Yes, this is not long enough to go into a long debate with Deputy Kuttelwascher about the merits or not of the arguments on climate change, but I do believe in all I have read and researched that anthropogenic climate change is a fact and that you need to look at a longer-term period than 15 years.

1150 **The Bailiff:** Deputy Queripel.

Deputy Lester Queripel: Sir, climate change and global warming and man-induced problems all present their own problems in themselves, but in essence they are one and the same. So, the way I look at it is that if you strengthen sea defences and all the other things that need to be done in that respect then you go some way towards solving the problems.

1155 **The Bailiff:** Deputy Conder.

Deputy Conder: Sir, if elected what would the candidates do to ensure the delivery of the Department's proposed FTP savings by the end of 2014, and what further measures would they introduce to achieve continuing cost savings post 2014?

1160 **The Bailiff:** Deputy Queripel will answer first.

Deputy Lester Queripel: I believe that the Department are already ahead on the FTP savings sir, I might be wrong there. But the way I look at it is, as I have already said in my speech, there is far too much bureaucracy in my opinion within the Department, and I think savings can definitely be made there.

The Bailiff: Deputy Burford.

1170 **Deputy Burford:** Yes, the Department has identified its FTP savings to the end of the year, and has met and in fact is likely to exceed the FTP target. I would just pledge if elected to continue to look at the budget very carefully in all areas to make sure that all spending is justified and any savings that are possible are made.

The Bailiff: Next Deputy Lowe.

1175 **Deputy Lowe:** Thank you, sir.

Would the candidates inform us where their loyalties will lie, whether it would be the Environment Department or indeed the Policy Council, so if they actually took a report to Policy Council to bring to the States and the Policy Council were not supportive, would they still bring that to the States or would they go with Policy Council?

The Bailiff: Deputy Burford.

1185 **Deputy Burford:** If I was to bring a report to the States that the majority of the Policy Council did not agree with, then I would want to look very carefully at the reasons that the Policy Council were giving for that, because I would like to think that there would be something that could be understood as to why that was the case, because it would be concerning if that were the case. But if in the ultimate event that I thought that it was valid then it is a decision for the entire States.

1190 **The Bailiff:** Deputy Queripel.

1195 **Deputy Lester Queripel:** Sir, in my opinion, environment issues would be paramount and I would not be concerned about what the Policy Council said. I would be quite prepared to thump the table, sir, and do whatever is needed to get those ideas across, (*Interjection and laughter*) just to list the priorities that I see myself as introducing – some urgency, some sensitivity, some flexibility, and some compassion into the Department. And if that involves thumping the table, sir, then so be it.

The Bailiff: Deputy Sherbourne.

1200 **Deputy Sherbourne:** Thank you, sir.

At a previous States meeting, I asked the previous Minister of Environment what strategies were in place for engaging with developers. He answered: 'the door is always open'. What would the candidates do, what strategies will they use?

1205 **The Bailiff:** Deputy Queripel.

1210 **Deputy Lester Queripel:** Well I have got every sympathy with developers, because I have worked with developers for many years. Some of them are actually quite frustrated and I have even spoke to one major developer recently that is considering giving up developing. And this gentleman spends millions of pounds in the Island so that has to be addressed. That is another item on the priority list, sir.

The Bailiff: Deputy Burford.

1215 **Deputy Burford:** Well, I just think in this case that I would actually like to just echo what Deputy Domaille had said, that the door to the Department is open for constructive discussions.

The Bailiff: Deputy Langlois, the next question.

Deputy Langlois: Thank you, sir.

1220 Given that public opinion seems severely split about the Transport Strategy decisions we made last month, what would each candidate do to respect the significant concerns of many during the implementation of that strategy?

A Member: Hear, hear.

1225 **The Bailiff:** Deputy Burford.

Deputy Burford: I think first thing that the Department needs to do is to issue some very clear information to the public once the Department is reconvened, because there really is a lot of misinformation. It is evident from some of the reporting. So that is the first thing. But I think at every stage
1230 we need to listen to people's concerns and take them on board and address them to the extent that we can.

The Bailiff: Deputy Queripel.

Deputy Lester Queripel: Sir, I always listen to people's concerns. They elected me and that is why I do
1235 that. I am not in favour of paid parking. I do not think you need paid parking to fund the Strategy. The first thing to do, the priority is to improve the bus service. I do not think the Minority Report went far enough in that respect.

You have to look at the practicalities. Thousands of Islanders live down narrow lanes, they have to walk
1240 200 or 300 yards to a bus stop. That is not acceptable. You have to have buses to go down those lanes and you have to have bus shelters in those lanes. That is a priority. Improving the bus service is way up on that list. If it is not done, as I said, then the whole Transport Strategy will fail.

The Bailiff: Deputy De Lisle.

Deputy De Lisle: Sir, there has been a very loud backlash by the public against paid parking as a corner
1245 stone to the Transport Strategy. How do the candidates intend to address the concerns of the public in this area and redress the situation that we have currently in Guernsey with regard to the public reaction?

The Bailiff: Deputy Queripel.

Deputy Lester Queripel: Well, I can reassure the public that, as I have just said, the bus service is
1250 going to be paramount and the foundation of the whole Transport Strategy itself. I do not think we need paid parking to fund the Strategy. There are other ways to fund the Strategy. The Education Department will be coming to this Assembly very soon to ask for almost £2 million to fund the free pre-school and they
1255 will be working with T&R to identify where that money is going to come from. I envisage Environment Department working with T&R to identify where the money needs to come from – any shortfall to fund the Strategy itself.

The Bailiff: Deputy Burford.

Deputy Burford: I think I largely answered that to the last question. But it will be to provide really
1260 clear information to people – to provide robust alternatives to the private motor vehicle in line with the Strategy.

1265 **The Bailiff:** Any further questions? Yes? Deputy Storey.

Deputy Storey: Sir, I would just like to ask the candidates: to what extent would the candidates expect
1270 their Department to take into account the views of Parish Douzaines on individual planning applications and land use plans?

The Bailiff: Deputy Burford.

Deputy Burford: I think the individual Parish Douzaines have all been part of the consultation,
1275 particularly for the new Island Development Plan and I think the views of the Parishes are extremely important.

The Bailiff: Deputy Queripel.

Deputy Lester Queripel: Sir...

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The Bailiff: Switch your microphone on –

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Deputy Lester Queripel: That is one of the reasons why I say that some urgency needs to be injected into the Department and some compassion and some flexibility. I am a St Peter Port Douzenier and I hear these rumblings all the time and I often object to developments and sometimes I am a lone voice. But I do not think it is acceptable when somebody is refused permission to make an opening in a granite wall to facilitate a car park opening, specifically a disabled person or a pensioner, to have their car close to their house and that gets refused and then a next door neighbour gets permission to do exactly what the other person wanted. It is that kind of inconsistency and that kind of insensitivity to me needs to be completely eliminated. And the Douzaine do have a voice and I would ensure that that voice is heard, sir.

1290

The Bailiff: Deputy Wilkie.

Deputy Wilkie: Thank you, sir.

1295

How will the candidates deal with the issue of a lack of accommodation, affordable accommodation for small businesses on the Island?

Thank you.

A Member: Hear, hear.

1300

The Bailiff: Deputy Queripel.

1305

Deputy Lester Queripel: Well, earlier in my speech, sir, I did focus on that with we need land for housing and we need land for light industry to support local business, and that is an issue that again is a priority. Hence the reason that I would expect the staff and the Board Members to work all hours of the day, sir.

The Bailiff: Deputy Burford.

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Deputy Burford: This is not entirely for Environment. I think it would be something that Environment could work together though with Commerce and Employment. I think there is quite a lot of vacant space at the moment but we need to really look at whether that is being used in the best possible way.

The Bailiff: Any further – ? Yes, Deputy Rob Jones.

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Deputy Robert Jones: Given that the States has endorsed the Integrated Transport Strategy and whilst acknowledging that it is one of many strategies in the Environment Department, how important does each candidate consider that we have a Minister that actually supports and believes in that Strategy?

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The Bailiff: Deputy Burford.

Deputy Burford: Well, unsurprisingly, I do think that is important. Thank you. *(Laughter)*

The Bailiff: Deputy Queripel.

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Deputy Lester Queripel: Well, I believe in the hierarchy and I believe in the fundamentals and I believe in the intention and the objectives of the Strategy all the way down the line. I have already said I do not think you need paid parking to fund the Strategy. I am not sure what else I can say, but I would definitely thump the table and insist that the other alternative funding measures are pursued and also that everything else on that Minority Report – well a lot of the proposals are already the responsibility of the Department and they have been somewhat neglected. So hence the need for urgency.

1330

But I am a cyclist, I am a walker and I am a motorist, and I think balance is crucial in all issues and balance –

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The Bailiff: Your minute is up.

Deputy Lester Queripel: – will be vital in this issue as well, sir.

The Bailiff: Yes, Deputy Luxon.

1340 **Deputy Luxon:** Mr Bailiff, an important role of the Minister of the Environment Department, to be able to deliver the mandate effectively, would be to obviously select and manage an effective Board. I just wondered if the candidates might clarify who their nominations may be, if that is possible.

Thank you, sir.

1345 **The Bailiff:** I am not sure that is within the mandate of the Department and I do not think that that is a proper question.

The Procureur: Well, subject to any correction from Deputy Fallaize, I would say that that question is not... *(Laughter)*

1350 **The Bailiff:** It is not within the mandate of either the Policy Council or the Environment Department. Deputy Fallaize.

Deputy Fallaize: Thank you, sir. *(Laughter)*

1355 The mandate of the Policy Council includes the co-ordination of the work of the States. Do the candidates have any ideas for how the co-ordination of the work of the States may be improved?

The Bailiff: Deputy Queripel.

1360 **Deputy Lester Queripel:** I think it comes back to communication, sir. I have often expressed my concerns about the poor levels of communication from the States and within the States and I do not think that message can be relayed and emphasised enough. Our communication breakdown is always going to result in major problems. You have to resolve the communication problems to resolve the actual problems themselves.

1365 **The Bailiff:** Deputy Burford.

Deputy Burford: I wonder whether the answer Deputy Fallaize is looking for is support for the July Billet of the Review of the Machinery of Government. *(Laughter and interjections)*

1370 **The Bailiff:** Deputy Perrot.

Deputy Perrot: Given the reputational damage suffered by the States of Guernsey generally over the last few Assemblies by reason of its changing its mind, revoking past decisions, amending past decisions, are the candidates – and I suppose I ought to say here, is Deputy Queripel – seriously suggesting that there be brought back before the States –

The Bailiff: Your 30 seconds are up.

1380 **Deputy Perrot:** – a proposal to overturn paid parking?

The Bailiff: Deputy Burford.

Deputy Burford: Ah well, I will not be bringing back such a proposal. *(Laughter)*

1385 **The Bailiff:** Deputy Queripel.

Deputy Lester Queripel: I am not sure quite how many times I have got to say it, sir. I do not support paid parking.

1390 Regarding Resolutions of the States, HSSD were obliged to comply with the States' Resolution to come back to this Chamber with a new Children and Young People's Plan in 2013. They did not comply with that obligation or Resolution, yet I was the only Member of this Assembly who expressed any concern when they asked for a three-year extension to the current plan.

1395 So I would reverse the question to Deputy Perrot: why is he so concerned about this resolution when he did not express any concerns about the previous one?

The Bailiff: Deputy Ogier.

- 1400 **Deputy Perrot:** I did not get an answer to my question. I do not know whether one can –
- The Bailiff:** Well, you are not allowed a second question until everybody else (*Laughter*) has had a chance to have one question.
Deputy Ogier.
- 1405 **Deputy Ogier:** Sir, would either of the candidates seek to overturn the decision of paid parking by bringing a further report back to the States?
- The Bailiff:** Deputy Queripel.
- 1410 **Deputy Lester Queripel:** Yes.
- The Bailiff:** Deputy Burford.
- Deputy Burford:** No, sir.
- 1415 **The Bailiff:** Does anyone else wish to – ? Deputy Dorey.
- Deputy Dorey:** Could the candidates outline which parts of the Island they believe future development should take place in?
- 1420 **The Bailiff:** Deputy Burford.
- Deputy Burford:** The current urban area and rural area split allowed for 90% in the urban and 10% in the rural area. In reality what has actually happened is 70% has been in the urban area and 30% in the rural area. But the new Development Plan will actually now look to take a slightly different approach, including actually the development of various centres around the Island.
- 1425 **The Bailiff:** Deputy Queripel.
- 1430 **Deputy Lester Queripel:** Sir, I do have a lot of concern that the new Land Development Plan is going to continue to focus on overdeveloping the north of the Island and St Peter Port. I am not in favour of that. I have already said there are 253 disused vineries in the Island and we really do need to consider using some of those, sir.
- 1435 **The Bailiff:** Does anybody else – ? Yes, Deputy St Pier.
- Deputy St Pier:** Sir, just following on from Deputy Trott's question to me, do the candidates believe there are any impediments in the Planning Laws or the Development Plan or the Strategic Land Use Plan to economic growth?
- 1440 **The Bailiff:** Deputy Queripel.
- Deputy Lester Queripel:** Economic growth – well, local businesses of course contribute to economic growth. We really do need to support local businesses a lot more, in relation to Deputy Wilkie's question before regarding premises etc. So yes, I think the only thing I can say is that I would be looking to iron out any impediments, sir.
- 1445 **The Bailiff:** Deputy Burford.
- 1450 **Deputy Burford:** Well, I am sure there are impediments in those plans to economic growth, but obviously economic growth is just one part of what we are mandated to do as the States, and so therefore we have to make sure that these plans actually balance out all the wider needs as well as the requirement for economic growth.
- 1455 **The Bailiff:** Does anyone else wish to ask their first question? No. Deputy Perrot, do you wish to ask your second question?
- Deputy Perrot:** No, I have now oddly enough received an answer. (*Laughter*)

1460 **The Bailiff:** Thank you. Deputy Ogier, then.

Deputy Ogier: Thank you, sir.

1465 Providing a leadership role model to a team of politicians and senior staff can often be a daunting task. I am interested in what particular leadership skills each candidate will bring to bear and what their style will be?

The Bailiff: Deputy Burford.

1470 **Deputy Burford:** I think I outlined some of that in my speech. But I think it is also important to remember that the role of Minister is merely chair of a committee and I would be looking to bring out the best talents and skills of all of the people around the table.

The Bailiff: Deputy Queripel.

1475 **Deputy Lester Queripel:** Sir, I think it is essential to recognise the strengths of Board Members and always be prepared to listen to their views.
Thank you, sir.

The Bailiff: Deputy Lowe.

1480 **Deputy Lowe:** Thank you, sir.

Could the candidates please remind us of the Committees and Departments that they currently sit on and any working parties that they are currently involved in, and if they are elected will they be resigning from any of those, and if not, why not?

1485 **The Bailiff:** On a strict interpretation that is not within the Rule, but I think it is probably within the spirit of it, so I will allow that.
Deputy Queripel.

1490 **Deputy Lester Queripel:** Sir, I am a member of Scrutiny Committee and I think I would have to resign from that Committee if I was successful.

The Bailiff: Deputy Burford.

1495 **Deputy Burford:** I am currently a member of Public Services. I have had some very long discussions with Deputy Luxon about it, because it is possible to stay on another Department whilst being Minister, but I think on balance I would resign from Public Services to be able to give my full attention to this task.

The Bailiff: Deputy Gollop.

1500 **Deputy Gollop:** Sir, focusing particularly on the Environment Department mandate, what does each candidate give to improving inclusion, accessibility and implementing the Disabled People's Strategy in transport and environmental and planning matters?

1505 **The Bailiff:** Deputy Burford.

1510 **Deputy Burford:** Well, there was quite a lot in the Transport Strategy which showed people what I consider in terms of transport, including some dedicated funding. I also think in terms of planning, obviously it is part of planning policy it is important to allow for accessibility within buildings, and there will always be some areas, like cliff paths and that, which are a difficult issue, but I think that we should have it at the top of our priorities to look at accessibility matters for disabled members of our community.

The Bailiff: Deputy Queripel.

1515 **Deputy Lester Queripel:** Sir, as I see it, inclusion is absolutely vital. I am concerned that there was not sufficient focus given to disability access for a number of years by any of the previous Environment Boards. Lowering kerbs, disabled access, was highlighted to us, all the Members who attended the presentation by Aindre Reece-Sheerin, when he asked us to try and find our way around town in wheelchairs, with walking sticks, with darkened glasses, and I found that quite frightening. When I went to

1520 Environment to ask about lowering a kerbstone I hit a brick wall, which is exactly why I think some urgency, some compassion and some flexibility needs to be introduced into the Department.
Thank you, sir.

The Bailiff: Deputy De Lisle.

1525 **Deputy De Lisle:** How do you as a candidate intend making the planning process more open, efficient, accountable and fair to the public at large?

The Bailiff: Deputy Queripel.

1530 **Deputy Lester Queripel:** I can only echo what I have said before, sir.
All the obstacles in the way have to be treated as a priority and as I said that that probably will require table thumping and it will require civil servants and Board Members working all hours of the day, and weekends as well, because I am determined to address this lack of urgency within the Department and its lack of compassion, sir.

The Bailiff: Deputy Burford.

1540 **Deputy Burford:** Well, while I would always be open to any new suggestions, I think it is only fair to say that actually in recent years there has been a great advance in the way planning is handled. We now have open planning meetings that the media and any members of the public can attend. Also there has been a much increased focus on pre-application meetings, where members of the public can go and discuss their plans with planning officers.

1545 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: The mandate of the Policy Council also includes External Relations and Constitutional Affairs. Do the candidates believe that Guernsey needs to do more to assert its own identity? (A Member: Hear, hear.) And if so, what measures would they propose?

1550 **The Bailiff:** Deputy Burford.

1555 **Deputy Burford:** I think from Guernsey's point of view, it is always very important that we actually do maintain relationships with the EU, UK and any other jurisdictions. I think that we need to say who we are and show who we are. However, I will admit that it is an area that I am just coming into and I shall certainly really be getting involved to it if I am elected to this post and learning a great deal more about it.

The Bailiff: Deputy Queripel.

1560 **Deputy Lester Queripel:** Sir, we have a right to retain the Guernsey way. I am not a supporter of bowing down to the EU; I am not a supporter of bowing down to the UK. I am a supporter of doing everything for the benefits of the Islanders and we certainly do need to retain what *little* identity we have left and what very *little* heritage we have left. I am a firm supporter in that and I will always be a supporter in the 'Guernsey way.'

