



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Thursday, 25th September 2014

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Present:

Richard J. McMahon, Esq., Deputy Bailiff and Deputy Presiding Officer

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 M. K. Le Clerc, J. A. B. Gollop, P. A. Sherbourne,
R. Conder, M. J. Storey, E. G. Bebb, L. C. Queripel

St. Sampson

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

The Vale

Deputies D. B. Jones, L. B. Queripel, M. M. Lowe,
A. Spruce, G. M. Collins

The Castel

Deputies D. J. Duquemin, C. J. Green, M. H. Dorey,
J. P. Le Tocq, S. A. James, M. B. E., 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,
M. G. O'Hara, 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

J Torode, Esq. (H.M. Greffier)

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Comptroller)
Deputies L. S. Trott (*relevé à 9h 34*); M. J. Fallaize (*relevé à 9h 34*);
A. R. Le Lièvre (*relevé à 9h 34*); and B. J. E. Paint (*indisposé*)

Business transacted

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States of Deliberation

The States met at 9.30 a.m.

[THE DEPUTY BAILIFF *in the Chair*]

PRAYERS

The Greffier

EVOCATION

Billet d'État XX

IX. Commerce & Employment Department – Review of the Dairy Industry – Debate continued

Article IX.

The States are asked to decide:

Whether, after consideration of the Report dated 1st July, 2014, of the Commerce and Employment Industry, they are of the opinion:

- 1. To agree in principle to the investigation of options for the granting of greater commercial freedom for the operation and governance of the Guernsey Dairy and to direct the Commerce and Employment Department to submit a report on this matter to the States of Deliberation with the aim of this being done in 2015, but mindful of the work of the States Review Committee in respect of the future governance of States Trading bodies.*
- 2. To agree that the general revenue funding for dairy farm management payments be reduced by £1 million in five equal steps over a five year period commencing on 1st January 2015.*
- 3. To agree that the Milk Price Review Panel be disbanded.*
- 4. To repeal the Milk Control (Guernsey) Ordinance, 1958, as amended.*
- 5. To approve the proposals for a new Milk Ordinance as set out in paragraphs 3.114 to 3.116 of this Report.*
- 6. To direct the preparation of the legislation necessary to give effect to their above decisions.*

The Greffier: Billet d'État XX, Article IX. Commerce & Employment Department: continuation of debate on the Review of the Dairy Industry.

- 5 **The Deputy Bailiff:** Greffier, you will perhaps have noted that Deputies Trott, Fallaize and Le Lièvre wandered in whilst the roll call was being taken. *(Laughter)*

10 **Deputy Le Lièvre:** My apologies, sir, we were held up by a herd of cows in the Coutanchez *(Laughter)*
It's true!

10 **Deputy Fallaize:** Not Deputy Trott – I don't know what his excuse is! *(Laughter)*

15 **The Deputy Bailiff:** That is what I was just going to say – he has obviously come the long way round!
(Laughter)

15 Now, Members of the States, we will continue debate on the amendment that has been proposed by Deputy Fallaize and seconded by Deputy Perrot. I am tempted to call Deputy Harwood so that he will answer and speak for everyone, *(Laughter)* but...

Deputy Brehaut, did you get satisfaction overnight? *(Laughter)*

20 **Deputy Brehaut:** Don't even tempt me, Deputy Bebb!

No, I did not hear from Her Majesty's Procureur and I would like to hear his advice regarding the 'game-changing' advice that Commerce & Employment had with regard to the Milk Law, sir.

Thank you.

25 **The Deputy Bailiff:** Mr Procureur, is that something that you can inform Members of the Assembly on?

The Procureur: Yes, sir.

30 The advice which has been given to the Commerce & Employment Department Board is of course privileged and Members will understand that I cannot go into that as a matter of detail. What I would say is that that advice has been given consistently over the years and has not suddenly changed from the advice given previously.

35 What has happened is that of course as time goes on concepts change. In relation to the key issue of controls over the importation of milk, I understand that there have been developments within the European Union relating to the desirability of maintaining the status of rare breeds and other important matters concerning diversification, which now give considerably increased hope that such measures would be viewed in a more sanguine way than they would have been some decades ago had the matter been raised at that time.

40 So the Minister's choice of 'game-changing' was not intended, he tells me, to apply to the advice which has been received from St James Chambers, but that with the benefit of the evolution of that advice and also advice received from other sources about agricultural... from Dr Casebow and contacts of his in Brussels, the board has made a political decision that the time has really now come when there are significant differences and his board's recommendation can now be stronger, more... I was going to say 'bullish' but I would get a laugh at that, wouldn't I... than perhaps has sometimes been the case in the past, when a great deal of caution has been required in these matters.

45 Is that alright? (*Laughter*)

Deputy Stewart: If it is helpful, Deputy Brehaut –

50 **The Deputy Bailiff:** Deputy Stewart, do you wish to confirm anything that the Procureur has just advised Members?