1565 **The Bailiff:** Does anyone else wish – ? Deputy Trott.

1570 **Deputy Trott:** I rise primarily to congratulate both candidates on an excellent performance, but also to ask the question – because the Policy Council's mandate includes the co-ordination of fiscal policy, I think it is legitimate to ask – whether either Member is in favour of a goods and services tax?

The Bailiff: Deputy Queripel.

1575 **Deputy Lester Queripel:** Absolutely not, sir.

The Bailiff: Deputy Burford.

1580 **Deputy Burford:** When I was asked this question during the hustings, my answer was in fact the same as Deputy Queripel's – absolutely not. I still remain extremely concerned that it is a very regressive tax and the arguments would have to be *very* powerful indeed to move me from that position.

Several Members: Hear, hear.

The Bailiff: Does anyone else wish to ask another question? Deputy Trott.

1585 **Deputy Trott:** Sir, continuity is often an important issue. Can either Member give us an idea as to whether they would see themselves wishing to continue as Minister, should they be successful at the next election?

The Bailiff: Deputy Burford.

1590 **Deputy Burford:** I think there are too many ifs in that question, possibly. But if I stand, if I am elected, I cannot see that there would be anything that would make me less interested in the subject matters of this particular Department.

1595 **The Bailiff:** Deputy Queripel.

Deputy Lester Queripel: Thank you, sir.

Sir, I certainly would continue in the role but only if I have been able to be of benefit to the Island and to the Islanders.

1600 Thank you.

The Bailiff: Any more questions? No?

Well it is now time then to cast your vote. I remind you that Deputy Burford was proposed by the Chief Minister and seconded by Deputy Luxon. And Deputy Lester Queripel was proposed by Deputy Laurie Queripel and seconded by Deputy Le Pelley.

1605 Voting slips with your names on will now be distributed.

A ballot took place.

The Bailiff: Well, Members, the next Item will be to elect new Members to the Department. It seems to me appropriate that we rise while the votes are counted. The alternative would be to move on perhaps with some other business but I think perhaps we will rise and resume when the votes have been counted.

*The Assembly adjourned at 11.38 a.m.
and resumed its sitting at 11.48 a.m.*

1610 **The Bailiff:** Members, the result of the vote for the election of an Environment Minister is: Burford, Yvonne – 33 votes; Queripel, Lester – 7 votes. There is one spoilt paper and no blank papers. I declare Deputy Burford elected as the Minister of the Environment Department. *(Applause)*
I invite Deputy Burford to take her seat on the Bench.

Deputy Burford took her seat on the Bench.

II. Environment Department – Election of Members

Article II.

The States are asked:

To elect two sitting Members of the States as members of the Environment Department to complete the unexpired portion of the terms of office of Deputy B. J. E. Paint and Deputy A. Spruce, who have resigned as Members of that Department, namely to serve until May 2016, in accordance with Rule 7 of the Rules relating to the Constitution and Operation of States Departments and Committees.

1615 **The Bailiff:** Greffier.

The Deputy Greffier: Article II – Environment Department – Election of Members.

The Bailiff: And there has been an amendment proposed. Deputy Le Tocq.

Amendment:

To delete “two sitting Members” and substitute “three sitting Members”; and to insert after “that Department,” the following “and Deputy Y Burford, who has been elected as Minister of that Department,”.

1620

The Chief Minister (Deputy Le Tocq): I think the amendment is self-explanatory and now that Deputy Burford has been elected, I formally lay it.

1625

The Bailiff: Right, and the amendment is seconded by Deputy Burford. Is that right? Formally seconded.

Deputy Burford: Yes, sir.

1630

The Bailiff: Is there any request for any debate on the amendment?
We go straight to the vote. Those in favour; those against.

Members voted Pour.

1635

The Bailiff: I declare it carried.
We will therefore have an election for three Members, three of the Environment Department.
Deputy Burford, who do you wish to propose?

1640

Deputy Burford: I would like to propose Deputy Peter Harwood, Deputy Andrew Le Lièvre and Deputy John Gollop.

The Bailiff: So, Deputy Harwood, Deputy Le Lièvre and Deputy Gollop. All proposed by Deputy Burford. Do we have a seconder for any of those?

1645

Deputy Soulsby: I will second Deputy Harwood.

The Bailiff: Deputy Soulsby seconds Deputy Harwood.

Deputy Le Clerc: Sir, if I may be *relevée* and I second Deputy Gollop.

1650

The Bailiff: Deputy Le Clerc is *relevée*, and seconds Deputy Gollop.
And do we have a seconder for Deputy Le Lièvre? Deputy Brehaut.

Deputy Brehaut: Yes, sir, I am seconding Deputy Le Lièvre, thank you.

1655

The Bailiff: Thank you. Are there any further candidates? Deputy Trott.

Deputy Trott: Yes, sir, I would like to nominate Deputy Lester Queripel.

1660

The Bailiff: Deputy Trott is nominating Deputy Lester Queripel, and Deputy Le Pelley –

Deputy Le Pelley: I should like to second that.

The Bailiff: You are seconding Deputy Lester Queripel.
Do we have any further nominations? No?

1665

In that case we have four candidates for three posts. Deputy Harwood proposed by Deputy Burford seconded by Deputy Soulsby. Deputy Le Lièvre proposed by Deputy Burford seconded by Deputy Brehaut. Deputy Gollop proposed by Deputy Burford seconded by Deputy Le Clerc, and Deputy Lester Queripel proposed by Deputy Trott and seconded by Deputy Le Pelley.

1670

Under the Rules, as there are more candidates than vacancies, each proposer may speak for not more than five minutes in respect of each candidate proposed by each proposer.
So Deputy Burford will commence.

1675

Deputy Burford: I would like to thank Members for their support in electing me as Minister. I hope I can continue to rely on your support in voting for those Members I am nominating to take the three vacant positions on the Department.

It was suggested to me by several people that I should consciously avoid proposing Members who are perceived to be environmentalists. It did rather make me wonder if the Treasury and Resources Minister, for example, was advised when choosing his team in 2012 to avoid proposing Members perceived to be good with numbers. (*Laughter*) Nevertheless I have no real idea whether the three people I am proposing are perceived in that way because I rather hope we are all environmentalists at heart. Who amongst us wishes to see the natural beauty of our Island despoiled?

But what I have endeavoured to do is to choose Members who bring a broad range of skills but with specific relevant interests, both from their personal and political experience.

The first of the nominations I would like to speak about is Deputy Peter Harwood. Deputy Harwood was born in Guernsey and educated at Elizabeth College and went on to attend Southampton University where he gained his Bachelor of Laws degree with first class honours. He qualified as a solicitor in the City of London and continued working there for 10 years before returning to Guernsey in 1981. He was called to the Guernsey Bar in 1982 and entered into partnership in 1983, until his retirement at the end of 2009.

Between 1998 and 2000 he chaired the Panel appointed by the States of Guernsey to review the machinery of Government. During his period as Chief Minister of this Assembly he chaired the Environment and Energy Policy Groups of the Policy Council and therefore worked closely with the previous Environment Minister and the Chief Officer of the Environment Department in formulating the Environmental Policy Statement for inclusion in the States Strategic Plan. This experience will be a very useful asset. He also chaired the Strategic Land Group which is involved in the development of the Strategic Land Use Plan. As a former practising advocate he has a valuable understanding of the planning process and his legal background will be of great assistance to the Environment Department in the discharge of its planning functions – in particular, but not confined to, the open planning meetings. His commercial experience will also assist in meeting the challenge faced by the Environment Department in the negotiation of a new contract with the bus service.

Finally, after his speech last month I do not think any Members will be left in any doubt as to Deputy Harwood's passion for the aims of the Transport Strategy approved by this Assembly. (**A Member:** Hear, hear.) He is fully committed to the implementation of the Strategy and indeed the wider work of the Department as a whole.

Moving now to Deputy John Gollop. He came to live in Guernsey when he was six years old, having been born in Enfield Chase in Middlesex. He has a degree in law specialising in international relationships from Kent at Canterbury University and numerous other qualifications, ranging from psychotherapy to trust and company administration.

He was elected to the States of Guernsey in 1997 making him the second longest serving Member. In the intervening 17 years he has accumulated a wealth of experience in States-related matters. He was a States Traffic Committee Member for a total of six years under three separate Presidents including a period on the Vulnerable Road Users Sub-Group – an interest which continues to this day with his membership of the Charity Living Streets, for whom he acted as a Chair for four years. He has spent a decade on the Legislation Select Committee where he was involved in reviews on traffic, planning, and waste – subjects all very pertinent to the mandate of Environment. In his eight years spent on the Scrutiny Committee Deputy Gollop sat on the Planning Review Panel which reviewed the Shepley Report in 2010. Deputy Gollop sat on the Heritage Committee under several Chairs. It was in those days a part planning body employing a scheduled building team and he sat on the Planning Sub Group on many occasions. In the previous Assembly Deputy Gollop was also a member of Culture and Leisure.

Outside of the Assembly he was also a President of the St Peter Port Traders' Association. On the environmental front he has been a member of the National Trust, the RSPB, La Société and Friends of the Earth. He is also a standing member of the Tree Wardens. And in addition to all of this, Deputy Gollop has a 41-year long interest in the buses. (*Laughter*)

Deputy Andrew Le Lièvre was born and educated in Guernsey. He has had a long and varied career in the Civil Service with experience spanning everything from the Dairy through to Commerce and Employment, the States Insurance Authority, the Housing Department and more.

In 2008 he was elected to the States. In that term, Deputy Le Lièvre was a Member of the Social Security Department and HSSD and in this term he has been a Member of Scrutiny and is currently Deputy Minister of Education and Chair of the Social Welfare Benefits Investigation Committee.

In terms of transport related issues, Deputy Le Lièvre enjoys motoring holidays around Europe but he can be persuaded onto two wheels – provided of course there is an engine! (*Laughter*)

He is a great fan of our historic sea defences and has often marvelled how they were built without the help of a JCB. Whilst on spear fishing sorties in Belle Greve Bay, Deputy Le Lièvre has taken time to inspect the base of the sea wall and has observed in detail the damage time and the sea can do to these defences. He has a strong interest in this aspect of our Island infrastructure.

1735 While having the greatest respect for the beauty of our Island Deputy Le Lièvre counts himself as a pragmatist and when it comes to development he believes that we cannot preserve everything in aspic but must allow well designed, modern architecture to mix with the traditional.

1740 More than ever, he believes that the answer to the Island's surfeit of traffic is a vibrant, regular, frequent, high quality public transport bus service. In fact whereas he was by his own admission a little tepid about the whole issue, over the last ten weeks or so he has become a firm believer in the need for a new reinvigorated bus service, and will do all he can to ensure that such a service comes about. Having watched the precise attention to detail and dedication that Deputy Le Lièvre can summon when he feels passionately about a subject, I am certain that his contribution in this area, as well as the wider mandate of the Department will be invaluable.

1745 To sum up, I believe that each of these candidates has much to bring to the Department and will, with the existing Members, form an effective team to get some serious work done in the next two years. None of them underestimates the challenge ahead but all of them are committed to working diligently to meet them. I ask Members to support these nominations.

Thank you.

1750

The Bailiff: Deputy Trott, you may now speak for a maximum of five minutes in respect of Deputy Lester Queripel's nomination.

Deputy Trott: Thank you, sir.

1755 I only had a few minutes to jot down some notes on Deputy Queripel's candidature for a place on the Environment Department this morning, but that was all I needed – because anyone who listened to Deputy Queripel this morning would have considered it a revelation.

It was a revelation because his genuine passion for the mandate of the Environment Department shone through from start to finish.

1760 Sir, he identified some of his perceived weaknesses in the Department, particularly surrounding flexibility and sensitivity of planning decisions and indeed planning policy. He was very clear indeed as to the extent to which he abhors bureaucracy and focused clearly and, importantly, sensibly on the needs of our community.

1765 Deputy Queripel is a lifelong building tradesman. He is closely connected with many who need and use the Environment Department's resources on a regular basis. All of those things are virtues in their own right, sir, but the main reason I was eager to propose Deputy Queripel is because I know, and this Assembly knows, that if elected to the Department he will be the odd man out when it comes to key aspects of the Department's traffic strategy and that, sir, is clearly a virtue. Why? Because if it was not for that contrarian view from the old Board, we never would have had the Minority Report and we never would have had the Traffic Strategy that we have today. Contrarians on boards are usually a positive thing.

1770 So for me Deputy Queripel came of age this morning. Members sat and listened to his answers, they were surprised at the depth of knowledge he demonstrated and for me, sir, he is right now the outstanding candidate for a position as a Member of the Department of the Environment. I hope that Members share that view.

1775

The Bailiff: Thank you.

1780 Members I remind you that there are three vacancies, and four candidates. Deputy Harwood proposed by Deputy Burford seconded by Deputy Soulsby. Deputy Le Lièvre proposed by Deputy Burford seconded by Deputy Brehaut, Deputy Gollop proposed by Deputy Burford seconded by Deputy Le Clerc, and Deputy Lester Queripel proposed by Deputy Trott and seconded by Deputy Le Pelley. And voting slips are about to be distributed.

Deputy Le Clerc: Sir, do we write the three names on the same piece of paper?

1785 **The Bailiff:** Yes, all three names on the piece of paper. Or up to three – you do not have to vote for three you could vote for just one or two – but maximum of three names on the piece of paper.

A ballot took place.

The Bailiff: Has everyone handed up their voting slip? Yes, those will now be counted.

I propose that we continue to sit and continue with other business while those votes are counted.

Greffier, if you can call the next Item.

1790

Billet d'État X

VIII. Administrative Decisions (Review) (Guernsey) Law 1986 – New Chairman and Deputy Chairman of Panel of Members – Deputy Fallaize elected Chairman; Douzenier Heaume elected Deputy Chairman

Article VIII.

To elect, in accordance with the provisions of section 4 (2) of the Administrative Decisions (Review) (Guernsey) Law, 1986:

1. a Chairman of the Panel of Members, who shall be a sitting Member of the States of Deliberation and who has held a seat in the States for a period of three years or more, to fill the vacancy which will arise on 1st June, 2014, by reason of the expiry of the term of office of Deputy R A Perrot, who is eligible for re-election.

2. a Deputy Chairman of that Panel, who shall be one of the Deans of the Douzaines but who shall not have a seat in the States, to fill the vacancy which will arise on 1st June, 2014, by reason of the expiry of the term of office of Douzenier R L Heaume, M.B.E, who is eligible for re-election.

The Deputy Greffier: Billet d'État X, Article VIII – the Administrative Decisions (Review) (Guernsey) Law 1986 – new Chairman and Deputy Chairman of Panel of Members.

1795 **The Bailiff:** Let's take first the election of a Chairman of the Panel of Members who shall be a sitting Member of the States of Deliberation who has held a seat in the States for a period of three years or more. Do we have any nominations? Deputy Perrot.

Deputy Perrot: Sir, I have been Chairman for the last two years, but I now wish to stand down.

1800 **The Bailiff:** Stand down.

Deputy Perrot: The power is too much for me, frankly. *(Laughter)*

I would like to propose a candidate, Deputy Matt Fallaize. I am not sure whether the Rules...I think the Rules say that I should not make a speech about him.

1805 **The Bailiff:** Not at this point, no.

Deputy Perrot: No. Deputy Brouard was going to second this candidate but alas he has had to go to the HSSD, so if I look severely at Deputy Wilkie, it might be perhaps that Deputy Wilkie will –

1810 **Deputy Wilkie:** I will second. *(Laughter)*

The Bailiff: Deputy Wilkie will second. *(Laughter)*

1815 Do we have any other nominations? Deputy Trott?

Deputy Trott: Not a nomination, sir – but is one able to offer a comment on this? **(The Bailiff:** No.) By way of – **(The Bailiff:** No.) By way of – no? Is that a definite no, sir? *(Laughter)*

1820 **The Bailiff:** That is a definite no! You may propose candidates but no Member is entitled to speak at this stage.

If there are no other candidates then we go to the vote on the proposal that Deputy Fallaize be elected as the Chairman of the Panel of Members. Those in favour; those against.

Members voted Pour.

1825 **The Bailiff:** I declare him elected.

Next, we need a Deputy Chairman, who shall be one of the Deans of the Douzaines who does not have a seat in the States and will fill the seat that will arise on 1st June by reason of the expiry of the term of office of Douzenier Heaume, who is eligible for re-election. Do we have any nominations? Deputy Fallaize.

1830 **Deputy Fallaize:** Thank you, sir.

I think it probably falls to me to nominate a candidate. But I am in rather an unusual position of having to nominate someone from outside the States, having only just been elected myself. If I am meant to comply with Rule 12 of the yellow pages, I am not going to, sir, because I do not have any background information about Mr Heaume to circulate, other than I can advise the States that he is the incumbent Deputy Chairman, and I have served with him on review panels and I considered him to be a very good candidate, sir, and he is willing to serve.

So I hope in those circumstances, sir, the States are prepared to vote for him.

The Bailiff: Do you have a seconder?

Deputy Le Pelley: Sir, I would like to second –

The Bailiff: Deputy Le Pelley.

Deputy Le Pelley: – Douzenier Heaume. Thank you.

The Bailiff: Thank you. Do we have any other nominations? No?

We go to the vote then on the proposal that Douzenier Richard Heaume, Douzenier R L Heaume MBE, be elected as Deputy Chairman of the Panel of Members, proposed by Deputy Fallaize, seconded by Deputy Le Pelley. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare Douzenier Heaume elected.

**IX. The Ladies' College Board of Governors –
New Members –
Advocate Ben Morgan and Mrs Kate Richards elected**

Article IX.

The States are asked to elect:

1. a member of the Ladies' College Board of Governors who shall be appointed by the States with effect from 1st June, 2014, to fill a vacancy which will arise by reason of the expiration of the term of office of Advocate B P G Morgan, who is eligible for re-election.

2. as a member of that Board of Governors with effect from 1st June, 2014, Mrs K M N Richards who has been nominated in that behalf by the Chairman, the States appointed Governors and the Education Department nominated Governors for election by the States.

The Deputy Greffier: Article IX – the Ladies' College Board of Governors – New Members.

The Bailiff: We will take first the election of a member of the Board to be nominated and elected by Members of the States. Deputy Gillson.

Deputy Gillson: Sir, it gives me great pleasure to nominate Advocate Ben Morgan.

The Bailiff: Advocate Ben Morgan. Proposed by Deputy Gillson, seconded by?

Deputy Sillars: I do, sir.

The Bailiff: By Deputy Sillars, thank you.

Do we have any other candidates? No, we go then to the vote on the proposal that Advocate Ben Morgan be elected as a member of The Ladies' College Board of Governors proposed by Deputy Gillson seconded by Deputy Sillars. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare him elected.

Next, the election of a second member, who has to be someone nominated by the Chairman, the States-appointed Governors and the Education Department-nominated Governors.

Deputy Gillson.

Deputy Gillson: Sir, I nominate Mrs Kate Richards.

The Bailiff: Mrs Kate Richards – do we have a seconder?

Deputy Sillars: I do, sir.

The Bailiff: Deputy Sillars, again. Thank you very much. There can be no-one else proposed so we go to the vote on the proposal that Mrs Kate Richards be re-elected as a member of the Ladies' College Board of Governors. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare her elected.

**X. Policy Council –
Access to Neighbouring Land –
Debate commenced**

Article X.

The States are asked to decide:

Whether, after consideration of the Report dated 24th March, 2014, of the Policy Council, they are of the opinion:

1. To approve the proposals to allow the owner of a property access to a neighbouring property to undertake essential repairs when access has otherwise been refused, as set out in paragraphs 14 to 28 of that Report.

2. To direct the preparation of such legislation as may be necessary to give effect to the above decision.

The Deputy Greffier: Article X – Policy Council – Access to Neighbouring Land.

The Bailiff: The Chief Minister, Deputy Le Tocq.

The Chief Minister (Deputy Le Tocq): Mr Bailiff, particularly but not exclusively in St Peter Port, it is a common occurrence for a gable wall only to be accessible from the garden of the adjoining house, or for a property's drains to run under a neighbour's land to connect with the mains network. Usually a neighbour will allow full access to their land to enable the owner of such a property to carry out repairs and maintenance, or in some cases will require a simple legal agreement to be drawn up specifying the access rights. However, in some instances the neighbour may refuse to give permission, or be impossible to contact. To address this latter problem upon the recommendation of HM Procureur, and with support of the Guernsey Bar, the Policy Council has prepared this States Report to provide a legal remedy to the intractability of a neighbour.

Although these issues have been around since at least the 1990's, I can attest from personal knowledge that they have been arising more and more frequently, delaying and in some cases preventing property sales and generally introducing inconvenience and anxiety into the conveyancing process. In particular in recent years commercial lenders have become more and more risk adverse with the result that they have been unwilling to lend to purchasers where such issues have been unable to be resolved amicably. In extreme cases, this has made the sale of a property impossible.

At the very least where informal agreements have not been able to be reached, drawing up legal agreements especially wayleaves to keep and maintain services has added considerable legal costs to a property transaction. In other cases, neighbours have sought substantial financial recompense to provide statutory access rights. None of this is to the benefit of the operation of the housing market and therefore the Policy Council is proposing a statutory remedy that will allow the courts to issue an access order where all other attempts to find a solution have failed. In other words, the presumption is that issues will resolve amicably but there should be a legislative backstop where this proves impossible.

Indeed the very existence of such a legal remedy should act as a disincentive to obstructive behaviour. Furthermore, it is anticipated that having a statutory provision in place will facilitate rather than impede the progress of property transactions by mitigating the concerns of commercial lenders.

Sir, the Report explains in considerable detail the technicalities of what is proposed and how the legislation will operate. For the purposes of this briefing I have confined myself to outlining the principal policy objectives. What is clear is that the legislation is *long* overdue, and will enable the housing market to operate more efficiently and effectively. So accordingly I urge the States to support these proposals.

1925

The Bailiff: Deputy Stewart, you are wishing to move an amendment? (**Deputy Stewart:** Yes, sir.) Yes, do you wish to speak to it?

Deputy Stewart: Yes. The purpose of really bringing this amendment is I saw –

1930

Deputy Fallaize: May I request that we have a copy of the amendment, because I do not have it.

The Bailiff: Right. I have it only in draft form as well. That is why I was not sure whether it was being laid or not.

1935

Deputy Stewart: It was sent electronically, I believe to all Members, sir.

Deputy Fallaize: Can they be circulated please in hard copy?

1940

Deputy Stewart: I have the only copy if we want to all gather round. (*Laughter*)

The Bailiff: Could you arrange for copies to be made? In the meantime, that will take a few minutes, do you wish to just read the amendment and tell people?

1945

Deputy Stewart: I will read the amendment, sir.

It is to add new Propositions (b) and (c) as follows: Proposition (b) to direct the Commerce and Employment Department in consultation with the Treasury and Resources, Public Services –

The Procureur: Awfully sorry, sir, the Member has got the wrong amendment.

1950

That is the one that was prepared in your Department and sent to me. The one that I sent back to you yesterday that you were going to circulate is different from that.

Deputy Stewart: Ah! Multiples of... He has got the only one and he has just walked out with it to photocopy it! (*Laughter*)

1955

Deputy Fallaize: Sir, can I suggest that we adjourn while Deputy Stewart decides which amendment he wants to move, and the rest of us are advised of it? (*Interjections*)

The Bailiff: Mr Procureur.

1960

The Procureur: The amendment which I think Deputy Stewart approved by his iPad yesterday morning was to add a further Proposition 3:

‘To direct Commerce and Employment, after consultation with the Treasury and Resources, Public Services and Environment Departments and any other States Departments or other parties interested in the matter, to submit a report to the States regarding improved statutory rights for the Island’s utility companies for the laying and maintenance of services on private land, not later than May 2015.’

That was the one that ought to have been circulated, Deputy Stewart.

1965

Deputy Stewart: That is agreed.

The Bailiff: Yes, well that is about to be copied.

There is a proposal that we rise while that is being copied. I do not know whether Members would prefer to wait to see the result of the election of three candidates as Members of the Environment Department.

1970

Deputy David Jones: I suggest we rise for lunch now and come back quarter of an hour earlier.

The Bailiff: I would try to go along with that, but it may be that the election results are just about to be available –

1975

Deputy Fallaize: Sir, if we adjourn for five minutes, then we could come back, we could all get a copy of the amendment and we could have the results of the election, couldn't we?

1980 **The Bailiff:** Yes, we will just do that. We will rise for five minutes, then I will announce the results of the election and then we will probably go for lunch.

*The Assembly adjourned at 12.18 p.m.
and resumed its sitting at 12.23 p.m.*

Billet d'État XIII

II. Environment Department – Announcement of result of vote – Deputies Harwood, Le Lièvre and Gollop elected

1985 **The Bailiff:** Members, the votes cast in the election of three Members of the Environment Department are as follows: Harwood, Peter – 37 votes; Le Lièvre, Andrew – 37 votes; Gollop, John – 28 votes; and Queripel, Lester – 18 votes; with no blank or spoilt papers. So I declare Deputies Harwood, Le Lièvre and Gollop elected to the Board of the Environment Department.

Billet d'État X

X. Policy Council – Access to Neighbouring Land – Debate continued

1990 **The Bailiff:** It is now 12.23. The amendment has been circulated. I see no reason why we should not carry on until 12.30 as normal.
Deputy Stewart.

Amendment:

To add a further Proposition as follows:

'3. To direct the Commerce and Employment Department, after consultation with the Treasury and Resources, Public Services and Environment Departments and any other States Departments or other parties interested in this matter, to submit a report to the States regarding improved statutory rights for the Island's utility companies for the laying and maintenance of services in private land, not later than May 2015.'

Deputy Stewart: Thank you, Mr Bailiff.

Stewart amendment, take two. *(Laughter)*

1995 I think you cannot fail to notice as you fly in and out of the Island that this whole Island is based around a ribbon development and you cannot help but notice when you drive into town or as we did to the States today – the amount of road closures.

2000 As much as we hate those road closures they are necessary for our utility companies to improve the services, not only our drains, our water and electricity, but increasingly, and in line with our economic development framework, to improve our fibre network as copper fails to be able to do the job of transferring the data that we are so reliant on nowadays for both private and commerce use.

What has happened in the past is we have tended to put all these utilities straight under our roads because it has been easier, because it is owned by the States, it is easier for us to give permission and there are very few rights over all these fields that you can see from the air, for these utility companies to be able to explore getting a wayleave over some of these people's private property.

2005 What this seeks to do is for Commerce and Employment to go away and prepare a report and come up with sensible suggestions to lay before this Assembly to look at ways of not putting absolutely everything

under our roads, digging them up every five minutes and thus helping congestion but at the same time be fair to land owners and to make sure that there are proper checks and balances put in place.

That is really the intention of this amendment. To use a cliché, I would say it is a ‘no-brainer’, I think we need to start looking at putting our services elsewhere other than under a road, as we start to put fibre into people’s houses, particularly as you look along places like Forest Road – much easier to service them from the rear of the property from the fields than from the road at the front. So hopefully we can be very prompt with this report, get it to the States at the earliest possible juncture and that we can have a sensible conversation about where we put our utilities and if there is an opportunity of using the fields and private land, rather than just our public highways.

So I would ask you to support this amendment, please.

The Bailiff: Deputy Le Tocq, do you formally second this amendment?

The Chief Minister (Deputy Le Tocq): I do, sir.

The Bailiff: Deputy Dave Jones.

Deputy David Jones: Sir, while I am happy to support an investigation, the report comes back with the detail. There are some advantages about knowing where all your services are. As an old digger driver we were forever digging them up anyway, (*Laughter*) but as soon as you...but you do know roughly where the services to a row of properties are likely to be, either in the road or in the pavement. Some of those homes are surrounded by different fields and we used to do laying water pipes for the farmers for their cattle tanks and all kinds of stuff in the fields for that – we did quite a lot of that.

You have got to be a little but careful what you do here, because you certainly do not want a farmer coming along with his 25 year old JCB digging up a bunch of fibre optic cables that are going to be hugely expensive to repair – so all I am saying to you – you need to consider these kinds of issues. And go and talk to a few farmers who are going to be the big landowners in this regard before you put in a blanket report or proposition.

The other thing is as well that worries me a little bit about this is about giving more powers to statutory officials on people’s property. I was reading a report the other day that UKIP sent me (*Laughter*) (**A Member:** Ooh!) – sorry! But there are now 64 different statutory officials in the UK that have a right to have access to your home. Now, there used to be one or two and they would – (*Interjection*) the police – No, no, but hang on... but we are getting there! If you think (*Laughter*) if you think, no I accept, Mr Bailiff, sorry through you, I accept the fact that we do not have 64 officials yet who have it, but we are not doing badly, are we? Through environmental health and planning officers and all the rest of it, we are allowing more and more people access to private property who are officials. At one time, nobody had access to your home except without a warrant and it was usually a police officer – not that I know about that (*Laughter*) but I am just saying that that is how it used to be!

So what I would ask the Minister of Commerce and Employment to do is to take the things that I have said on board. But I am happy to support your amendment because at the moment you are just asking for a report on this. I would just flag up a couple of issues that you might want to look at.

Thank you.

The Bailiff: Deputy Gollop.

Deputy Gollop: Sir, I will support this amendment and the report as a whole.

I just think it is rather...although I entirely support the Procureur’s analysis and the work that has been done, and believe this is to be a problem not just in St Peter Port. But I came across a very complicated case in the Castel Parish over many years, and so this has to be a way forward.

But it is a rather sad reflection on how our society has evolved. Because when I was growing up, very much a Guernseyperson’s word was their bond and they would work hard for their neighbours. I have seen the changes with conveyancing. When I was first involved with something along those lines 20 years ago, the very esteemed and respected advocate did due diligence but not on the scale it is done today – with financial companies, surveyors, paralegals, legal executives, and so on. It is the way we are going, we have got to sort these problems out. But I just think that some people, especially property developers on the commercial end of the spectrum, should be more accommodating to people buying and selling property and needing essential access for utilities.

The problem has to be resolved and I hope within the next three years. It is just a pity we have come to this pass.

The Bailiff: Are there any other speeches on either the – ? Oh, there are some other speeches. Let's adjourn then, go for lunch. We will resume at 2.30.

*The Assembly adjourned at 12.30 p.m.
and resumed its sitting at 2.30 p.m.*

**X. Policy Council –
Access to Neighbouring Land –
Debate continued –
Propositions carried**

The Deputy Greffier: Billet X, Article X – resumption of debate.

2070

The Bailiff: We will continue the debate on the amendment posed by Deputy Stewart and seconded by Deputy Le Tocq.

Deputy De Lisle, you indicated that you wished to speak. Do you still wish to do so?

2075

Deputy De Lisle: Yes, sir, just a few words.

I wanted to say that the issue a few years ago was to remove the utilities infrastructure from properties and land. The overhead lines were relocated below ground along the roadways. Today due to the need for new services and the effect on traffic management the issue is returning to the use of property and land rather than perhaps digging up the roadways to the inconvenience of the travelling public.

2080

So I think we have to take a fairly sensitive view and approach on this into the future and remind ourselves also of the efforts that were made in the past in order to free people's properties of the problem of utility lines overhead, and look to some way of appeasing both sides of the issue and taking care not to infringe too much on individual properties and land in the future.

Thank you, sir.

2085

The Bailiff: Does anyone else wish to debate the amendment? No?
Deputy Stewart, then, do you wish to reply on the debate?

Deputy Stewart: Yes, sir.

2090

I thank Deputy Jones for his comments. I do not think it is our intention to set up another statutory official or a statutory body. This is about looking at the law, looking at ways that people can get a way leave over public property. This is about the wider public interest and if we can go across someone's field and give them recompense for going over their field rather than digging up a whole stretch of road for six weeks, then clearly that will be in the wider public interest.

2095

But this is about approving an amendment for us to bring a report to the States, a balanced report and what I say to Deputy De Lisle is: you are on the Commerce and Employment Board and we will be bringing that report to the States. So hopefully if you approve this amendment we can bring something to the States not later than May 2015.

2100

With the demand from the telcos and with fact that many of the ducts – and we have looked at duct-sharing as well, not only from one telco to another but with Guernsey Electricity – many of those ducts are full at the moment. It is not always possible to put new fibre up all of the ducts. Some we can use. We will be looking at all of the options but this will hopefully be another option that we have of being able to get a wayleave over some private land where it is suitable, and we will bring a report by no later than May 2015.

Thank you, sir.

2105

The Bailiff: Members, we vote now on the amendment proposed by Deputy Stewart and seconded by Deputy Le Tocq. Those in favour; those against.

Members voted Pour.

2110

The Bailiff: I declare it carried.

Is there any other request for general debate? No? In that case, we will vote on the Propositions. There are...

2115

Oh sorry, just before we do that – (*Laughter*) Well, you are the only one who has really spoken in general debate. I think Deputy Gollop spoke, but do you wish to reply to the debate such as it has been?

Deputy Le Tocq: No, I just want to thank the Assembly (*Laughter*) for obviously their support.

The Bailiff: Yes, fine. Thank you.

2120 Members there are two Propositions on page 1032 and to those you have added a third Proposition as a result of the successful Deputy Stewart/Deputy Le Tocq amendment. I put all three Propositions to you together.

Those in favour; those against.

Members voted Pour.

2125

The Bailiff: I declare them carried.

**XI. Treasury and Resources Department –
Aurigny Air Services – Aircraft Acquisitions –
Propositions carried**

Article XI.

The States are asked to decide:

Whether, after consideration of the Report dated 26th March, 2014, of the Treasury and Resources Department, they are of the opinion:

1. To authorise the Treasury and Resources Department to facilitate any borrowing by Aurigny Air Services to finance the purchase of such aircraft as are required to operate Aurigny's services to and from Alderney by providing guarantees for borrowing from third parties or by offering the Group a loan from the States General Investment Pool.

2. To authorise the Treasury and Resources Department to facilitate the leasing by Aurigny Air Services of such aircraft as are required to operate Aurigny's services to and from Alderney including if required, acting as guarantor to the lease.

The Deputy Greffier: Article XI –Treasury and Resources Department – Aurigny Air Services – Aircraft Acquisitions.

2130 **The Bailiff:** Deputy St Pier will open debate.

Deputy St Pier: Thank you, sir.

2135 What I would like to do is comment on some of the information which is in the States' Report in the Billet, and then I would like to address some of the points which were raised in correspondence by three Alderney residents over the weekend, which of course has been copied to Members. I will perhaps refer to them as 'the Alderney group'.

There is a third piece of information which is the Chairman's letter – the Chairman of Aurigny Group – his letter to me responding to the information from the Alderney group and that again has been circulated to States' Members and I do not propose to add anything to that.

2140 Dealing first with the information that is in the States Report, why are Aurigny and, therefore through this Report, are we recommending the replacement of the Trislanders?

2145 The five Trislanders have an average age of 37 years, with the oldest being 39 years old. So we are very much talking about 1960's technology here – with perhaps the one advantage of that being that actually there is a fairly low depreciation cost to holding those assets. But they are very expensive to fly. The direct operating costs per seat kilometre, which is a standard industry key performance indicator, for the Trislanders is around 28 to 39 pence per seat kilometre, whilst that for the ATR is 6 to 9 pence per seat kilometre and that is before any allocation of overheads. I will come back to the question of overheads, because that is an issue which is raised by the Alderney group.

2150 The Trislander is also very expensive to maintain at £470 per flying hour. That is about the same cost as for the ATR-72. The other issue of maintenance which is referred to in the States' Report is the cost of the biannual heavy maintenance check of which they are all due in the next year or so. So there is the opportunity to avoid the cost of £750,000 by 2015.

2155 The other issue is the changing nature of the regulatory environment with the move from the Civil Aviation Authority in the UK to the European Aviation Safety Agency. That does produce some uncertainty as to the environment in which the airline will be expected to operate over the next few years, because the views and attitudes in relation to for example, single pilot operation and the use of weather radar are less certain than perhaps they were in the past. We do know that – or we do believe – that the

Trislanders are the only single pilot operation of this size left in Europe. So whether that is able to continue is a question which has been raised in the Report.

2160 Why are Aurigny recommending the Dornier 228? There are a number of reasons for that, having gone through a process of evaluation and looking at a number of different alternatives. It does have a better crosswind capability of around 10 knots, which is a significant issue in Alderney which I would suggest, despite the Requête from the late Alderney Representative Paul Arditti, is unlikely to be addressed in the near- to medium-term, whatever the outcome of the work from that Requête.