Deputy Stewart: Yes, the Procureur is quite right. We received advice not only from the Law Officers but from many other sources; and on that advice, first of all, the current Milk Ordinance is so hopelessly out of date in everything from the definition of milk to all sorts of other matters that it needs to be brought up to date. So, in fact, anything we have got that improves on the 1958 Ordinance is a huge improvement.

55 But the advice we have is that, because of the way that biodiversity is viewed in Europe... And we know, of course, how important our environment is and the biodiversity that the Guernsey cattle, and Guernsey goats for that matter, bring to our countryside, so it is on that issue and also on preserving the Guernsey breed.

60 I have to thank the Guernsey breeders, because they have been collecting DNA information and also information going back very many years not just here but around the world, and so they have such a huge amount of data that should – and any law is open to challenge, sir – we be challenged, we feel that we can robustly defend on the basis of an endangered rare species, and work is already being done with the breeders within Europe on the basis of preserving our biodiversity and our very unique environment, not to mention our heritage and culture.

65 These are all things which are much higher on the agenda, so the view of my board was that with the new Ordinance we will be prepared to defend it very robustly, if it were indeed challenged.

70 **The Deputy Bailiff:** Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

75 But, respectfully, that has been the position of every Commerce & Employment Board, and what there seems to be is an interpretation of a judgment that *may* be made in the future, rather than being an absolute game changer.

Clearly, yesterday, either unwittingly or otherwise, the Minister was misleading this Assembly, sir.

The Deputy Bailiff: No, you will get your opportunity at the end of the debate, Deputy Stewart.

80 Deputy Brehaut, if you want to make a speech, potentially you can make a speech in due course.

Deputy Brehaut: Thank you, sir.

The Deputy Bailiff: Who wishes to speak in debate?
Deputy David Jones.

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Deputy David Jones: Yes, sir, I will try. Thank you, Mr Deputy Bailiff and Members of the States.

I would agree with those who say this is a well-written report. It covers all the aspects of the dairy industry and it does, as we have just heard, hopefully go a long way in protecting the Island maybe from cheap imported milk, and that in itself will help protect the Guernsey breed and the whole viability of the industry as a whole.

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It is a long time since I have been able to say that, and as Deputy Fallaize ably pointed out yesterday, we have had three, or was it four, reports from previous Commerce & Employment Departments that were not helpful, to say the least. But this report does not also cover much of the detail we are told is yet to come in further reports, and I will be interested to see what that detail will be.

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My main area of concern is still the future of the milk retailers, and I say 'still' because the last time this issue was debated in this place, and many other times before, their viability and future was far from such and I believe that remains the case today. The value of their rounds was destroyed overnight by an amendment during the last debate, and even if some of them wanted to get out of the milk delivery business now they could not, as they now have nothing viable to sell, with many of them borrowing the money to buy their rounds in the first place – and that is an important part that we have to remember here. One lady described the meeting that we attended the other evening as being 'death by a thousand cuts', and I think I have to agree with her on that.

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So make no mistake: it is the States who are responsible for this mess, if there is one. It was the States who decided to licence milk retailers and control the zoning in the beginning – and, by the way, when I say 'the States', I am talking about the Dairy and their political masters of the day – and as soon as they did that, they made these milk rounds and their delivery rounds worth something. Hence the subsequent practice of purchasing the rounds and people even taking out loans to buy them, and it is important to remember that at that time the Dairy was even offering loans for these rounds, so we have to recognise that they were deeply involved in this process. So it was simply no good four years ago C&E saying, 'Well, forget all that history: just tear up any previous arrangements – we'll just pretend the licences never existed in the first place,' which is what the previous C&E position is.

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Yesterday, the Minister of C&E talked about mistrust/distrust, but given the previous reports coming from C&E on this issue – again the ones that Deputy Fallaize referred to yesterday – are you really surprised there is so much distrust? I heard on the radio the Minister saying, in one fairly robust interview that he gave, that of course the milk retailers have never bothered to build up their businesses, and this kind of thing. Well, are you surprised? Their businesses have been constantly under threat for certainly the last three administrations. Would you be investing in a business if you did not know whether the rug was going to be pulled from underneath you? Of course not.

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I also noticed yesterday that the Minister's speech was all about costs. Nothing about community, nothing about the service that the milk retailers actually deliver to the people. 'Spiralling down', he talked about. Well, I am not surprised this particular part has been spiralling down, because several C&Es of the past have made a right dog's dinner of it and brought reports that the States simply could not support.

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I am speaking on the amendment as well, Mr Deputy Bailiff, which I will tell you I will be supporting.

For those of you who want to know how we arrived at this position, please take the time to read John Cleal's statement that was circulated – I believe it was by Deputy Lowe – to all Members, because there he lays out really the order of play from almost the beginning. I just want to quote something from Mr Cleal's statement:

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'Guernsey had, by co-operation between those who understood what was needed and what could be provided, a delivery system which covered the entire Island, rewarded those who invested in it and was still under the control of the Government.'

– and he used the words at the end of that, 'it was unique', and I think it *is* unique.