2165 Secondly, the Dorniers will produce a better passenger experience. They are slightly larger, a bit more comfortable and are faster so they will produce a travelling time of 15 minutes less to Southampton, which is obviously a key route for Alderney. That improved connectivity has to be a plus for Alderney's economy. The two pilots: again not to be over-played but clearly there are some improved safety issues with having two people at the front of the aircraft rather than just one. And of course the increased number of passengers that can be taken with an additional four passengers does increase capacity on the aircraft.

2170 Finally, the opportunity to fly with some of the spare capacity that would exist with the Dorniers to London City, which of course is a route which the financial services sector has been calling for for some time. Also importantly, it is a route which has become increasingly important to us with the withdrawal of Flybe from Gatwick. We do know that we have got capacity constraints on the London/Gatwick route and therefore putting additional capacity into the London area through City will be a significant advantage.

2175 In terms of the financials – Aurigny are proposing to acquire two second-hand aircraft which are currently with a European operator and that purchase package includes training. The overall cost of acquisition versus a leasing option, which has been reviewed, is that an acquisition is about £160,000 a year cheaper. That is taking into account depreciation and the interest charges.

2180 The plan is to acquire a third second-hand aircraft, hopefully in the short- to medium-term. The requirement for the Alderney routes is a little over two aircraft. On the basis that you cannot have 'a little over two aircraft', your only option is to have a third aircraft and then use the additional capacity that provides. That is essentially where the City route comes in and possibly other routes in the future.

2185 In the medium-term from mid-2016 onwards, the possibility of acquiring new aircraft has also been flagged in the Report. Overall it is estimated that this will improve the operating financial position of Aurigny by £100,000 a year. Again there is the question of fixed costs and of course fixed costs do need to be allocated and as anyone will know, there are always arguments in any business about the methodology and fairness which is used to allocate fixed costs, but nonetheless there will always be an element of needing to make some assessment about how to allocate them.

2190 Sir, if I may, I would like to now turn to the Alderney group's letter and I will be quoting from it and providing Aurigny's responses to it. Forgive me if it is not quite as fluid a performance as perhaps I would like, but this is relatively recent information and therefore I am providing it in as much detail as I can.

In their letter the Aurigny group say – referring to the London Gatwick and London City routes:

'... but neither of these routes are of direct benefit to Alderney'.

2195 Aurigny's response to that would be of course many passengers do connect through Gatwick from Alderney and they have actually already received requests to try and link the Alderney services with the proposed City service. So there are clearly some in Alderney for whom they do regard Gatwick and City as being of direct benefit to Alderney.

They also say:

'There is no firm confirmation that Dornier will re-commence construction of these aircraft'.

2200 That of course refers to the possibility of acquiring new aircraft in due course. Again, I understand from Aurigny that Dornier do now have a firm order of 12 new aircraft from elsewhere and therefore it would be possible to add further orders onto that production list, if that is the right decision for us.

With regard to the maintenance costs for a new Trislander, the Alderney group say that:

'the cost of maintaining per flying hour would be reduced as a consequence to perhaps as little as £180'.

There is no information to support where that figure comes from.

They say:

'We do not agree that the Dornier 228 is the only aircraft suitable...'

2205 and I think it is fair to respond to that, that actually Aurigny have never said that the Dornier is the *only* aircraft that is suitable. There are choices but they remain of the view that the Dornier is the optimal solution, taking *all* requirements, of course not, as I said, just those on the Alderney routes, into consideration.

2210 The Alderney group say that the Trislanders could continue to be flown as a single pilot operation provided Alderney negotiates appropriately with the CAA. Again, as I say given the move from the CAA to EASA, the European Aviation Safety Authority, I think that is perhaps a very bold statement which cannot perhaps be relied upon.

2215 The crosswind issue again is presented in the Alderney group's letter as largely having been resolved as a result of the Requête from the late Paul Arditti. But of course Alderney was cut off for several days last winter due to the Trislander's inability to operate in those crosswinds which we suffered from particularly last winter. At that time, Aurigny were receiving requests for information on when the Dornier would be arriving.

In the longer term, the Alderney group continue:

'perhaps consideration will be given to lengthening the runway by 100 metres at each end'.

2220 Well, that of course raises far bigger issues. We would also be needing to think about extending the taxiways and aprons as well and that is a far bigger issue than we are necessarily seeking to address here today.

The Alderney group say that:

'Aurigny should, in pricing the Alderney/Guernsey and Alderney/Southampton tickets, exclude the wider capital and running costs of Aurigny's other UK and European services.'

2225 I simply do not understand the logic of that statement. Quite clearly as I have indicated, any operation will have overheads which do need to be shared by the businesses or services that it is providing. Therefore to ask Aurigny simply to price based purely on the direct operating costs to Alderney seems extraordinary to me. (A Member: Hear, hear.)

2230 The Alderney group say that on the subject of medevacs it would be unlikely that Aurigny would find themselves with a Dornier and Dornier pilots on the ground in Alderney. I am advised by Aurigny that they do plan to base more overnight aircraft in Alderney. The Alderney group claim that the conversion for medevacs with a Dornier would be looking at an hour or more. Again, I am advised by Aurigny that actually it is more like five to ten minutes and in addition a nurse can sit alongside the patient, rather than by their head or feet.

2235 With regard to the weather radar, the imposition of such a regulation by EASA may be negotiable according to the Alderney group. But of course the purpose of this regulation is to seek to prevent aircraft inadvertently encountering heavy turbulence associated with storms and it seems... I am not quite sure why there would be an expectation that EASA would seek to relax its rules for Aurigny on that route.

In essence, the safety environment for aviation has changed and the safety management systems that airlines now operate mean that perhaps some of the operational aspects of running an airline that existed a few years ago may not necessarily be permitted to continue for ever in the future.

2240 With regard to fitting the weather radar, the question was asked by the Alderney group:

'Has Aurigny ever asked Britten-Norman these questions?'

I am advised that yes, we have, and were told that it was not available or not possible.

The Alderney group say:

'We do not seek to quibble with Aurigny's figure of £470 per flying hour, the cost of maintenance, but merely to comment that they should long ago have considered ordering new Trislanders which when supplied would have dramatically reduced the hourly cost of maintenance by perhaps 50% or even more, since the cost of each new aircraft would include a spares package.'

Again there is no information to support that assertion, sir.

2245 The Alderney group say: 'we are not clear as to how Aurigny reached the total of £750,000 – this is in relation to the bi-annual heavy maintenance list – since they are now only running four Trislanders and say they only need three.' The response from Aurigny is that given the lack of reliability of the Trislanders, a minimum of four to five Trislanders will be required to provide three serviceable aircraft if we are to provide a service that is close to reliable.

2250 Apparently, according to the Alderney group, the new Trislanders would also have better insulation and quieter cabins and I am advised that the aircraft cannot physically accommodate insulation or noise suppression. The Alderney group say that the turbo prop engines would require 25 to 30 minutes' cooling-off time, which again I am advised is not correct.

2255 With regard to additional passengers, the Alderney group said it would be necessary to remove the toilet facility in order to increase luggage capacity. The toilet if required, apparently according to Aurigny, can be fitted in minutes. It does not have any plumbing. It is of a 'porta-potty' type. (Laughter)

Deputy Luxon: You loved that, didn't you?

Deputy St Pier: A further point important to regular visitors to Alderney, according to the Alderney group, is the capacity of the Trislander to carry pets, which we understand the CAA flight inspectorate would not permit in the Dornier.

Aurigny respond:

‘We should be able to continue to carry pets as today. We have not discussed this with the CAA but we see no reason why they should not be carried in the cabin. If not, there will be space to carry them in a cage in the aft hold.’

It appears – again quoting from the Alderney group – that:

‘Aurigny’s management’s main reason for wishing to acquire the Dornier is specifically its new services to City of London which is of no benefit to Alderney. We travel to Southampton.’

Again this is simply not true. If there were no Alderney routes, then there would be no requirement to have any Dorniers and we would not be here today. The London City route is purely to maximise the use of the aircraft.

The Dornier ceased production in 1998 and again the Alderney group say it has been built under licence by Hindustan Aeronautics in India. Aurigny advise me that Dornier are now owned by RUAG, which is a Swiss Government-owned aerospace company and any new aircraft will be built in southern Germany.

The Alderney group say that there would be no exchange risk by acquiring new Trislanders. In response to the question of new Trislanders, Aurigny said there has been no commitment by Britten-Norman to produce a new generation aircraft and if that were required with new avionics and so on, then it would have to be re-certified by EASA and many of their components do actually come from the US and therefore there is an exchange rate risk.

Then we have the question of the financial improvement to Aurigny’s results of £100,000 or so. Based on further research and a study undertaken by Aviation Economics, which was commissioned by the States of Alderney, they actually have indicated that they think the financial improvements in the operating costs could be significantly greater than £100,000.

Picking up on another couple of points, again quoting from information provided by Aurigny to me:

‘The Trislander is not certificated or equipped to operate with two crew. Two of the current aircraft do have dual controls, but no instruments or space for instruments that would permit a two-crew operation and are used solely for training. Last autumn we sought permission from the CAA to operate with a non-flying safety pilot. This was refused as they felt it would make the operation less safe due to the configuration of the aircraft.’

The final couple of points I would like to make before closing, sir, in paragraph 6.4 of the States Report, I note, or it is noted in that Report, that these proposals have been approved by the board of management of Aurigny. They have then been reviewed by the Supervisory Sub-Committee of Treasury and Resources and then of course by the full Board of Treasury and Resources before this Report has gone to Policy Council and finally it has found its way here today.

As a process, nimble it is not. Commercial counterparties may not always be willing or able or prepared to wait for our processes. Also playing out in the public domain may of course not always ensure the most favourable commercial terms, for a whole variety of reasons.

I think actually the experience of the last few days with three individuals from Alderney popping up with ideas that need to be looked at is commendable. It is a commendable part of our democratic process here to have that transparency. But of course it is not remotely commercial. I could not actually probably have found a better example to illustrate my paragraph 6.4 than the experience of the correspondence from the Alderney group and responding to very detailed points around aircraft, aircraft types and their toilets and so on. Seeking to manage the airline and make commercial decisions on the floor of this Assembly, sir, I would suggest is wholly inappropriate.

Recognising this, Treasury and Resources do propose to return to the States, hopefully later this year, with recommendations on appropriate delegated authorities that would enable decisions to be made more swiftly obviously with appropriate oversight. But we do and have recognised with this Report and I would suggest by the subsequent experience that the process is perhaps overly cumbersome.

In paragraph 6.5, sir, I note that Aurigny’s working capital and aircraft acquisitions are of course largely funded by commercial loans. Treasury and Resources believe that the States of Guernsey could secure better borrowing terms and manage its overall debt for both Aurigny and other public sector bodies in a more structured and more cost-effective way. The piecemeal approach that we currently have is not serving and providing best terms. So the Department continues to look at these issues around this including re-securing the Island’s credit rating and will present proposals later in the year, quite possibly in the Budget Report.

Finally, with regard to the losses on the Alderney routes, at whatever level those losses are depending on what allocation of fixed costs and overheads we have. We do have an issue, I would suggest, that we need to face as to whether those should be paid for by the passenger or by the taxpayer. At the moment it is

a little bit of an academic question because the operation has been loss making and has been for a number of years and ultimately the States stands as guarantor, then the taxpayer ultimately is going to be fulfilling that role of supporting those losses.

But given that one of the objectives – one of the shareholder objectives – is that Aurigny should be seeking to break even as a group and is in a better position to do so following the introduction of its own jet on the Gatwick route later this year, we will be facing the possibility of passengers on the Gatwick route subsidising other routes and at what opportunity cost to other passengers, particularly for the visitor economy and the business sector?

So in due course, I do suggest that it may be necessary to establish some kind of public service obligation type arrangement in which the taxpayer openly and transparently supports the Alderney lifeline. That I would suggest, sir, is a far better way of addressing the Alderney group's concerns and indeed not just the Alderney group's but other residents in Alderney as well, their concerns of ensuring reasonable fares on the Alderney routes operated by Aurigny.

Sir, I do urge Members to support the Propositions before them.

The Bailiff: Deputy Trott and then Alderney Representative Harvey.

Deputy Trott: Thank you, sir.

There are one or two issues that I think are worthy of expansion. The first is the Treasury and Resources Department's view that as part of its mandate the States, having made the Department responsible for the shareholder function in respect of Aurigny, should extend to them the making of decisions about capital expenditure that requires shareholder approval. That, sir, at face value is very sensible but it does not sit comfortably with paragraph 7.2 which tells us that:

'In preparing this Report, the Department has been mindful of the...six core principles of good governance... The Department believes that the proposals in this Report comply with those principles.'

Well, they do not, for a variety of reasons. Probably the first point to make, sir, is that in paragraph 5.4 – and I would remind Members that one of key principles of good governance is making informed decisions – but in 5.4 the Department tells us that:

'... after taking into account depreciation and interest payments, the cost of purchasing the aircraft would be £160,000 per annum less than leasing them.'

That is a fairly impressive figure, but what it does not tell us if those costs are based on us borrowing from the States Investment Pool or indeed borrowing from third parties. So it is fundamentally deficient in allowing us to identify which is the cheaper option.

I suspect most in this Assembly would think that borrowing from within would be cheaper and I would ask the Minister to confirm if that is indeed the case.

The second area that is worthy of mention in terms of the key principles of good governance is that there is no letter appended to the States Report from the Government of Alderney. I suspect that had there been, there would not have been this last minute correspondence from three concerned Alderney residents who have done their best to put forward a case in the absence of sufficient levels of detail.

Thirdly, sir, in paragraph 5.5 we are advised that we are probably going to end up buying two aeroplanes. We may end up buying a third if one is available, as the Minister has said. The consequences of that are that we may spend £12 million to £18 million or we may spend about £10 million if other people's pencils are very sharp and we get a good deal. The point is in terms of governance, what we are being asked has very wide parameters. It could be £10 million, it could be £12 million and it could be £18 million.

The point I am making is that, whilst I am very happy for the Treasury and Resources Department to have that authority and I am satisfied that the business case makes sense, that is on the back of having undertaken the shareholders function myself for four years and understanding the intricacies of the airline in detail. If I did not have that knowledge I would be very uncomfortable with this Report indeed.

I hope that Members take those comments on board but, in doing so, may I ask the Minister in his summing up to address a third point and that is: 'what will be the net extent *in extremis* of the contingent liabilities as a result of this action?' In other words, we have already underwritten a significant amount sensibly of Aurigny's borrowings – what will the off-balance sheet aggregate be *in extremis* should the States approve this States Report? Which, incidentally, I thoroughly hope they will.

The Bailiff: Alderney Representative Harvey and then Deputy Soulsby.

Alderney Representative Harvey: Thank you, sir.

I was moved at one point to interrupt Deputy St Pier at the beginning of this speech, but he was moving with the speed and smoothness of a Dornier so there was no opportunity of pointing out that the Alderney group, whilst being a convenient nomenclature, does not reflect the reality of these people. This is a group of three people, one of whom is an ex-Aurigny employee who purport to represent a wider group of 40 who call themselves the 'Friends of Alderney'. I think their intentions are good but their mechanisms and their ways of operating are not necessarily good.

I think we should be clear about one thing that I, and I believe the rest of the States Members in Alderney – because we did discuss this as a full group yesterday, together with the business community – feel that the place for Joey and his or her fellow Trislanders is in a museum or a heritage flight, not serving a modern, forward looking community, eager to recruit both tourists and new residents, particularly those running small businesses. Only when we are successful in that will we re-populate the school, regenerate our retail sector and create much needed jobs.

In common with most people in Alderney, no doubt many of you have flown many miles in Trislanders – they have been a wonderful work horse, specifically designed for the Alderney route. However, if on occasion we wipe moisture from our faces, it is more likely from a leaking cabin roof than emotion. On a calm sunny day flying from Southampton to Alderney in a Trislander is a tremendous experience. On a dark winter's morning, it is rather less attractive. Having flown briefly in the Dornier, and acknowledging it is far from a new design, the experience is much more what most UK and European flyers would expect and feel comfortable with. A bit like Whicker Island, the tragedy of Alderney is that there are just too many Trislander pilots and not enough Trislanders for them to fly. (*Laughter*)

Some of the concerns expressed by the authors of the report, and I will not call them 'the Alderney group', are reflecting deeply held views and concerns in Alderney. To be summed up really in two words – frequency and fares. These might have been addressed, had T&R used the opportunity of negotiating timing and fare parameters with Aurigny on the Gatwick route to undertake a similar exercise. This did not happen but I am pleased to hear Deputy St Pier say that there is a place for a PSO or a service level agreement and that is something we very much wish to pursue.

The need for such arrangements for Gatwick are very well understood, but how much more so for Alderney where we have one transport link with the UK and only one, Aurigny to Southampton – no ferries, no other operators – we are totally in Aurigny's hands on this critical route. It is not too melodramatic to say that the economy of Alderney, indeed the viability of the community in Alderney, hangs on a single thread which is why there is so much nervousness on this issue.

The proposals will lead to the withdrawal of six Trislanders, although I suspect it is rather less than six now, but there certainly will be potentially a reduction in seats. Some of the Dorniers will be used on other routes to the UK as has been indicated, further reducing the seats available on the critical Southampton to Alderney route. Lest anyone should think the existing are flying half full, a recent study showed that loads on Alderney to Southampton are between 60% and 85% and over 80% for at least four months of the year. The numbers of weekends throughout April to September when there are no return flights available at all are growing. In short, with their existing fleet Aurigny are just about meeting demands but with a reduced fleet there are concerns. Despite everything, last year for the first time in many years, after years of decline, there was actually growth in the Alderney to Southampton route, very welcome growth. But quite simply our recovery in our economy is likely to be stillborn if there are not enough seats.

Turning then to prices, the other side of the particular coin. Last weekend I undertook a simple exercise on Aurigny's website to look at a family of four deciding to take advantage of improved weather and contemplating a trip to the Bailiwick. This coming weekend the family could easily find flights and pay £348 for all of them to fly Gatwick/Guernsey return. They did then rather adventurously look at the possibility of coming to Alderney but unfortunately there were no return seats whatsoever to be had next Sunday. But being persistent people, they looked at the following weekend and lo and behold there were flights available. The only snag was the £348 fare to fly to Guernsey had now risen to £874 – yes, that is £874 to fly to Alderney! Such a differential is repeated across all fare types and dates.