My view remains now, as it did then, that if the States agrees to put these rounds under threat, then they must compensate the existing retailers for the investment that they have made in them by buying back the licences, as it was the States who structured and enforced the present system in the first place. In my view, they have a duty, *we* have a duty as the States, and a moral obligation to these people.

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I repeat: this is a mess of our making and it is simply unacceptable for us, as a Government, to destroy the viability and livelihoods of these people by creative political manoeuvring to achieve C&E's preferred outcome without compensating them. It is exactly the kind of deceitful behaviour that the people of Guernsey are completely fed up with and where a lot of the distrust that the Minister mentioned yesterday, I believe, comes from.

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Let me quote from the words of a former Minister of Commerce & Employment on the milk retailers. These are the people who deliver the milk to our doorsteps. Deputy McNulty Bauer said in her speech at the time how she had been ‘hugely impressed by their dedication, passion and commitment to their task.’ Well, you wouldn’t have thought so at the time, as everything was being done to destroy those businesses. The States of the day was having none of it, as Deputy Fallaize pointed out yesterday, and passed a Resolution ordering C&E to reinstate the milk licences that they had tried to bury.

You may be wondering why I am still so concerned about the Island doorstep deliveries. Well, it is because they are very much more important than many of you people might think. These are not just a group of people who deliver milk. There is no doubt that milk retailers and the service that they have provided over several decades have become a small part of the glue that holds the fabric of this fragile community together – something, tragically, that is becoming less well recognised, as greed, vested interests and the bottom line on a balance sheet replace the structure of what was once a very special, caring community, which is now being overtaken by UK-style methods once completely alien to the Guernsey people.

It is often forgotten that this dedicated group of people do much more than just deliver milk. They in fact perform a very valuable social service to this community and they do it all year round and they do it in all weathers, out in the early hours of the morning. In the course of their rounds, they will regularly check on the frail and the elderly. They do this later in the day. One Member said to me yesterday, ‘Well, I never see them – they come and deliver my milk at three o’clock in the morning.’ Well, that is true for most of us, but there are people on their rounds whom they do go back at midday and talk to. So they check on the frail and the elderly, often bringing to the doorstep other essential foodstuffs for this small minority and other small items of shopping to those who just find it difficult to get out and about every day. I can also tell you there are many people across the parishes, some in fairly remote parts of the Island, away from bus routes or shops, who have come to depend on this kind of help. You would be surprised just how many people in Guernsey face the crushing prospect of loneliness on a daily basis. Some of our milk retailers will often leave their more vulnerable customers until the end of their round in order that they can spend a few moments to just have a cup of tea or a chat. In some cases, it might only be the contact that many of these people would have with another human being all day.

I do despair at times just how often we come to this place, with monotonous regularity, with small pieces of legislation that have the effect of changing the way that this community hangs together. Many of these changes are not earthshattering on their own, but put them together and gradually, over the years, we have managed, unwittingly or otherwise, to destroy a whole different way of life. Different, because it is Guernsey. Different, because for decades it has been the way that we chose to live. And just to add insult to injury, we then sign up as Deputies to fine and profound statements about preserving our culture, our unique heritage and our identity. No wonder the public do not understand us or trust us any more, when we seem hell-bent on destroying everything that has made this Island so special.

Some of you might think that it does not matter if doorstep deliveries gradually die out – and it might not happen anyway, but none of you can be sure. The uncertainty that lies in this is the bit that I find difficult to cope with. I can tell you this: it *will* matter to a lot of people – certainly the 9,000 people who currently receive doorstep deliveries and who rely on them. States’ Members in the past have shown consistently that they want to see the doorstep deliveries protected. They thankfully recognise that there are some things in our community that are worth protecting and preserving, and this is one of them.

In fairness to this report, C&E have recognised that they should enjoy a degree of protection, and that is good; but we will see in other reports yet to come how accurate that statement will prove to be. If C&E come back insisting, for instance, on refrigerated delivery vans for the roundsmen, then that in my view will be enough to put many of the remaining retailers out of business. I have never received on my doorstep a litre of milk that has been undrinkable *ever* in all the years that I have lived in Guernsey and all the years that I have had deliveries.

I have been told that my fears are all unfounded and that the free market will sort it all out. Well, forgive me if I do not believe a word of it. Our people have been misled so many times before when States’ Members were given assurances that change is for the better and all will be well – and it seldom is, I can tell you. Sorry to digress, but we were told, for instance, that the market traders would be looked after and catered for in this wonderful new market building. They were not. And where are they now? They have disappeared. We were told, for instance, that the sale of our telecoms would bring down prices and the company it was given away to were committed to Guernsey. Well, they were so committed they sold the company to somebody in the Middle East a few months ago. We were told commercialisation would benefit the consumers. Those of us with longer memories know that this has done no such thing: higher prices and less service.

So my prediction will be that local milk retailers will be gone within a few years, probably replaced by the big players in the dairy industry, employing cheap migrant labour to do a job Guernsey people once did. That will be the success. That would be considered as success, would it? I see the Minister shaking his

head, but he can give no assurances whatsoever that that will not be the case. Well, in my book it will not be a success. Thousands of people will not get the service they once did, and perversely that will be chalked up as progress. The Minister used the words ‘more efficient’ in his speech. Well, be careful that you do not become so efficient that you lose all of the things that you value above money and greed.