Many on Alderney understand that there are costs associated with living on a beautiful isolated island, but such a premium is becoming excessive.

The simplistic but wholly understandable thinking of people in Alderney is if those are the fares on a heavily depreciated Trislander with no finance costs and one pilot, what are they going to be on a much more costly aircraft with two crew? Our traffic certainly cannot sustain more fare increases and that brings us to the other great question mark: what the route really does cost. Again, I am delighted that Deputy St Pier referred to the Aviation Economics Report. What it actually said was that, assuming the use of Dorniers rather than Trislanders, but with the existing fares and the existing levels of traffic, there would be a loss of £96,000, and Jon Moulton in his letter has of course referred to the fact that they would expect to see much greater savings than the T&R Report.

Alderney asks for nothing that people in businesses in Guernsey do not enjoy: confidence in their transport links to the outside world both as regards availability of seats when needed and fair pricing. If

Aurigny can guarantee that the changes proposed today will not in themselves result in any reduction in capacity on the Alderney routes year on year, nor any increasing fares as a result of the change of aircraft, then we can all welcome the change to a more modern aircraft.

I think that change will be applauded by most people on Alderney. Certainly the reaction when the Dorniers were test flown there was very positive from all those who saw them and flew in them.

I fully support this resolution but call upon T&R to recognise the vital importance of our air links and to engage with us and Aurigny to secure such a PSO or a service level agreement as they have done for Guernsey. Correspondence from the Chairman of Aurigny yesterday indicated that Aurigny were for the first time prepared to engage with us on these key issues and I welcome the point made by Deputy Trott that the States of Alderney perhaps ought to be involved in some of these discussions, if not the final decisions.

It does need of course the backing of T&R as the shareholder and the guarantor of all things relating to Aurigny. Such an agreement without being onerous or imposing unnecessary costs would provide reassurance to existing residents of Alderney and more importantly to those elsewhere, particularly with families and businesses, whom we hope to attract to our Island.

Back in January in a very charged atmosphere, with half of Alderney in the Public Gallery and the widow of the late Paul Arditti there as well, this Chamber voted unanimously to help Alderney and for that we were eternally grateful.

I fully support this resolution, I hope you will and in so doing you will take the first important step on the road to economic recovery for Alderney.

Thank you.

The Bailiff: Deputy Soulsby and then Alderney Representative Jean.

Deputy Soulsby: Sir, the information supplied by Messrs Drew, Cadoret and Harrison – ‘the Alderney group’ as Ministers describe them – has raised some important questions regarding the information supplied by Treasury and Resources in the report and puts the decision-making process undertaken by Aurigny to move to the Dornier aircraft under detailed scrutiny.

I do welcome the comments made by the Minister where he provided examples of the flaws and omissions in the figures that have been given and the facts regarding the use of replacement Trislanders as well as the suitability of the Dornier aircraft for the medevac service. Whilst I appreciate the assurances that the Minister has given regarding these points, it should be said that the Treasury and Resources Report itself includes limited information in respect of the options being considered. Given the scale of the proposed investment, this is clearly disappointing. (**Several Members:** Hear, hear.)

From a Public Accounts Committee perspective the major area of concern relate to the financial information being considered. The data supplied by Aurigny on Monday to substantiate their proposed loss of £900,000 on the Alderney routes leans heavily on the apportionment of somewhat opaque central costs, and at the same time that supplied by the Alderney group could be seen as being overly optimistic. Clearly, without full financial information being made publicly available, it is difficult to comment with authority on the claims and counterclaims made by the various parties. Given that this proposed purchase represents a potentially significant call on the public purse, or perhaps the passengers’ purse, bearing in mind the Minister’s comment, this is far from ideal.

I also note that this proposed purchase does not appear to follow the rigorous process outlined by Treasury and Resources for the future management of the capital investment portfolio. Indeed the Report makes clear that the Department does – and what the Minister said earlier – makes clear that the Department does not think the current process fits public and quasi-public bodies anyway. I therefore welcome clarification from the Department on how it believes quasi-autonomous organisations such as Aurigny should be treated in the future and echo some of Deputy Trott’s concerns in this area. (**A Member:** Hear, hear.)

It is essential that the Government and the public has complete faith in the management and decision making of organisations such as Aurigny, whose primary purpose is to serve the needs of the Islands within realistic commercial parameters. Therefore we will seek to ensure that the oversight provided by the Treasury and Resources Department is fit for purpose.

The Bailiff: Alderney Representative, Jean.

Alderney Representative Jean: Sir, Members of the States.

I will do my best to not repeat some of the questions that have already been answered by Deputy St Pier but I probably will have to stop occasionally to cut little bits out of my speech.

The Billet item on Aircraft Acquisitions for Alderney Services – in its opening statement the words:

‘Air transport links are essential to long-term social and economic sustainability of Alderney.’

2485

That statement is so important to our community. I think no one on Alderney would disagree with those words. Although the same statement applies to Guernsey and the community here, it has to be said here you are also well served by your sea links too. In Alderney our sea links are not as good and this is why the opening statement is not only essential it is crucial to us all in Alderney.

2490

Aurigny concludes that the Trislander fleet should be replaced with the Dornier 228 second-hand models, moving to new aircraft with two pilots instead of one in the medium term, but subject to decisions about our runways and their facilities.

2495

I do not know why these two issues have been connected. In my view, one has little to do with the other because of the way that I approach and view this. Aurigny concludes it is better to purchase than to lease, and Treasury and Resources are authorised by this Report to facilitate borrowing from a third party or by giving Aurigny a loan from the States General Investment Pool. It is interesting to note at the bottom of the first page:

‘...in the event it does not prove possible or cost effective to source aircraft for purchasing and a lease option has to be considered... that the Department should be authorised to act as a guarantor to such leases, should such guarantees be required.’

2500

This in my opinion casts doubt over whether it is possible to buy any new aircraft.

On page 1034, again the importance to Alderney of its Southampton routes and our Guernsey routes and how fundamental they are to sustaining our tourism industry. I cannot emphasise not just the importance of that statement but without strong sea links it is a truly crucial statement, with which in Alderney again there would be no disagreement.

2505

Still on page 1034:

‘Analysis of the route economics provided by Aurigny has demonstrated clearly to the Department that these services are not viable as commercial operations. Indeed, in 2014, the Company anticipates a loss of... £900,000 on its Alderney services.’

Here I depart for a few moments from the Billet itself to point out the difficulty being caused in Alderney by dual control. By this I mean Alderney’s security is constantly under question from Policy and Resource, or the management of Aurigny. Our airfares have risen well above Guernsey or Jersey or anything like what Guernsey and Jersey would have to pay to get to Southampton.

2510

In recent weeks statements emanate from the management of Aurigny telling Alderney people organising Alderney Week and the recent very successful Arts Festival during May that we in Alderney should ‘iron out our peaks’ – ‘do not have your Arts Festival over a bank holiday and make Alderney Week longer as Aurigny cannot cope with the peaks.’ Who is in control here? Aurigny or the Government of Guernsey? We are effectively being told in Alderney to curb our ambitions. These are complaints against success. Aurigny are telling us ‘remain within the framework of the skeletal flight pattern we provide, we cannot help you.’ I am told – and I am only told this – that over the Arts Festival, which was such a success, and so much enjoyed by residents and visitors alike, that our own private pilots got together and saved the day for us. If this is so, they have my utmost gratitude as it has been a real benefit to the business community and the population of Alderney.

2520

I also thank Aurigny for doing all they could do for us. The point I make to this Assembly is if Guernsey were placed in the same situation as Alderney, you would be most unhappy with reduced service, indirect routes and the most expensive airfares in the Channel Islands. This Guernsey Government would fight to find a way to change that and all the insecurities it entails. These damaging statements need to...and of course Alderney must put up a fight or wither and give up, which we cannot do.

2525

Back to the Billet, page 1034: the airline currently maintains a fleet of five Trislanders, between 39 and 32 years old. The two second-hand Dornier 228s are over 20 years old. Could we be finding ourselves in a similar situation with the Dornier as regards maintenance in 10 years’ time?

Still on 1034:

‘Trislander aircraft will need to be fitted with weather radar equipment with effect from October, 2014...’

2530

Why have we left this so late? I have been told that Britten-Norman can supply spares but has not received orders. Now, some of this has already been answered and I ask Deputy St Pier not to bother answering again.

2535

I also understand the cost of the SB190 check and the wish to avoid an expend of £750,000 before the end of 2015. At the present time, there are only a limited number of short take-off and landing aircraft that can operate into Alderney Airport – and of course, this is one of the reasons for the Requête by my late colleague and myself, this was one of the things, this limitation that we were looking at – seating either the same or more passengers as the Trislander. This House... clearly the need to address our airfield situation has not gone away.

2540 I would like to thank Deputy Luxon for keeping me updated as to the work which is being done to remedy the situation as regards our runways which have been and to some extent are still affected by exceptional weather conditions this winter.

The new Dornier is a more comfortable travelling experience and we are assured it can land in cross winds 10 knots higher than at present with the Trislander.

2545 On page 1036, 4.5 able to carry more passengers, Aurigny believes there will be:

‘...more flexibility in the deployment of its aircraft fleet.’

There is still concern in Alderney regarding the Dornier’s conversion for medevac flight.

‘There will be opportunities to deploy them...on some of its regional services at times of the day or week when demand does not justify the use of the larger ATR-72, for instance on the Bristol route. The aircraft will also enable Aurigny to explore new route opportunities. Specifically, it is intending to launch its new service to London City Airport with the Dornier.’

2550 This statement does concern me somewhat. Is this the real reason for buying the Dorniers? And is Alderney to be subject to more flights cut out of an already thin service? What reassurance do we have? As Aurigny put it, we must ‘please our political masters’ and that was in one statement.

‘Operation of the Dornier involves two flight-deck crew.’

2555 Will this increase the cost of airfares? I am grateful to my colleague for mentioning this. Already subject through recession to customer resistance and continual complaints of the highest airfares in the Channel Islands. Three Dornier aircraft are required to operate the majority of the schedules from Alderney to Guernsey:

‘The third will be used to provide additional ad-hoc capacity at peak periods, such as Alderney week, as well as...such as that to London City Airport.’

2560 And the third aircraft will cover:

‘During periods of aircraft maintenance.’

2565 On page 1038, the ‘second-hand Dorniers are over 20 years old’ and what is the lifespan of these aircraft?
5.6:

‘The Department is...conscious that, following consideration of the Requête on the airfield in Alderney, the States has directed the Policy Council to report in 2014 with recommendations which, once implemented, will likely contribute to stimulate Alderney’s economy and reversing depopulation...The States has also directed the Policy Council to have particular regard to the case for any work at the airfield which may be necessary to make it suitable for the next 25 years...In the event that this process results in proposals for change to the airfield that will materially alter the size of the aircraft able to land and take off there, no decision will be taken on the purchase of new aircraft until a proper evaluation of the alternatives has been made.’

2570 This statement concerns me. It is clear that Alderney airfield requires upgrade. It would, I believe, be right to have all-weather runways and tarmacked or concrete. I would view that statement as monopolistic while Alderney struggles with reduced service and a higher price than the other Islands. I see this, again, that one should not be connected to the other. I cannot help but point out that it is possible that minds may be made up in that statement.

2575 In 6.1 it refers to the sale of the Trislanders perhaps to Africa or South America. It would be interesting to know the resale value – of course we would only know it later – but it would be offset against the cost, which would be good.

2580 Mention is made of the £100,000 saving. This is good news. I am even more pleased to hear that it may be more than that, and I do hope it yields a lot more for Alderney and Guernsey. I am sorry this figure of £900,000 has to be highlighted. I was very interested in Deputy Soulsby’s remarks. Without examining Aurigny’s accounts I am unable to say whether all of this loss is down to Alderney, and Alderney is somewhat defenceless here as we do not run our airport – it is a transferred service – and the airline. Aurigny, which was founded in Alderney and has served us well for many years, is no longer our own airline and is stretched by many other loyalties.

Thank you, sir.

2585 **The Bailiff:** Deputy Gollop.

Deputy Gollop: Sir, yet again, to my shock – well, not great shock – Deputy Kuttelwascher has proved to be right, (*Laughter*) because I believe about 18 months or two years ago he stood over there on the other side of the Assembly and predicted that we would, as a States, have to look very carefully at the future funding of the Trislander replacement, and that aeronautical regulation would move in such a direction as to make Trislander operation beyond this year inconceivable. It would appear from this Report that that is more or less proved to be the case.

In a way, I am not a happy bunny about this Report in a variety of ways, because ‘Little Joey’ is a character in his own right. (*Interjections*) He has five or six children’s books featuring him that you can buy at Guernsey and Alderney Airports and he had a comic strip for a while as well, and is part of the local fabric like *Oscar Puffin* and whatever. But nevertheless, as somebody said, (*Laughter and interjections*) times move on and Joey has perhaps, at 39 or whatever, reached retirement age.

I also share the concerns of the Alderney Representative team about capacity, despite the assurances we have about the marginally greater speeds, recovery time and seating capacities of these planes. Because I remember a golden era not that far ago in the 1990’s or early 2000’s when you had perhaps two operators to Alderney and you had regular services to Jersey, to Shoreham, Brighton and Worthing, to Bournemouth Hurn, as well as Southampton.

If we are to revive the Alderney economy, which must be our unanimous policy and vision, I cannot see how just three planes will fit the bill. In fact it is not just three, is it? It is less than three because apart from regular maintenance and aircraft movements – and that is assuming we go for three, because this Report still is not clear as to whether it is two or three. If you think about the three we are going to maintain, I hope a French air-link to Normandy or Brittany. That generally has been operated by a Trislander. The Southampton/Alderney run will continue to be run by the smaller planes and the Guernsey run of course, that is what we are talking about here. But it would be nice if we could see a revival of the Jersey link. After all, Jersey is perhaps the biggest economy of the Channel Islands in some respects.

Clearly this rules out a more frequent service to Guernsey or England, new air-links to southern England, possibly extra routes to France and the Jersey link. If one of the three planes is going to be used extensively to the City of London, perhaps at peak hours, that would reduce the capacity still further. And indeed I believe that there is a demand for the City run from Guernsey there might even be one in the future for Alderney. But I am not sure we are building in capacity here, because as I say just a few years ago you used to get half a dozen flights an hour going in and out of Alderney when Alderney week or other events were at their busiest.

We really have to be prepared, I think, to be flexible and acquire additional planes when the time comes. I certainly think three is the minimum number and not two. But that of course, reiterates Deputy Trott’s well-made points that there is a cost differential between a low of £8 million and a high of £18 million in that regard for purchasing.

I am interested in page 1035 where the argument is made in 3.3 that:

‘Maintenance of the 15-seat piston-engined Trislander is very labour intensive, costing £470 per flying hour. This matches the hourly maintenance costs for the airline’s 72-seat ATR-72 turboprops, resulting in much higher costs per seat.’

Of course the BBC this morning played an interview with a rival aircraft manufacturer, who not only claimed that he could produce new Trislanders, but that was a wrong figure. I have got no knowledge as to know whether that is the case. But what is also important here is that – it is mentioned in the foot note – that the Trislanders are only selling 15 seats or 14 seats to Southampton which has been further reduced due to the temporary operating restrictions at Alderney Airport to 14 and 13. Therefore we are currently operating a 16-seat plane for perhaps only 13 seats, which represents a particularly high cost per seat and may be one reason why the cost of flying to Alderney has increased above inflation in many respects.

I am a little bit puzzled politically as to why on page 1034, under 2.2, we see Treasury and Resources almost in an auditory role here, endorsing the following statement:

‘Indeed, in 2014, the Company [Aurigny Air Services] anticipates a loss of just over £900,000 on its Alderney services.’

We are then told that the Dornier acquisitions will knock off £100,000 of that. But I seem to remember not so long ago the States had been very much advised that the new planes for the Gatwick route and the competition with another operator was the main reason for Alderney having heavy annual losses. Clearly this is another argument that has come into the picture.

I think that the Minister of Treasury and Resources is absolutely right when he says an ‘elephant in the room’, an unanswered question here, unfinished policy is the subsidy to Alderney. We went down a transport subsidy route last month with the Integrated Transport Strategy and clearly the needs of Alderney socially and economically require a structured thinking to this subsidy.

2645 The point was made that it is completely uncommercial to sit here and micromanage the company as if we are some kind of giant board. (**A Member:** Hear, hear.) I do not agree with that. I heard a ‘hear, hear’, but in a way we do have to be a board – we could have board meetings of 47 of us every month discussing every single detail of operation. (*Laughter*)

2650 The reason why I say that, despite a certain depression of that, is I do not see how Aurigny’s operations to Alderney can be seen as a commercial thing in any shape or form – it is not commercial. It is about the transportation links to and from part of our Bailiwick that is not at the moment particularly viable in every respect.

2655 We have heard tales of cats and dogs on the flights, of babies being born, of people in urgent medical need. It is Alderney’s lifeline. It is not a subject for commercial considerations. It is clearly a public sector policy. And as Deputy Trott said, bearing in mind we are writing or underwriting a cheque for perhaps up to £18 million and there are lots of unknown costs here – that is before we get on to the airport runway issue – we really should not be seeing this as some sort of commercial issue to note as any other business. This is absolutely core to our economic policy and to a certain extent to our environmental and social policies.

2660 We really have to get a grip on how the higher echelons of the States of Guernsey work with the States of Alderney to integrate this investment, which I think will happen, and on balance will be extremely beneficial with the other questions.

2665 It is time, I think, for Joey and his siblings to retire – but I would urge Treasury and Resources and Aurigny to consider keeping one or two of the Trislanders in reserve, just as I believe in Eastern Europe they kept steam engines in reserve for many years (*Laughter*) when it got very frozen. The reason being you will need the capacity of Joey especially at the height of summer. I can understand that Joey might not be able to operate in thunder-stormy weather, but I think that it is important.

In answer to Douzaine Representative Jean, the Alderney Performing Arts Festival was a great success, but I suspect one of the main reasons it occurs at a busy bank holiday weekend is precisely because that is the time professionals from the UK are free to come over.

2670 **The Bailiff:** Deputy Dorey and then Deputy Stewart.

Deputy Dorey: Thank you, Mr Bailiff.