Also he said we cannot wrap an industry in cotton wool. Guernsey has wrapped lots of things in cotton wool to protect them and protect this unique way of life. I do not mind things being wrapped in cotton wool if it makes us different from everywhere else, because we are a special community and we should do everything we can to preserve that.

Thank you, sir.

The Deputy Bailiff: Deputy Lester Queripel, followed by Deputy James.

Deputy Lester Queripel: Thank you, sir.

My brother, Deputy Laurie Queripel, in his speech yesterday laid out a lot of the history behind this whole issue, and I am sure we are grateful for that because what has been missing from all the reports and presentations and e-mails that have been flying around over the last few weeks is the facts.

One thing is clear: there have been some major problems in the past between C&E and the milk retailers. Why haven’t those problems been resolved? Well, as my brother said in his speech yesterday, we are where we are. This whole issue seems to have been a complete mess for years, but it would be absolutely futile spending time trying to determine whose fault that is and who is to blame. Perhaps both sides are to blame for what appears to be a lack of communication.

All I know is that this Assembly is being asked to resolve the issue and make an informed decision. Well, the truth is – the way I see it – we have not been informed. In fact, it would appear on occasion we have been misinformed with all sorts of allegations and accusations flying around. In fact, it has even been said that lies have been told. If that is the case, then how are we supposed to make an informed decision? There was even talk at one stage of a Sursis being laid, which of course would mean both sides would sit down together and resolve the issue in a civilised and mature manner and come back to the States with a new set of proposals. Of course, it is not too late for a Sursis to be laid. *(Interjection and laughter)* I suspect, sir, it has not been laid because we knew that amendments were going to be submitted and we were all waiting to see what those amendments were.

At the moment, being where we are, I do not feel informed. In fact, I feel as though I am in a maze, trying to find my way out, and whenever I feel like that I find the best thing to do is keep it simple and go back to basics. So I then ask fundamental questions to try and establish the facts. Several months ago in this chamber Deputy Le Clerc said she often finds herself asking questions at meetings that everyone else, for whatever reason, seems afraid to ask. Well, I am with her all the way on that, sir. It would be irresponsible of me to pretend I understand the situation when I do not. How can I be expected to understand the situation when I am being told that lies have been told in the past? And was that in itself a lie? *(Interjection and laughter)* I am not afraid to ask fundamental questions. Why should I be, when what I am trying to do is do my job to the best of my ability?

So I have some fundamental questions I would like to ask Deputy Fallaize. I do not associate Deputy Fallaize with lies or false allegations.

Several Members: Hear, hear.

Deputy Fallaize: I think he just has, sir! *(Laughter)*

Deputy Lester Queripel: I see him as an honest and honourable man **(Several Members: Hear, hear.)** *(Laughter)* who gives honest answers to questions. *(Interjection and laughter)*

Nobody has asked me to give way, sir, so I will carry on. *(Laughter)* Yesterday, in this chamber, Deputy Fallaize said that the C&E proposals were merely a sticking plaster and that the States could be debating this whole issue again in two, three, five or even 10 years’ time, and of course we want to avoid that.

So my first question to Deputy Fallaize is: is his amendment the panacea that is needed to resolve this issue once and for all? Naturally, I hope the answer to that question is yes.

Another fundamental question I would ask is: in his view, is there a danger that milk retailers could lose their livelihoods if we reject his amendment and support the C&E proposals? Will that danger be avoided if we support his amendment?

My final fundamental question – Deputy Jones just touched on this – is in relation to people who rely on dairy products being delivered by milk retailers, our fellow Islanders who have mobility problems, disabled people, pensioners who perhaps cannot get out and get their dairy products for themselves. So the question I ask is: is there a danger that some of those people will be abandoned and left to fend for themselves?

Because if that is the case, then I cannot support the amendment *or* the C&E proposals, and it would seem that in order to resolve that a Sursis would have to be laid.

I apologise to my colleague, sir, through the chair if I may, for having to ask such fundamental questions. Perhaps I should know the answers.

Yes, I could have spoken to Deputy Fallaize outside of this chamber, but *this* is the debating chamber and *this* is when the public get to hear answers to questions they themselves have been asking.

I ask Deputy Fallaize to go easy on me when he replies, sir, (*Interjection and laughter*) because, to reiterate, what I am trying to do is establish the facts, and that has been extremely difficult to do in the current hostile environment that exists between C&E and the milk retailers.

Thank you, sir.

The Deputy Bailiff: Deputy James, to be followed by Deputy Robert Jones. It is important to stand.

Deputy James: Thank you, Mr Deputy Bailiff.

I would agree with a number of previous speakers that there is much to be commended in this report. However, I do wholly support the Fallaize and Perrot amendment, much of which has already been outlined by Deputy Jones in his speech.

However, there is one thing that I would like to add to the reasons for supporting this. I, along with 33 other Deputies, attended the presentation by the milk retailers at the Cotils a week or so ago, and whilst it became quite evident to me and many of the other Deputies that evening that the milk retailers really missed an excellent opportunity – it is not very often you get 34 Deputies turning out during an evening for an event – I think there were various questions put by a number of Deputies about an element of disappointment at not being given alternatives for a way forward on this. I came away from the evening also feeling somewhat disappointed and feeling there was a missed opportunity, but having thought about it since, here we have a group of 21 milk retailers, all of whom have different aspirations and different objectives, and so consequently it is perhaps not so terribly surprising that it was not so easy for them as a collective to articulate what they actually want, and I will not hold that against them. As a Deputy, I would hope not to fail them.

In his speech, Deputy Fallaize used the ‘c’ word. It took me a little while to work out what that actually meant! However, Deputy Lester Queripel, in his speech, did use the ‘c’ word, and Deputy Jones, and that is exactly my position.

The Deputy Bailiff: Do you mean Deputy *Laurie* Queripel?

Deputy James: Sorry, did I say ‘Lester’? I do apologise – Deputy Laurie Queripel and Deputy Jones.

I for one cannot and will not sign up to the proverbial rug being pulled away from these retailers, so I ask this Assembly to support this amendment wholeheartedly. (**Two Members:** Hear, hear.)

Thank you.

The Deputy Bailiff: Deputy Robert Jones.

Deputy Robert Jones: The trouble with coming in late, actually, is that Deputy James and Deputy Queripel, and a number of other speakers, have covered some of the ground that I wanted to originally speak about.

Importantly, I am speaking on the amendment solely here. I may speak in general debate later on.

For me, it was important to support this amendment. Firstly, I thought it was important to bring in the recommendations and make them part of the propositions. It was important to me that it is clear what we are voting on, so I support the first Proposition.

In terms of the second Proposition, I do not think there is any argument – or there is very little argument – that what C&E were proposing was not the optimum distribution system, and I do not think anyone would argue we are at a stage now where, for the benefit of the whole industry, including consumers, retailers, farmers and the Dairy, we have to move to a more efficient system. So I support it for that reason. Also, I support that we do then have to adopt the arrangements that come forward for the optimum distribution system.

But for me it is the third part of the second Proposition that is important. It is quite clear that we are in a process now of transition, and to me – and Deputy James outlined it – we do not want to pull the proverbial rug from beneath the retailers. What I want to see is a transitional period that takes us from the situation that we are in now.

I do not need to unravel the history to show that we are in a position of... I think the history has been convoluted; it has been complicated. We have had Resolutions that have compounded the problems. The States have been involved and the Dairy has been involved. We know that. We know we have got a

situation that just is not ideal, but I feel that we need to have a fair and equitable transitional period (**A Member:** Hear, hear.) and I think, if we follow the propositions as laid out in this amendment, we will get close to a transitional period that is fair for everybody involved in this particular industry, and that is why I will support this particular amendment.

The Deputy Bailiff: Deputy Brouard, to be followed by Deputy Green.

Deputy Brouard: Thank you, sir.

Deputy Fallaize's amendment has attractions: the warm, green, long grass of 2015 – we do not have to make a decision today. And of course the good news is that we would get the bulk of the report through, which is one of the key issues from Commerce & Employment's point of view.

I am going to use one of Mr Fallaize's own words, which is 'agnostic' – 'I am agnostic about this report,' or 'agnostic about that' – and I am probably agnostic about his particular amendment, but the difficulty is be very careful what you wish for, because you are going to be making, in this Assembly, the decision that we in Commerce & Employment have wrestled with over the last year, and that same decision resulted... I would not say... it is not a split board; it is just difference of opinion, it is just different shades of grey, as it were, and Deputy Laurie Queripel – very honest – just could not live with the proposals that we put forward.

But when you read the words, you are going to go for the 'optimum' distribution system. Optimum for whom? Optimum for the milk roundsmen: the best cast-iron guaranteed income system with rounds preserved forever? The optimum system for Mrs Le Page to make sure her doorstep deliveries continue forever at a cheap and very low price? Optimum for the supermarket profits? Optimum for Mrs Torode, who shops at the supermarket and wants the lowest supermarket price? In 2015 – welcome to the summer – you are going to be having this debate.

Taking Deputy Jones's point very clearly, do we offer compensation? One could make quite a strong argument to say, 'Actually, why would you offer compensation for a licence that the States of Guernsey gave away for free when we are trying to do all the things on FTP?' On the other hand, other people will argue very strongly that the retailers are a real part of Guernsey's community. But when you go for the optimum system, I cannot see the retailers looking the same shape as they are today, because what you... I do not want to prejudge the issue of what 'optimum' will look like, but 'optimum' will be something like bulk deliveries to supermarkets straight, probably by supermarkets themselves using their own vans or using some integrated Island system, and probably doorstep deliveries paid at a premium so that the pensioner out in Torteval will pay an extra price to have their three half-litres a week delivered. So the very things that Deputy Jones seeks to preserve, you are now throwing like pieces of sand into the air. How they land, you will be deciding one year before election in 2015 in the long, hot, green grass of the summer.