2675 I just wish to continue on the theme of costs. If you look at the regular costs of running Alderney Airport, which in the budget were £729,000, and the losses which they have said on the Trislanders are £900,000, if you also add in the routine capital which PSD is budgeted to spend on Alderney Airport this year and for the last census gave a population of 1,903 people, that works out at a subsidy to provide passenger air transport to Alderney of £940 per resident. That is an awful lot of money and I do not believe that is sustainable or acceptable in the long term.

2680 So, I do welcome these proposals to try and reduce that. Obviously if you ignore the routine capital – I accept that level does not happen every year – if you just look at the running expenses, that will bring it down from £856 to £800 per resident, but that is still an awful lot of money to expect the taxpayer of Guernsey and Alderney to pay to have passenger air transport from Alderney.

2685 That is why I was particularly concerned and I voted with Deputy St Pier at the debate last month when we were talking about the first registration charge. I think it is very dangerous that we start saying some taxes apply in Guernsey and some do not apply in Alderney. There are different subsidies going on between the communities. There is no doubt there is a lot of money going into Alderney, and I think it is extremely dangerous, especially in relation to the 1948 Agreement, if we start saying because they do not have buses we do not give them first registration charge, but we put an awful lot of money into their transport systems.

2690 I welcome the fact that they are saying that they are hoping that Aurigny will break even or make a profit. So effectively the subsidy would move from the taxpayer to the passenger. I think that is equally unacceptable – although I do welcome where it says £800,000 in the Report. I notice Deputy St Pier said it might be less than that and Alderney Representative talked about considerably less than that. So I welcome this and I think the idea of making the airline break even on its Alderney routes has got to be an aim.

2695 I perhaps would radically say that if that involves, for example, not operating the Alderney/Southampton route, we should do that. And perhaps we should organise through fares from Alderney and link in the flight with the Gatwick flight so you can offer through flights from Alderney to Gatwick, which might be better for the Alderney resident because I imagine a lot of them would rather go to London than Southampton – although obviously there is a good train link from Southampton to London.

2700 So I will support these but I say with a note of caution that I am happy that they are buying two planes but I think they have to look very seriously at the financial situation before they decide to buy a third plane with the degree of subsidy going in. I just do not think it is sustainable. Particularly with the FTP savings which have been made in Guernsey and the effect they are having on our own population, to pump so much money into Alderney at this time – particularly with a population of only 1,903.

Thank you.

2705 **The Bailiff:** Deputy Stewart.

Deputy Stewart: Mr Bailiff, first of all, I do have to declare an interest because I am a member of the 'Joey Club', (*Laughter*) and I do think the new Minister for Environment might well have signed my certificate actually at the time – I am going to check!

2710 This debate has been useful because I think it has actually cemented in my mind some key things that we have to address. I think it is absolutely vital that Treasury and Resources do get that delegated authority. For us to be making extremely complex commercial decisions based around types of aircraft, different types of funding within this Assembly is extremely difficult. We are really for policy making and this is really getting down into some very difficult issues and for my mind I am happy to delegate authority when it first has to go through the Aurigny board, then through the Treasury Sub-Committee, and then to the Treasury Board itself. I think three Boards for me is enough. I cannot ever say that I could fully comprehend all the ins and outs of what is a very comprehensive business case and try to distil that down into a States report to me is nigh on an impossibility. So I think I will welcome to see that report before this Assembly as soon as possible.

2720 In line with what Alderney Representative Louis Jean says, and Deputy Gollop echoed, there are clearly social issues at play – the medevac. These are things that perhaps Aurigny would not choose to do but they are clearly needed for Alderney. There is the Economic Development Programme and so what that has cemented in my mind is clearly we need to take this out of Aurigny. We cannot...or Treasury cannot, be saying to them 'we expect you to make a profit and yet you lose it on the other hand to Alderney or operating your services to Alderney.' I think what we need and what would be a policy decision by this Assembly is: what should that subsidy be in terms of route development to Alderney? And the Alderney Representatives and through the Alderney Liaison Group those discussions can be had about if we want to increase the flights to create some more economic opportunity, we come to this Assembly we say we are not asking for £900,000 this year we are asking for £1.2 million to operate more flights, or to contract Aurigny to operate more flights, and we think the return will be x, y and z, and I think that is the sort of decision this Assembly can make.

2735 Thirdly, it is back to transparency. If whatever subsidy – and it really moves on from the point that Deputy Dorey made – if it is all wrapped up in Aurigny's finances, what we really need is a transparent subsidy. This is what the taxpayer is paying to maintain or develop routes to the Island of Alderney, makes a huge amount of sense to me.

I actually knew a chap who flew Dornier 228's. He started an airline flying out of Ipswich to Amsterdam. I know the aircraft, and it is certainly a lot more comfortable than a Trislander. But one thing I did learn from my friend is that owning an aircraft, or owning an airline, is not an easy business it is an extremely complex business and fasten your seat belts.

2740 But I am glad that we own Aurigny because without owning that airline we would not have secured our Gatwick slots. And the pressure on those Gatwick slots without owning them – by the time the Davis Report is implemented after the next elections in the UK, then by the time they have gone through appeals and everything else, it is going to be a long time until we have more capacity in Gatwick. So I am hugely pleased that we bought the airline to secure those slots.

2745 I am also hugely pleased for Alderney, because actually if it had just been a commercial operator flying between here and Alderney then they may find that the flights would have been even less frequent than they are today.

Thank you, sir.

2750 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

2755 Deputy Gollop got me to my feet. Like him I much prefer Trislanders, but then my standards of travel are pretty basic. I much preferred our old rickety airport terminal rather than the hideously expensive shiny thing we have got now. (**Several Members:** Hear, hear.)

But it cannot really be a very good idea – and this is picking up on the point that Deputy Stewart has just made – for us to be here as an Assembly of 47 trying to determine exactly which type of aircraft Aurigny should be purchasing or flying. We are in danger of doing exactly what Deputy Gollop suggests we might be doing in turning this into a 47-person meeting of Aurigny's board.

2760 He talked about core economic policy, but the things he referred to have nothing to do with core economic policy. He was talking about whether there should be two or three Dorniers and whether one or two Trislanders should be retained. That is not core economic policy; that is very fine operational detail and I just do not think we are well placed to debate that.

2765 Actually much of the debate has borne very little relation to the Propositions. Proposition 1 does not even mention Trislanders or Dornier – nor does Proposition 2 actually. Proposition 1, and I will read it, says:

‘To authorise the Treasury and Resources Department to facilitate any borrowing by Aurigny Air Services to finance the purchase of such aircraft as are required to operate Aurigny’s services to and from Alderney by providing guarantees for borrowing from third parties or by offering the Group a loan from the States General Investment Pool.’

And Proposition 2 is similarly termed.

2770 Is there any alternative to voting for these Propositions? Are we seriously going to negative the Proposition that T&R should be authorised to permit Aurigny to purchase aircraft which are required? I mean, that is the extent of the Proposition.

2775 It seems to me that probably T&R as a States Committee is not particularly well placed to decide exactly which aircraft Aurigny should be flying, but clearly they need to have an oversight role. Possibly the sub-committee they have set up is slightly better placed, but as Deputy Stewart has said there is also the board of Aurigny. It seems to me that all of those bodies are much better placed than we are to determine exactly which aircraft Aurigny should be operating and should be flying.

2780 I regret the demise of Trislander aircraft. I wish they could be retained. I like Joey – actually to correct Deputy Gollop, I think one of the books about Aurigny does include Joey flying through a thunderstorm. (*Laughter*) But by and large this is not the place to determine exactly which aircraft Aurigny are operating. If T&R can do anything to get that sort of decision out of the States and into a more appropriate part of the States, which is probably them or their shareholder sub-committee, then I would welcome that.

2785 But in the meantime how can we possibly vote against Propositions which simply authorise T&R or agree with T&R’s authorising Aurigny to buy aircraft which are appropriate and necessary?

Deputy Gollop: Point of order.

Is Deputy Fallaize suggesting we should have cabinet Government then?

2790 **Deputy Fallaize:** No, if Deputy Gollop... No, actually I will just leave that until July. No is the answer. (*Laughter*)

The Bailiff: Does anyone else? Yes, Deputy Storey.

Deputy Storey: Thank you, sir.

2795 I want to echo points that have been made by other speakers. Especially thanks to Aurigny for providing the services that they are providing to this Island, because they are essential to the Island and we would be a barren rock in the middle of a load of water if it was not for them.

2800 I also agree with the points made with regard to micromanaging what the board of Aurigny should be doing. I personally have not the faintest idea whether a particular aircraft is suitable for a particular job – we need to leave that to the experts.

2805 But I do pick up on the point made by Deputy Trott right at the beginning of this debate, and the bit that disappoints me about the Propositions – which Deputy Fallaize has just read out for us, so I do not think I need to repeat them – the point that concerns me, once again, is the fact that we are being asked to authorise the Treasury and Resources Department to facilitate *any* borrowing.

2810 I come back to this business about good governance. We are not talking here about micromanagement. We are talking about the finances of the States, because if at some time in the future the whole thing goes belly up we end up with a debt that has got to be paid out of States’ funds. And we go to great efforts to apportion out the amount of money we do have available as capital amongst Departments who badly need it for their operations, and we argue about that to fairly detailed amounts. Yet here we are today being asked to authorise the Treasury and Resources Department to authorise to facilitate any borrowing.

2815 For the sake of good governance, these Propositions should have a limit on them. There should be a limit to the authority which this Assembly is giving to another Department – whether it be Treasury and Resources or some other Department. And so once again – I raised this point when we were discussing the purchase of the Embraer 195 and I have to raise it again today, sir – that I do not think it appropriate for this Assembly to write a blank cheque to any Department which could incur costs to the States and to the taxpayer in future years. Whenever we authorise somebody to do something on our behalf there ought to be a limit to what expenditure they are able to incur.

Thank you.

2820 **The Bailiff:** Deputy Langlois.

Deputy Langlois: Thank you, sir.

Just very briefly, like Deputy Fallaize, I wondered whether we were actually – I checked several times whether there was more than one report in here – whether we were actually ever going to debate the Resolutions which we are being asked to approve. But we got there eventually. Because people like talking about Aurigny – you notice that, it has happened over the years, it is a popular topic. We all know about aeroplanes apparently, we all know about scheduling and so on and so forth. But we got there eventually, and so I waited and waited and a combination of what Deputy Stewart and what Deputy Fallaize said, sir, actually led me to get to that point that what I had just written was a waste of time because it was all being said.

Except at the end I added a question for the Minister and that is I would like him to... And first of all can I say I totally support this Report? This has got to happen. It makes all sorts of sense. It follows the background. Deputy Stewart, Deputy Fallaize left out a couple of the layers of governance that are already in there because it also goes on from T&R to Policy Council before it gets here, and I have heard this argument so many times.

When I was previously on T&R, of course, I used to hear it because I shared the supervisory role with Charles Parkinson and so on. My question to the Minister now is in the face of what is going on both in relation to Alderney, but also in relation to a new aggressive competitive environment that Aurigny faces, are we looking even yet again to rationalise the layers of governance of the company and to avoid the feeling, the obsession of this place, with trying to micromanage something that should be an arms-length commercial operation?

The Bailiff: Deputy Perrot.

Deputy Perrot: Yes, that is a problem – micromanaging. And it is all to do with the fact that we are dealing with commercial entities which we own.

Would we as a States of Guernsey honestly debate whether it is right for the Post Office to be buying an automatic sorting machine? (*Interjections*) Or would it be right for us as a States to be deciding whether we buy a Sulzer heavy diesel generator or some other form of generator? Of course not. (*Interjection*) What has happened... Thank you very much, Deputy Gollop, for that input. (*Laughter*) The point is that the debate has been hijacked because there is a fluffy thing that we like to talk about, as Deputy Langlois says – aeroplanes. We think we know about aeroplanes. Actually we do not know about aeroplanes – well, maybe I do a little bit, but not all that much, certainly not enough to own an airline. Always bear in mind that the way to make a small fortune in an airline is to start with a large one.

But the debate is hijacked because we think we know that we can talk about aeroplanes, and because there is this emotional thing about Alderney, and whether or not we are going to subsidise Alderney and whether or not it is a lifeline route.

The point is that the States have a Treasury Department and all that it is seeking to do is to have a mandate within certain parameters to help Aurigny either to rent in or buy in aircraft. The reasons for that are stated: well, you either trust Treasury or you do not. (*Laughter and interjection*) Well you might not, but at the moment, and I respond to an aside here from Deputy Storey, it is the only act that we have got in town so if you do not like Treasury as it is then get rid of us, but the point is we are faithfully trying to carry out our mandate.

Part of the mandate is to act as the shareholders within the commercialised companies. It is also part of our mandate to deal with funding, when funding issues arise. Surely no one in the States thinks that we are simply going to go absolutely crazy about whatever the cost is going to be. If the costs were to prove utterly prohibitive we would clearly come back to the States. But what is the point in putting a cap on the extent to which we could fund this, if we find that the level goes just above that cap we have got to come back to the States and then we lose that window of opportunity to help Aurigny to rent in or buy these aircraft. I think it does boil down to an issue of trust.

Deputy Trott: Sir, point of correction.

The Bailiff: Deputy Trott.

Deputy Trott: I am sure Deputy Perrot would be the first to agree with me that it is quite wrong to accuse the House of micromanaging potential borrowings of £18 million.

Two Members: Hear, hear.

The Bailiff: Deputy De Lisle.

Deputy De Lisle: Yes, sir.

2885 I tend to agree it is the cost of all this, given the austerity drive that we are supposed to be navigating through this States. Aurigny is certainly going on a spending spree at this time, and I think we all have a responsibility to look very carefully at what is being proposed.

In that Proposition, that has been read out to finance the purchase of such aircraft as are required to operate Aurigny's services one questions exactly what that actually entails.

2890 On my first reading of this document, I thought that we were going to vote strictly on a limitation of £3 million for three second-hand aircraft. But it seems to me that it is not very clear in the Resolutions which appear to be extremely open ended and enable, as a result of passing that particular Resolution, the Department to go ahead with a lot more than simply three second-hand aircraft to the value of £3 million. So, as Deputy Trott has said, this could be an £18 million venture, and we have already got a big bird that we are trying to finance through the route directed to Gatwick. I think this is another imposition of cost that we have got to be very clear about.

2895 So I would ask the Minister to clarify what exactly are we voting on here? Is it £18 million, is it £3 million? We should know.

Thank you, sir.

2900 **The Bailiff:** Deputy Dave Jones.

Deputy David Jones: Sir, as many debates I have sat through in this States over 14 years or whatever it is, this one is starting to lose its way again. There cannot be any one of us in here who did not realise a few months ago when we hand on heart promised to support Aurigny that they would be coming back looking at types of aircraft and there would be a cost to that.

2905 I think Deputy Perrot is right – his analysis is like saying, 'We insist that the power station has a facility to generate power on Island but we are not going to give you any money for the engines, and you can buy a bike and see if you can get a dynamo somewhere and that will do.' (*Laughter*). It is barking.

2910 I am one who is totally against commercialisation, and I think Deputy Perrot has also hit the nail on the head: the problem is of course we own these companies and we rely on other people to run them for us, and we get nervous when they are dealing with big sums and lots of money. But the truth of the matter is if we do not trust Treasury and Resources, then sack them! You have the power in this House to say at the next States' meeting, 'We move a motion of no confidence in Treasury and Resources, we want a new lot.'

2915 But that will not change the fact that the Trislanders are at the end of their useful life. I heard the interview this morning on the radio, and it pricked my ears up somewhat. I think that there has perhaps not been the amount of dialogue with Britten-Normandy or whatever their name is, that perhaps there could have been. But the fact of the matter is the debate is today we have a Billet which we can either choose to believe the contents of that Billet or not, and we can either back our Treasury and Resources Department or we cannot. So I think that my view is if they have got it wrong and the Dorniers are not the right aircraft or it is all too much money then T&R will pay the price for that.

2920 I do think it is now down to a question of whether we trust our T&R Board – that we chose. We chose every single one of them. I know there has been a bit of swapping around since, but we chose all of them. I take the point of the ex-Treasury Minister it is 18 million 'quid' which is not to be sniffed at. But aircraft are expensive. There is a revenue stream to recover this money. Is flying cheap? No. I agree with Deputy Fallaize too about the Airport Terminal, but that was the advice that we had at the time from I think it was from the 'Board of Admin' (*Laughter*) that Deputy Trott sat on. There are lots of things that go up on the Airport that I do not agree with – people flying over it must think 'every time I go over there, there is a plane on fire', because the Fire Department are forever practising putting out fires. I probably would not want to land there! (*Laughter*)

2930 Nonetheless it is a subject that we do not know an awful lot about and we have got – what? – one or two experts on aircraft in the States, former pilots who probably do know what they are talking about – well we hope they do. (*Laughter and interjections*) But please, let's trust the T&R to get this right, let Aurigny get on with running the airline.

2935 I have got a lot of faith in Aurigny, I want Aurigny to succeed. (**A Member:** Hear, hear.) Because it belongs to us, it is our flagship of our air-links to Guernsey and it is our insurance policy against another airline walking out the door. But let's not hamstring them in trying to do that. It is going to be expensive but *surely* every single Member of this House knew that a few months ago when we decided to support Aurigny. If we did not why did we not just say yes to easyJet and let them spend all the money?

2940 **The Bailiff:** Does anyone else wish to speak? Deputy Kuttelwascher.

Deputy Kuttelwascher: I have said before that there is no such thing as an expert – there are only people who think they are experts.

2945 I agree with Deputy Perrot. In fact somebody said we have got a board of 47 deciding what is going to happen. Well, it has increased: we have got three people from Alderney who have got involved in the argument and that is 50. This morning I tuned to the radio and we have a director of Britten-Norman getting in on it and the press are getting in on it, and I think it is all rather sad.

2950 The whole issue here is that we are trying to provide a better service for Alderney residents. It was former Alderney Representative, Paul Arditti, who said, 'We do not have a fog problem in Alderney; we have a cross-wind problem.' Well, this aircraft, the 228 will land in a 10 knot stronger cross-wind so it will ensure better scheduled regularity. They will have the radar which will be required to operate during stormy weather so there will be more flights that will not have to be cancelled. Although the size is only slightly bigger than the Trislander, it is actually a 20% increase in capacity. Because of the size of the runway the choice is limited. The other aircraft that could have been looked at was a Let which was discounted for a number of reasons.