We have already done that decision. It is not optimal, it is probably not the best decision we could make, but we think it is a fair and reasonable Guernsey compromise. It allows the milk retailers to be the middlemen, it allows them to continue their businesses, it allows them to negotiate with the shops.

I cannot understand from behind me what they would prefer. Would they hope that the Fallaize amendment will give them greater security; or will they find next summer that in fact the States virtually disbands their rounds, with or without compensation? What a risk to take! What another unenviable position we are placing the milk retailers in again. So be very careful what you wish for with the Fallaize amendment. When you are going for this optimum distribution, it has all the connotations that it is not going to be the same as it is today. The Commerce & Employment proposals are virtually that Guernsey compromise of keeping the system up, accepting it is not the best, but accepting it is not the worst either.

I think I will probably not vote for Mr Fallaize's amendment. I think if I were a retailer I would prefer the Commerce & Employment existing position. I think when you open it up we will be changing the Island forever and I think we will also find that we will not have the same retailers in place and we will have bulk deliveries to supermarkets. The cost may well come down; but again, at what price to our community?

Thank you, sir.

The Deputy Bailiff: Deputy Green, to be followed by Deputy Perrot.

Deputy Green: Thank you, Mr Deputy Bailiff.

I am going to speak on the amendment and generally, if I may, and I can be relatively brief.

I am going to support this amendment. I think Deputy Rob Jones made a good point before. I think there are probably two good reasons to support this amendment. The first one is that the new Proposition 1 in the Deputy Fallaize and Deputy Perrot amendment is a proper reflection of the actual principles we are being asked to sign up to in the actual report. The original Proposition 1 in C&E's report I thought was rather vague, possibly rather lazy, so I am glad that there is a proper reflection of the actual principles we are

being asked to sign up for in this amendment. The second thing is I think the new Proposition 2 in the amendment is a significant enhancement on what is in the report.

Broadly, C&E clearly are trying to move from an industry which is heavily regulated – some would say old-fashioned, some would say bureaucratic – to a much more conventional commercial footing. I feel that that is generally the right direction to go in. But in the circumstances, the very unique circumstances of this particular industry, and notwithstanding the obvious merit in what C&E is trying to do, I think in order for C&E to remove themselves from the current setup, to extricate themselves effectively from this heavily regulated system, it must surely be right, in common-sense terms and in practical political terms, for there to be some proper consideration of appropriate mitigation with regard specifically to the potential effects on the milk retailers. That must be part of the process, in my opinion, especially against the backdrop of a situation where the States of Guernsey has for a long time seemingly acquiesced and endorsed the zoning and the fixed pricing and all the rest of it.

I think the problem with the original C&E report is the uncertainty of what would happen to the milk retailers, and this amendment is an appropriate way of mitigating and alleviating that uncertainty by specifically looking at the issue of mitigation and also looking at the issue of what is the best way of milk distribution. Deputy Brouard, a moment ago, was asking what does ‘optimal arrangements’ mean. Well, obviously it is a matter for further analysis, but I think the problem is that the C&E report left too much unsaid and too much uncertainty, when there should be proper consideration of the best way that it could in fact work.

If I can speak generally now – obviously I am forgoing my right to speak later, Mr Deputy Bailiff – I want the milk industry generally, first and foremost, to work for the consumer. As important as it is to take the farmers, the retailers and all the rest of it within the industry with us, it is the consumer who ought to be the real primary focus of C&E policy, and that is ultimately what I think this should all be about. But I did agree with what Deputy Dave Jones said this morning: nonetheless, we do have a moral obligation to all of the component parts of the industry, and that must include the milk retailers.

I just want to conclude with a few points which I raise in the interests of parliamentary scrutiny – not necessarily because I believe the substance of the idea behind the questions. I do want to question a few aspects of C&E’s report, if I may, and I will raise three particular matters which I think should be at least the focus of some scrutiny.

The first point relates to, I think it is, the third principle, which is the question of the Dairy being independent but remaining in States ownership. Can a States-owned Dairy, albeit independently run, be a genuinely entrepreneurial thing; and where is the evidence to suggest that it can be more entrepreneurial than it is at the moment?

The second question relates to the point that Deputy Brehaut asked the Procureur about just a moment ago. The first principle of the report is the need to have effective statutory control over the importation of milk. I still wonder whether adopting a basically protectionist policy is actually an unjustifiable risk and whether we should actually welcome proper competition, safe in the knowledge that the local product is actually a superior product, it is a quality product, and if people have the choice they will probably buy it in any event. Why are we trying to stop competition – as I say, I raise this as a point; I am not necessarily of that opinion myself, what I know is that some people are – and is not a consequence of the ban on importation that there is actually no incentive for the industry to seek overseas markets, an export market, for the quality product that we have? The Island is actually totally reliant on locally produced milk. I just ask these questions because I think they need to be asked. I am not saying I necessarily agree with a free-for-all policy, but is the correct policy to rely on a protectionist policy? I do not know the exact legal advice that has been given to C&E, obviously, but the thought that sprang to mind when Her Majesty’s Procureur was speaking a moment ago was is it the case that the C&E are actually putting a too-optimistic spin on the advice that they have received, and I look forward to the Minister responding to that.

The third question is about the subsidy, and the question I ask is: is cutting the £1 million subsidy really going to encourage the next generation of local farmers to get into the industry; and what kind of effect is that really going to have? I do not think we can necessarily foresee what will happen in the future, but is that actually going to be something that we will later regret?

So, to conclude, I will certainly support the amendment, but I do not think we should be entirely uncritical about some aspects of this report.

The Deputy Bailiff: Deputy Perrot, to be followed by Deputy Gillson.

Deputy Perrot: Thank you, sir.

First, could I congratulate Deputy Fallaize on this amendment? In congratulating him, I am not seeking self-praise, because this amendment is *his* amendment. It is typical of him: it is thorough, it really has been thought through, and I am merely hanging on to his coat tails. So well done him! (**Three Members:** Hear, hear.)

440 Second, can I congratulate him on the brevity of his speech yesterday? (*Laughter*) I timed him in at 4.34 and I timed him out at four minutes past five, so we had about half an hour. That, to you and me, might well be the length of a rainy afternoon in February, but it is a nanosecond in his firmament, (*Laughter*) so I congratulate him on his self-control.

445 As so often is said in this Assembly, I really was not going to speak, but as so many people have insisted upon going through their pre-prepared speeches, not least Deputy David Jones, I thought that I would come in and say my tuppence-worth.

My problem is I have not got a pre-prepared speech. I did promise the Bailiff, incidentally, in July, that I would not do the sort of halting shambles which is typical of me when I am speaking, but I am afraid I have not got a pre-prepared speech.

450 I have also got a domestic problem in that I have lost my reading glasses. I bought a new pair from a well-known firm. Unfortunately, they actually make reading even more difficult (*Laughter*) than without, so I am in a slightly shambolic position. So I apologise to you, to the Members, and to our sole listener on the wireless. (*Laughter*)

455 Speaking on the amendment, as I do, I have to say first that it is inconceivable to me that we should lose the Guernsey breed. To echo the sentiments of Deputy David Jones, it typifies Guernsey. It is *hugely* important to us – not just the breed, but of course the milk which comes from it. We have only got to think about what has happened in Alderney, for example, to know how important it is for us to retain our breed.

460 It is also immensely important that we have farmers who look after our farmland (**Two Members:** Hear, hear.) because if they are not there, who on earth is going to look after that green and pleasant land which we have got? All of those fields would eventually turn to brambles and firs, and we do not want that. No more do we want a whole set of manicured gardens; we do not want them to be merely adjuncts of houses. We want to have proper countryside in what we have left of the Island.

465 So, because of those things... I do not think the Minister need look so worried: generally, I support the thrust of this policy letter. If I had opposed it just by moving a Sursis, it could be that we would throw the baby out with the bathwater. I was the one, at that the rather unfortunate presentation a couple of weeks ago at the Cotils, who raised the idea of a Sursis. I rather regret that now because I do not wish Commerce & Employment to think that I am opposed to the general thrust of what they are doing.

470 Having said that, I do have some sympathy with the retailers – not an immense amount of sympathy, but some sympathy. I do think that the States will have to deal with the retailers equitably. It is... Sorry, this is where my notes start getting really very shambolic... Oh yes... It is clear to me that there has been either a very, very serious misunderstanding between Commerce & Employment and their predecessors, or there has been a serious misrepresentation by one party or the other. I will not use ‘sides’, but there is some real problem here.

475 When I was at a meeting of Commerce & Employment – I cannot remember when it was... last Friday, I think it was – it transpired that Commerce & Employment and its predecessor have forever thought that there was not a monopoly on the rounds. It is quite clear that the milkmen have thought that they had a monopoly on the rounds. So far as Commerce & Employment is concerned, such monopoly as there might be has its genesis purely in the relationship that the milkmen have to each other through their common membership of the Retailers’ Association. They think – Commerce & Employment – that has nothing to do with the States or to do with membership of the Association. Well, certainly that is not the thought of the 480 Guernsey milk retailers.

485 There has also been confusion, I think, between the concept of the idea of monopoly on dairy rounds and the word ‘exclusivity’. Actually, the word ‘exclusivity’ was defined in one of the policy letters going back, I think, to about 2007, when the Dairy then said that ‘exclusivity’ in this context means that once a licence is granted to what we call a milk retailer... They are not really retailers, not all of them anyway, but when a licence is granted, the States will not issue another licence so as to enable another person to be in conflict with the territory which the already-licensed retailer is selling within; no more will the Dairy itself sell within that area.