2955 So it is as simple as that. Do you want a better service in the near term for Alderney or not? What happens to the runway in Alderney is irrelevant. We are buying or suggesting up to three second-hand aircraft, which again at £1 million each is no great expenditure at this stage for aircraft and do not forget you are buying assets which if you did not want them in a year I suspect you could get your money back. 2960 Sometimes, depending on the market, you might even make a profit especially on that sort of age of aircraft. So I do not think there is any great financial risk at all.

I think Deputy Storey got a bit confused between providing guarantees and dipping into a capital reserve. We are not dipping in to any capital reserve at all. The whole issue of borrowing for States-owned commercial entities is a big issue which will be coming back to this Assembly shortly.

2965 **Deputy Trott:** Sir, the Deputy Minister of T&R is misleading the Assembly. One of the Propositions –

Deputy Kuttelwascher: Sorry, I have not... Is this a point of order?

2970 **Deputy Trott:** It is a point of order, sir –

Deputy Kuttelwascher: Then I will –

Deputy Trott: – and an important one at that. *(Laughter)*

2975 The Deputy Minister of T&R is telling us that we are not dipping into any pots of money and yet one of the Propositions authorises the Treasury and Resources Department, if they consider it appropriate, to do precisely that. *(Interjection)*

2980 **Deputy Kuttelwascher:** I did not say we were not dipping into pots of money. I said we were not dipping into the capital reserve. What is being talked about here is offering a loan either internally or borrowing externally. To me, the pot of money is the capital reserve, which we are not dipping into. Maybe that makes it clear. *[Inaudible]*

2985 **Deputy Trott:** The General Investment Pool, sir, has as one of its constituents the capital reserve.

The Bailiff: Deputy Kuttelwascher.

Deputy Storey: Sir, point of order.

2990 **The Bailiff:** Deputy Storey.

2995 **Deputy Storey:** The Deputy Minister is suggesting that I was confused about pots of money. I was not confused about pots of money. What I was saying was that this Assembly is being asked to guarantee loans which, if they do go bad, we would then have to dip in to a pot of money somewhere. What I am saying is that we... what I was concerned about was not that particular principle; it was about the fact that there was no limit on the amounts that we were being asked to approve as a facility which the Treasury and Resources Department could provide.

3000 **The Bailiff:** Deputy Kuttelwascher.

Deputy Kuttelwascher: I actually agree with Deputy Storey, but that is not quite what I said. We will have to refer to *Hansard* later on to see exactly what was said.

Having said all that, I fully support these Proposals. It was a couple of months ago this House was euphoric about helping Alderney and today it seems because of the intervention of three members I believe

3005 from Alderney – three members of the community – it has kind of muddled the waters. I do not know if they knew it or not, but they worked or produced a tactic which I call ‘confuse and conquer’, which is one I have used myself and it is very effective. (*Laughter*) I say that because they came up with a mass of figures over a bank holiday weekend. Whether that was intentional or not I do not know, but they must have known that staff would have been on holiday. But fortunately, as Lester Queripel would have liked of the
3010 Environment Department, our staff and Aurigny staff do work over weekends and bank holidays and they attended to the challenge. I think that in itself is unfortunate and when you look through the... shall we say the confuse and conquer tactics, what I believe was what was trying to be achieved was lower fares. I think that was the objective of it but unfortunately the ammunition they had I would describe as completely dud.

3015 So, I have personally dismissed everything that they have said because what three people can do over a week or two cannot match what the whole airline board, supervisory subcommittee, and the Treasury Board have done over months.

All I ask is that Members support this. We are not going to go out borrowing billions of pounds and then legging it off to Rio or anything like that. (*Interjections and laughter*) I think this is perfectly reasonable and if Members do not think it is reasonable, then vote against it. It may be that at the end of the day
3020 Alderney will only be served by the Bumblebee in the short term, (**Alderney Representative Jean:** No!) so be careful, because we need these. These aircraft, the Trislander aircraft are vulnerable to regulatory inputs, and there is one particular event that happened 18 months ago with an engine failure of an aircraft going to Alderney which has put it under the spotlight and it could, if such an engine failure occurred again anywhere in the world in the aircraft, it could be grounded just like that.

3025 So be careful. We are trying to preserve the integrity of flight services to Alderney and this as we have determined is the best way forward, and I ask Members to support all the Propositions. (**Several Members:** Hear, hear.)

Thank you.

3030 **The Bailiff:** Does anyone else wish to speak in this debate? No? Deputy St Pier to reply then.

Deputy St Pier: Thank you, sir, and thank you to all those who have spoken.

Deputy Trott asked a couple of questions, whether borrowing from third parties or from within was cheaper. Well, of course, the modelling will have been done on borrowing from third parties because of
3035 course that is how Aurigny has been financed to date.

Typically it would be cheaper to borrow from within at the Treasury rate because that would depend on the rate that we would choose to charge Aurigny for a loan, so it is not such a clear answer as one might expect. But it does bring us back to this question that actually we do need to look at our borrowing across all public sector agencies and ensure that we get the best value for money, because we are undoubtedly not
3040 doing so at the moment. (**A Member:** Hear, hear.) I emphasised that in my speech and I am keen that we do get some clarity on that over the next few months.

Deputy Trott also asked me *in extremis* what the exposure was. In paragraph 5.5 of the Billet the intention is to, as it says:

‘...it would propose to operate a mix of new and used aircraft, replacing two of the three second hand Dorniers with new ones at an estimated purchase cost of between £4m to £6m...’

3045 That is £6 million times two plus the purchase costs of the second-hand one, so you are potentially looking at exposure of £12 million, £13 million, possibly £14 million less whatever you get back from selling your original second-hand aircraft.

3050 **The Bailiff:** Alderney Representative –

Deputy Trott: With respect, sir, that is not correct.

I do not think the Treasury Minister is deliberately misleading the House but it could be higher, dependent upon – and your report suggests this – dependent on whether the third aircraft can be leased or
3055 has to be purchased outright.

Deputy St Pier: That is true – I was going to refer to the impact of the Propositions later in response to some of the other questions which had been raised which I think touches upon the point which Deputy Trott is raising.

3060 Alderney Representative Harvey, thank you for your support. I think the points that you make around the public service obligation and picking up on the point I made in my opening speech are valid and also the involvement of the States of Alderney in that. I certainly would support that. I think that if we are to develop a public service obligation relationship between Alderney and Guernsey in which Aurigny will

play its part, then certainly the States of Alderney would and should play a part in that conversation, because they will have their own views on how much they would be willing to contribute, as Deputy Stewart said, perhaps for their own economic development as part of their own economic development strategy, so that is key.

Deputy Soulsby, as ever, raised some valid observations. She was critical of the limited options in the report. I think again I would pick up Deputy Stewart's comment there, that it is extremely difficult to distil down a business case or business cases which have looked at a number of different options down into a States' report and to present them. Obviously judgements are made as to what to put into the States' report and how much detail to put in and if there is – Deputy Soulsby feels there is inadequate information on this occasion – that is not because it does not exist and has not been looked at in the business case, but it is just a judgement has been made and that may be the genesis of her comment.

She also makes some very valid comments about the SCIP process and the fact that this is outside it, and I think in essence that speaks to my comment I made in my opening speech, that we do need to give serious consideration about how we treat all the trading entities. That is not just...but we have a huge range of inconsistency in how we are treating our trading assets. We have Aurigny, the Post and Electricity as commercialised entities within their own legal entity treated one way, we have Guernsey Water and the Dairy and the Ports treated in another. In essence the reference in paragraph 6.4 to needing to look at this whole issue was intended to pick up all of that and try and sort out some of those anomalies. Because it should not really matter how we own those interests, we should be treating them consistently and applying the same sort of methodology and the same rigour. At the moment we do not, and there is a higher level of oversight, particularly through the SCIP process, and Public Services Department will know this with the Belle Greve project.

Alderney Representative Jean asked a number of questions, again some of which he acknowledged I had already responded to in my opening speech.

In particular whether we were buying new aircraft or leasing them and which was it. The intention very much will be to look at buying new aircraft because the assumption is that that is at this stage that is presumed to be the lowest cost route. But when we get into the details or when Aurigny get into the detail of looking at those options if leasing is a better option then that will be the one that we would expect to come forward as part of the business case.

He also asked whether Aurigny or the Government of Guernsey were making – who was running – some of these decisions and particularly in relation to for example capacity and flights to Alderney. The answer very firmly is it is the Aurigny management. These are commercial decisions which have been – very rightly sit at the Aurigny board table. However again I think that speaks to the need to establish exactly what the public service obligations ought to be in respect of Alderney.

He noted that the aircraft were over 20 years old, which again has been noted, just to emphasise that the plan would be – again subject to business case being worked up and presented and actually stacking up – the plan would be to replace those two initial second-hand aircraft with new aircraft in due course.

He also felt that, paragraph 5.6, that minds had been made up. I can categorically assure... or he had some discomfort that maybe minds had been made up in relation to the various options. I can categorically assure Alderney Representative Jean that that is absolutely not the case.

The comment about the Airport and the runway and so on, he felt was confusing two different issues, but it is relevant of course, because the state of or the condition and the length and everything else of the runway will be pertinent to decisions that Aurigny will be making in the future as to what are the most appropriate aircraft to be operating into that airport. So you cannot completely isolate the issue.

Deputy Gollop gave us a wonderful whimsical tour of the history of Aurigny including Joey. He spoke about the capacity issues and of course the problem about capacity is that everybody wants to fly in one direction and they want to fly out in the opposite direction at the same time. So for example, if you take Alderney Week, the aircraft fly in full and fly out empty and then do the reverse at the end of the week. So that does pose serious commercial challenges for an airline of the costs of bringing people in and then flying the same aircraft out empty and those are the difficult balancing decisions which the management do need to make. Again this brings us back to the need to actually understand what the obligations could or should be.

He also questioned whether it was two or three aircraft and I would advise him that it is very firmly the intention is three aircraft, but that is subject to being able to find a suitable third second-hand aircraft. In the short term the intention will be to continue to fly the Trislanders to supplement the two Dorniers acquired for so long as is possible or until a third Dornier can be acquired.

Deputy Gollop also questioned the losses on Gatwick and suggested that it was now being muddled with questions of losses on the Alderney route. The facts are that pre the withdrawal of Flybe from Gatwick Aurigny was losing money on both routes. So there is not any confusion between that. The business plan remains on track that Aurigny will be capable of breaking even overall, including on the Gatwick route, but

that is subject to the cross subsidy of losses on the Alderney route which I referred to in my opening comment.

He also made the point that this was – we were talking about commercial issues and in essence the relationship with Alderney was a non-commercial one, and that is a very good point which once again brings us back to this question of a PSO public service obligation type relationship.

Deputy Dorey quite rightly noted some of the additional expenditure around supporting transport links with Alderney including the running costs of Alderney Airport and the routine capital and so on. And again noted that in effect we are transferring the subsidy from the taxpayer on to the passenger, which again I think very much reflected my own comments. Just to re-emphasise that a third aircraft of course will require a business case and a business case to be approved before that does go further.

Deputy Stewart then referred I think to micromanaging, which was a term that a number of people pointed out. But I think his model of decision making which he described is one that chimed with me and I felt was appropriate.

We do need to have a transparent subsidy. For 10 or more years, our relationship with Aurigny has been translucent. The losses in Aurigny have been buried as a couple of lines on note 62 of page 104 of the accounts and for good commercial reasons that has been the case because it clearly has been in a competitive position with other airlines. But the relationship has substantially changed in the last year or so with the changes on the Gatwick route, with the changes on the codeshare to Jersey, and the additional commitment Government has made with supporting the Embraer. I think we do need to have a much more transparent relationship and again understand where the costs are, where the subsidies are, and how we are going to cover those whether it is through the passenger or the taxpayer. So we need to have a grown up conversation about that in due course.

Deputy Fallaize quite rightly asked why we were talking about what type of aircraft on the floor of this Assembly and it did make me think that a similar analogy would be in connection with the Belle Greve project – us trying to decide whether it should be a concrete pipe or a steel pipe or a plastic pipe. We may all have views but probably none of them are actually relevant. We do have to rely on those that do advise and provide the analysis to come to the Assembly with their formulated views having received that advice and I think the same point is valid in relation to what type of aircraft Aurigny should be flying.

Deputy Storey as he rightly acknowledged made the same point in relation to the drafting of the resolutions. I guess I would probably give the same response. I have not referred to *Hansard* as to what I told him last July or whenever it was, but in essence it is open-ended I acknowledge that, the drafting of the resolution. That is to provide Treasury with maximum flexibility to respond to whatever situation may emerge over the commercial negotiations. It may be the current purchase option would fall away over the next few days or weeks, for whatever reason the deal cannot be done and therefore an alternative deal is done. It is also, again within the spirit of this report which envisages a number of transactions over a period of time, we felt it was necessary to seek broader delegated authority so that we do not have to keep coming back to this Assembly with different reports in 6, 9, 12, 18 months' time with the second, third aircraft whether it is leased whether it is bought whether it is a different type of aircraft. It was intentionally broad but I do accept the point.

But I would say to Deputy Storey that that very much plays to my point that we do need to set appropriate delegated authorities – perhaps with limits – and those are the things that I would suggest we need to come back with, Treasury need to come back with to this Assembly for approval later in the year, not only in relation to the commercialised entities Aurigny, Post and Electricity but also the other trading assets which we own.

In relation to rationalising the layers of governance which was Deputy Langlois' question – absolutely, that is very much what I envisage by talking about appropriate delegated authority. I do not have the answers, I am not standing here today with a model in my mind as to what those authorities would be – that work needs to be done, but I would hope that we can return later this year.

Hopefully also that answers Deputy De Lisle's question on what we are actually voting on, that is the reason that the Resolution is as broad as it is.

I thank Deputies Dave Jones, and Kuttelwascher for their support as well and I do encourage Members to support the Propositions, sir.

The Bailiff: Members there are two... Deputy Trott.

Deputy Trott: Sir, there was with respect one question that remained unanswered. I asked the question about the aggregate contingent liabilities. The purpose of the question was to ask how much the States had already underwritten in terms of Aurigny's borrowings and the simple maths was then to add the £18 million to it to arrive at the *in extremis* figure.

3185 **Deputy St Pier:** I do apologise. I omitted to answer that question, I do now recall it. I am afraid I am not in a position to give Deputy Trott an accurate... I would fear I might mislead, I would need to double check the latest figures because obviously in particular in relation to the working capital facility that is changing monthly.

So I am very happy to obtain that detail and circulate that to Members after the sitting, sir.

3190 **The Bailiff:** Members there are two Propositions on page 1041. I put both to you together. Those in favour; those against.

Members voted Pour.

3195 **The Bailiff:** I declare them carried.

**XII. Treasury and Resources Department –
Double Taxation Arrangements with the Government of the Republic of Mauritius and
the Government of the Republic of the Seychelles –
Proposition carried**

Article XII.

The States are asked to decide:

Whether, after consideration of the Report dated 3rd March, 2014, of the Treasury and Resources Department, they are of the opinion to ratify the Agreements made with the Government of the Republic of Mauritius and the Government of the Republic of Seychelles, as appended to that Report, so that they have effect in accordance with section 172(1) of the Income Tax (Guernsey) Law, 1975, as amended.

The Deputy Greffier: Article XII – Treasury and Resources Department – Double Taxation Arrangements with the Government of the Republic of Mauritius and the Government of the Republic of the Seychelles.

3200 **The Bailiff:** Deputy St Pier.

3205 **Deputy St Pier:** Sir, very briefly on this item, these are two double tax agreements. They are full double tax agreements, not just tax information exchange agreements. The information appears in the Billet. The particular points of note appear at paragraph 2.6 of the Billet on page 1043, which just notes the difference between these agreements and the various model agreements and so on. But there are no matters of great significance which I wish to draw to the Assembly that are not in the Billet, sir.

The Bailiff: Is there any debate? No?

3210 We go straight to the vote then. There is a single Proposition on page 1090. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

**XIII. Treasury and Resources Department –
Ladies' College Lease of Land and Buildings –
Propositions carried**

Article XIII.

The States are asked to decide:

Whether, after consideration of the Report dated 10th March, 2014, of the Treasury and Resources Department, they are of the opinion:

1. To authorise the Treasury and Resources Department, on behalf of the States of Guernsey, to enable a letter of comfort for providing step-in rights for the Ladies' College Bank loan in order to carry out improvements to the land and buildings it leases from the States of Guernsey, up to a maximum of £4 million.

2. To note that the improvements to be funded (by various fundraising methods by the Ladies' College) will be in excess of an aggregate of £10 million (such aggregate to be increased, but not decreased, in direct proportion to the increase (but not the decrease) in the Guernsey All Items Index of Retail Prices (RPIX) between the date of that report and the date of any relevant investment) within the first 21 years of the first lease term of 25 years.

3. To note the other proposals in that report concerning the property arrangements with Ladies' College.

3215 **The Deputy Greffier:** Article XIII – Treasury and Resources Department – Ladies' College Lease of Land and Buildings.

The Bailiff: Is it the Deputy Minister who is opening on this?

3220 **Deputy Kuttelwascher:** Yes, sir.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir, Members.

3225 I will be very brief. This report is not about the States policy of grant funding to the Ladies' College. It is about facilitating a public-private partnership for the benefit of the students attending Ladies' College and the taxpayer.

The lease is required to regularise the use of States-owned buildings and land and to provide security of tenure which is a prerequisite of potential benefactors, and will make the fund raising campaign easier.

3230 Without a letter of comfort the College would not be able to access bank funding for its building projects for reasons given in the Report.

So I take the report as read and ask Members to support the three Propositions.

I would just like to add that I have had some e-mail exchanges with one Member regarding Proposition 2 and the definition of RPIX. If Members just wish to turn to page 1100 and Proposition 2, it does say there that it describes RPIX as:

3235

'The Guernsey All Items Index of Retail Prices.'

I will not go too much into the detail of what is RPI in Guernsey or RPIX, but I will just confirm that we are talking about Guernsey RPIX, which is nothing more than Guernsey RPI minus the item of mortgage interest. I hope that is clear.

3240

Thank you, sir.

The Bailiff: Thank you. Deputy Gillson.

3245 **Deputy Gillson:** Sir... [*Inaudible*]

The Bailiff: Your microphone.

3250 **Deputy Gillson:** I welcome the opportunity to comment on this report by T&R and I thank T&R for all the support that they have given the College on this matter.

This Report deals with two issues: T&R support for a loan to upgrade premises and a lease for the site. It is quite straightforward so I am not going to repeat what is in the Report. I shall focus on some key points.

3255 The Ladies' College has for the last 50 years been occupier of the premises at Les Gravées which are owned by the States of Guernsey. We have occupied them without any form of lease. The history for this is in detail in the report but in essence the College owned Les Gravées site and the site in The Grange currently occupied by Education and as part of a restructure in 1962 the States took ownership of those two sites and in return built the current main building for the school.

3260 During the 1990's the College went from a two-form entry school to a three-form entry school and purchasing huts from the States of Guernsey and apart from the College purchasing those huts there has been no significant development of the site for over 40 years.

3265 Whilst this is not a debate about funding, it is worth noting for over 40 years the College was part-funded by the States on what was then called a 'deficit funding arrangement' whereby it was expected to only break even. An important point of that funding arrangement was that the College was not allowed to build up any reserves to upgrade facilities. It was not allowed to build a capital reserve. This was acknowledged by Education Development Plan 3 of 2002 that said:

‘The Ladies’ College however does not pay for any capital repairs on development. It does pay for revenue repairs and it continues to be therefore the States’ responsibility to ensure the Ladies’ College buildings and facilities are fit for purpose...’

There comes a time when facilities need to be upgraded and replaced. That has happened – the huts in particular really need to be replaced. The Board of Governors of Ladies’ College is realistic in realising that the College would rank after the three high schools and after the College of Further Education in terms of capital allocation. Therefore over the past four years, the College has invested over £4 million in upgrading facilities. There is a new sixth form centre, art and drama block, re-roofing and cladding the main building, upgrading canteen facilities as well as an ongoing rolling upgrade programme for classrooms.

Now we are at a stage where the huts need to be replaced and we have some very exciting plans for an extension to the main building which will incorporate a music centre, classrooms and an enlarged canteen. These works, combined with the works we have already done, will provide good facilities for decades to come.

The funding for this extension will be a combination of the College’s own reserves, second a modest fund-raising campaign and a bank loan which will be fully repaid by the College.

As I noted earlier, sir, we do not have a lease for the premises and this has not been an issue in the past, at all. However, it would be foolhardy for the Governors to embark on a significant project of this size which will involve borrowing without some form of security of tenure, which is the driver for the lease. And so the security of tenure will be as described in the Billet, a lease of 25 years renewable for another 25 years, and a key obligation upon the College in order to be able to access the second 25 year period is that the College invests at least £10 million in upgrading the buildings and facilities during the first 21 years of the lease.

We have plans for Phase 3 which I have said and in order to facilitate those plans, we do need some third party funding and we have spoken to a bank about borrowing up to £4 million. In order to borrow a sum of that size there has to be some form of security. Unfortunately under Guernsey Law a lease is not acceptable security, which is why after discussions between the bank, the College and T&R a letter of support was agreed to be a practical option. Because the bank will be comfortable we ought to have the responsibility for repaying the loan, the cash flow projections which have been seen by T&R show that we can service that loan.

So I can summarise from the benefits of this arrangement both to the States and for the College. For the College the benefits are security of tenure, access to funds, and very tangible improvements to the facilities of students of the College. Benefits for the States are improved facilities to educate Guernsey students, significant improvements in the States’ owned assets. The College will formally take over responsibility for the premises in terms of maintenance and repair, thus removing a liability from the States and all of this from the States’ point of view will happen at no cost.

This is a classic win-win situation. This is an exciting opportunity for us to be able to help improve the facilities for the College, for the students of the College, and one which I hope Members will support. And to please Deputy Storey, there is an upper limit of £4 million on the States potential liability.

Thank you, sir.

The Bailiff: Members of the States, can I just explain that as Chairman of the Ladies’ College Board of Governors, I have agreed to exercise my discretion under Rule 12(3) to allow Deputy Gillson to make a second speech immediately before Deputy Kuttelwascher replies to the debate to enable him to answer any questions that may have arisen during the debate.

Is there any debate? Deputy Gollop.

Deputy Gollop: Sir, I am an old girl of the Ladies’ College actually. No. I actually did go to the school for a little for a period when I was much younger. (*Laughter*) It is interesting though that... I find this Report interesting. I do actually support the Report. I think it is a pragmatic Guernsey solution. I think the College has an excellent reputation in terms of academic performance, arts, community work, literature, drama and so on.

But I find perhaps the history and the structure curious because a lot is made that before 1962 they occupied different premises and not everybody on the Island realises that I believe they were at what is now the Education Department’s office. You can still see traces of the school there. And that property was returned to the States or rather it was given as a swap. But I suppose it could be argued that again what is the exact ownership of the property. It is one of those curious Guernsey things because so much of this was political almost on a handshake or resolution. It was not identified in strict law terms or in lease terms as we now would. And that is curious as to whether the Ladies’ College retains some residual right to that property. I ask that just as a throw-away comment.

But also the astonishing revelation that until 2005, as late as that, it was a deficit funding model. Because under that model apparently if Ladies’ College did well they handed the money back to the States,

3325 if they had a shortfall the States compensated them. But that was absolutely crazy as a model. And to a degree they missed out on capital opportunities they could and should have taken advantage of, such as an adjoining school – now that is history.

3330 This particular model I think gives the College a lot of scope. I would question one paragraph in the report which estimates potential value of the site based upon a market report of £13 to £15 million. Because of course, that would be subject to planning permission and all sorts of other constraints, for a completely different use than it is currently being put at and that would apply to some of the other figures in this report as well.

3335 It should be borne in mind that a decision by the States to go down this route will on the one hand ensure a future that is not possible under the current capital programme, because for some reason, despite Ladies' College immense contribution to the Island, it never rose to the top of the capital prioritisation tree and it probably never would. But it should be noted on page 1098 that there is a notional subsidy identified of half a million per annum, which I suppose would equate to perhaps £12 million or £13 million over the 25 years. So it would be inaccurate to say that we as an Assembly do not support Ladies' College either currently or for the medium-term future.

3340 I think it is a win-win situation. But I think we, in a way by inference the States are committing themselves to ensure that in one way or another Ladies' College continues to be a school or institution based upon excellence. Because the other scenario of it at some point failing to perform would effectively mean the States would have to take back the asset but also would perhaps have the financial liabilities of any outstanding mortgage. So this is a vote of commitment and I think Education Department is supportive of it too, and we should endorse it. But it will be interesting to see if Elizabeth College, which is a different corporate governance structure, follows suit.

The Bailiff: Deputy Storey.

3350 **Deputy Storey:** Thank you, sir.

I acknowledge the point that Deputy Gillson made about the limit on the obligation relating to this investment.

3355 First of all I would like to say very briefly that I have the highest regard for Ladies' College and what they achieve for the Island, and I think that the proposed method of funding, what needs to be done, is most probably the most appropriate in the circumstances.

My only question relating to this is what we are being asked to approve is step-in rights which means effectively that the States will effectively have to repay the bank if anything goes wrong, but we do have the assets in return.

3360 But it does raise the question with me, sir – we have talked about Aurigny on two occasions recently, we are now talking about this – I wonder if the Minister, or the Deputy Minister could inform me and the rest of us sat here in this Assembly today what the aggregate of the contingent liabilities of the States is as a result of all these small and not so small contingent liabilities that are mounting up as we guarantee loans here there and everywhere? It would be useful if we were able to understand the big picture and understand what the total, the aggregate contingent liabilities of the States is at this present time following these approvals.

3365 Thank you.

The Bailiff: Anyone else? Deputy St. Pier.

3370 **Deputy St Pier:** Sir, just in relation to that last question from Deputy Storey. Again that plays to the same issue about the level of debt we do have around public sector agencies. The best 'back of a fag packet' calculation would put it at somewhere between £150 and £200 million. Which is precisely the issue why it needs to be looked at as a whole, it is a significant number.

3375 Sir, Members will note that my name is not at the bottom of this report on page 1099, as it noted at paragraph 12.4 whilst I and the Board agreed that I 'did not have a special or direct interest in the matter' within Rule 15 of the Committee Rules. Nevertheless I decided it would be better if I did not participate in the preparation of the report and so for completeness I wish to set out for Members the extent of my involvement.

3380 Members may recall that 12 months ago I unsuccessfully challenged Deputy Gillson for the position of Chair of the Board of Governors of Ladies' College and at that time I cited sorting the ownership of the Ladies' College Estate as one of my objectives and this was to enable the College to properly plan and fund its capital needs as Deputy Gillson said.

3385 Following that election I offered to work with Deputy Gillson to help resolve this issue, and he and I together with Deputy Perrot met with the College's bank during which the outline concept before you now of a commercial loan guaranteed by the States with step-in rights was discussed.

However, soon after that meeting the present principal of the College resigned and as my wife and I considered the impact of this on our own children's education, I decided to withdraw from all further discussions on this matter, so this just explains my involvement.

I am pleased to be able to wholeheartedly support these proposals. These proposals provide the Ladies' College, its Board of Governors, staff, parents and pupils, with the security of tenure which enables them to properly plan and deliver the capital improvements which the school needs.

These proposals also clearly and unambiguously transfer formal responsibility for the buildings from the States to the College removing a liability which would otherwise rest with the States.

However this ought, in my view, to be just the first step in the journey of decision making which resolves exactly what the role of the Ladies' College, and indeed the other colleges, ought to play in our education system.

The present relationship between the States and the colleges is ill-defined and I think can best be described as one of slight embarrassment. I sometimes wonder whether the Education Department are slightly embarrassed because they secretly regard them as being a pretty cheap and cost effective way of educating a group of children whom they would otherwise have to provide spaces for. The Colleges seem slightly embarrassed to receive public funding which seems to produce a mind-set of 'keep quiet and your heads down to avoid rocking the boat'. Some of those fee-paying parents who actually realise that the Colleges receive a grant per fee-paying student seem slightly embarrassed because they did not expect this to be the case, and some parents of special place holders seem slightly embarrassed because they know that if they had not got the special place, they would have paid anyway. It is difficult to imagine how we managed to produce such a system with so much quiet embarrassment for all involved.

It seems odd to me that the Colleges do not feel that they have the freedom to determine their own pay scales and feel bound to work with those that apply to States' employees and yet they are unable to match the relocation packages the States can offer. It sort of seems logical from the States' perspective because it obviously does not want the Colleges poaching staff, but does stifling the competition in the jobs market actually improve the quality of teaching staff attracted to work in the Island as a whole? Should the Colleges be free to determine their own curriculum or must they work with whatever the States determines? This is of course particularly pertinent as the States reviews its own needs after reforms in the UK.

So, sir, we seem to have produced a beast called the 'grant aided colleges' which are neither fish nor fowl, they are neither wholly private nor wholly public, but whether you philosophically approve of private education or not the fact is that if we are to be an attractive destination of choice for high net worth individuals and senior executives relocating to the Island, with the high value jobs that we want to be able to tax, then we need to have a high quality private sector education that the community is proud of. They are or should be an integrated component of our economic development framework.

I hope that this Report, sir, is just the first step of a programme of change. The governance of the Ladies' College derives from the Ladies' College Law 1962 reflecting the conditions and environment prevalent over 50 years ago. If the Education Department and the Law Officers cannot find the time to progress this review, then perhaps it is a project that could be outsourced to the CrowdLaw initiative of the Dandelion Project and others – for there are after all enough advocates or former advocates associated with the College in one way or another to make that a realistic alternative.

Finally, and I have mentioned this before most recently 12 months ago during the election for the Chair of Governors, in my view notwithstanding the reduction in the levels of grants to the colleges under FTP ultimately the current grant system is unsustainable.

The general grant and special place holder fees should be paid as a single block grant to the College on condition that the College provides a minimum number of full fee scholarships awarded on entry criteria agreed with the Education Department and subject to ability to pay. And they should provide a stepped bursary scheme for example 25%, 50% and 75% of full fees based on financial need. This would increase accessibility compared to the all or nothing approach of the current special place holder system.

Whilst supporting those less able to pay and so perhaps returning a special place holder system to its original purpose this arrangement would give the College greater freedom to determine an appropriate fee level –

Deputy Dorey: Point of order.

I am very happy to have a discussion on the points that Deputy St Pier is bringing out but they are nothing to do with this (**A Member:** Hear, hear.) and we are going to be here all day if we are going to open up this subject. I do not think it is relevant to this particular item.

The Bailiff: Deputy St Pier, are you going to come back to matters that are relevant to the Proposition?

Deputy St Pier: I am, I am indeed, sir.

And because this is important as the College manages the phased reduction to its grant up to 2018 and it will also better enable the College to fund its future capital spending needs which is central to today's report.

3450 Sir, the availability of bursaries may give some girls at other secondary colleges of secondary schools or the sixth form centre an additional choice which they presently do not have. Having additional choice and competition should not be a threat to any school or the Education Department and may effectively enable the same number of pupils to be educated across the whole system at a reduced overall cost to the States.

3455 An argument presented against this idea is that it will require a whole new bureaucracy within the Education Department to administer a new scheme and I do not accept this. The responsibility and burden for administration would lie with the College –

The Bailiff: Are you nearly finished?

Deputy St Pier: I have, sir – as a condition for the block grant.

3460 Sir, as I finish, I wholeheartedly support this Report but very much hope that there is considerably more reform to follow.

The Bailiff: Is there any further debate? No. Deputy Gillson, is there anything that you wish to reply to?

3465 **Deputy Gillson:** Thank you, sir.

Thank you for the opportunity to reply. To Deputy Gollop, yes the numbers are estimates, there are a whole load of assumptions behind them.

Deputy Storey, I think your question has been answered.

3470 Deputy St Pier glad you support the whole Propositions of this. I do not think people are embarrassed by Ladies' College, I think people are very proud of it, proud of the results that it gets – the GCSEs last year were 100% so it is a remarkable College that does a remarkable job.

3475 You did stray significantly from the subject (**A Member:** Hear, hear.) but I will just pick up on two points. One is in terms of what is going on on the constitution: the Board of Governors know the 1962 Law is out of date. We have been in discussions with Education for a number of years and at political level have agreed the concept of changing, repealing the Law and changing the school to a company limited by guarantee. We have got to a stage of agreeing all the terms in the articles there is just one side agreement which has a sticking point on. And the one thing which I will not compromise on is the ability for the independence of the College and the ability for the College to set its own curriculum. (**A Member:** Hear, hear.) That is something you mentioned. That is within the 1962 Law, the curriculum can be defined by the Principal and she has absolute legal right to do that.

3480 You mentioned about the fees and that comes back to the whole question of means testing of block grants. It is worth noting the current fee agreement was agreed in a 2011 States report as part of the FTP at which point the idea of a block grant and means testing was discussed. The principals of the three colleges did not like it, the Board of Governors of the three colleges did not like it, the Education Department did not like it, the T&R did not like it, the FTP guys – Tribal – did not like it. At that stage I think you were the only person that liked it. (*Laughter*) But I welcome your support for this and I hope that Members will support this initiative for the College.

Thank you.

3490 **The Bailiff:** Deputy Kuttelwascher, do you wish to reply?

Deputy Kuttelwascher: Just a couple of points. I am sorry Deputy St Pier did not hear my first sentence but one has to appreciate your tolerance in letting people stray from the subject matter.

Deputy Storey got an estimate and it was basically the same question as was put by Deputy Trott in relation to Aurigny and a more accurate figure will be disseminated to all Deputies as soon as it is available.

3495 Deputy Gollop gave his usual nice history. Well, I have to say, he did make one throw away comment, so I will oblige him and throw it away. (*Laughter*)

I ask Members to support all three Propositions.

Thank you, sir.

3500 **The Bailiff:** Members, the three Propositions are on page 1100. I put all three to you together. Those in favour; those against.

Members voted Pour.

3505 **The Bailiff:** I declare them carried.

**XIV. Commerce and Employment Department –
Appointment of the Public Trustee –
Proposition carried**

Article XIV.

The States are asked to decide:

Whether, after consideration of the Report dated 18th March, 2014, of the Commerce and Employment Department, they are of the opinion to agree that Catherine Rowe be appointed as Public Trustee for a period of five years commencing 1st June 2014.

The Deputy Greffier: Article XIV – Commerce and Employment Department – appointment of the Public Trustee.

The Bailiff: Deputy Stewart, Minister of the Commerce and Employment Department will open debate.

Deputy Stewart: Mr Bailiff.

This is a fairly straightforward Report for the appointment of the Public Trustee, following the retirement of David Trestain. At this point, I think I would just like to extend the Commerce and Employment Board's thanks for the fine and diligent job that Mr Trestain did in post.

We are suggesting the appointment of Catherine Rowe.

The only question I have had so far from a States Member was from Deputy Ogier. I will just share my reply to Deputy Ogier with you. He asked about what the process was. We did advertise in the *Guernsey Press* and through stakeholder bodies. We then shortlisted the candidates on key criteria. We checked their credentials, and reputation against an internationally recognised database. There was then a formal interview process and then references from previous employers were taken.

We have no hesitation in recommending the appointment of Catherine Rowe as Public Trustee for a period of five years commencing from 1st June.

Thank you, sir.

The Bailiff: Any debate? No?

We go straight to the Proposition which is on page 1104 to agree that Catherine Rowe be appointed as Public Trustee for a period of five years commencing 1st June 2014. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare that carried.

**Procedural –
Decision made to adjourn**

The Deputy Greffier: Article XV – Education Department – the Introduction of a Universal Entitlement to Pre-School Education.

A Member: Hear, hear.

The Bailiff: Deputy Sillars, will you be able to complete the speech by 5.30 p.m.?

Deputy Sillars: No, sir.

There is an awful lot of evidence around the world that I need to put in my speech and it is a lot longer than the time we have got to half past five.

The Bailiff: How long do you think your speech will be so I can put to Members the Proposition that we – sorry?

Deputy Sillars: Up to 50 minutes.

The Bailiff: Fifty minutes. Deputy Lowe.

Deputy Lowe: I was just going to propose that we leave it and start on it tomorrow morning at nine o'clock or 9.30 a.m., sir.

3555

The Bailiff: I was going to put to Members that... Members have a choice. I will put to you the Proposition that we rise now. Obviously if you want to continue to what will be ten to six, you vote against this Proposition. If you wish to come back at 9.30 a.m. tomorrow, you have got to vote *Pour*. My Proposition is that we rise now. Those in favour; those against.

3560

Members voted Pour.

The Bailiff: We will rise now and resume at 9.30 a.m. tomorrow.

The Assembly adjourned at 5.03 p.m.