490 So there is a distinction there in phraseology – or in words, in language – between ‘exclusivity’ and ‘monopoly’. And if we look at it as we do, it is *abundantly* clear that the States have acted in such a way as to lead the milk retailers to suppose that the States are intimately involved in zoning. (**A Member:** Hear, hear.) Everything which the retailers have to do, either when getting a licence or when selling off a round to someone else, or actually splitting a round as we have seen in the past, there has been an intimate discussion with Commerce & Employment. It is quite clear that the milk retailers – whatever anybody says – have 495 acted upon the premise that the States are the ones who control the round, in liaison with the Association.

Because of that, the milk retailers have acted, in my judgement at least, possibly to their own detriment, because they have borrowed money – not just to buy the rounds but actually to improve the vehicles which they have used on those rounds. I see Deputy Soulsby shaking her head, but actually that is true, and there is no evidence to say that that is untrue. That actually has happened. It is not just a couple of quid; people

500 have paid scores of thousands of pounds, they have borrowed scores of thousands of pounds, they have actually mortgaged their houses to finance these things.

Quite apart from the rights or wrongs, or whether there has been a misunderstanding or whether there has been misrepresentation, there has to be more discussion between the States and the retailers – and those discussions, I have to say, have got to be on a full and frank basis. I do not criticise – well, I do a bit –
505 Commerce & Employment here, because its behaviour has sometimes been a little bit, shall we say, picking a word out of the ether, ‘Kevin-esque’ (*Laughter*). Equally, I think that the retailers have not been entirely co-operative. They have not given the full amount of information which has been requested, and I have to say that they have been somewhat – at least as far as I am concerned – confrontational. The meeting at the Cotils was really most unfortunate, and it certainly left with the Deputies who had attended that meeting a
510 feeling, that, ‘Well, a plague on both your houses.’ But I still think that equity is required, justice must be done, and that there needs to be a proper discussion

I am grateful, incidentally, that we were able last Friday to have that meeting with Commerce & Employment, despite the fact that it seemed there were polarised positions being taken by both parties. I commend the Minister and his board for coming around – certainly not as far as I was concerned, because I
515 left with a flea in my ear before the... No, I exaggerate to make a point, but I left a bit early. But not long after that, Deputy Fallaize came along, spoke to Deputy Soulsby and the Minister, I think, and suddenly we find that potentially this amendment was not going to be opposed – so I am grateful to them.

Can I say that in supporting this amendment... because I know that the idea has been ventilated that perhaps there is a hidden agenda, that what we might be trying to do is to bounce the whole of the idea of
520 this policy. Not a bit. As far as I am concerned, there is absolutely no hidden agenda at all, and the only thing which really concerns me is the way in which we treat the retailers with justice. (**A Member:** Hear, hear.)

In fact, my own personal belief is that the days of the retailers are numbered. I do not think that there is necessarily a future for doorstep delivery. I think things have been massively complicated as well by the
525 fact that some of the retailers actually sell to just a couple of large commercial operations. I think that there is a real confusion between those two things. I do think the days are numbered. It is a question of how we deal with retailers and how, if their days are numbered, are we going to phase them out? Is it going to be by some sort of compensation – I hesitate on that point as a Member of Treasury Board, but I have still got to use that language; or are we going to do it by making sure that there is some sort of help by their being
530 guaranteed some specific time to carry on as they are now?

Incidentally, I am concerned about the idea of the retail price of milk being lifted – sorry, *removed* – before the next policy letter comes back (**A Member:** Hear, hear.) as a result of the debate which I hope will take place between Commerce & Employment and the milk retailers. It seems that there is an anxiety that the new Ordinance be brought in lickety-split; but if that happens, then it seems to me that what we
535 have is a removal then of price restraint, and it seems to me anyway that what we ought to do is to be deferring that until we have the debate next month. (**Two Members:** Hear, hear.)

Deputy Dave Jones referred to the letter from Mr John Cleal; we were all circulated with that. I found that letter incredibly useful. If there is anything wrong in that letter, if there is any form of misleading or perhaps misrepresentation – I do not think there is at all, I hope there is not, but if there *is* – then certainly
540 we need to be told that by Commerce & Employment. Apart from that, Deputy David Jones was something of a Jeremiah about the whole of the report. I think that maybe he was just a teensy bit over the top in what he had to say.

Deputy Lester Queripel was confused. I think we ought to call Deputy Lester Queripel, ‘Deputy Confused.com’ (*Laughter*). Just to answer a couple of his specific questions, he says, ‘Is this amendment a panacea?’ Of course it is not. Who knows what the result will be if the amendment is passed? Who knows what is going to happen as a result of the discussions between Commerce & Employment and the milk
545 retailers? If the milk retailers are to be hard-nosed about it, or if Commerce & Employment is perhaps a little bit too arrogant about it, then we might see that there is no agreement and we are left in the position in which we are today.

‘Could the retailers lose their livelihoods if we rejected the amendment?’ asks Deputy Lester Queripel. Well, of course that could be the case. It could also be the case that, as I have already said, they will lose their livelihoods if the amendment is *passed*. It is just a question of how we manage that process of change.

Is there any danger that the vulnerable will be left to support themselves? Of course there is that danger either way. There is, with any system of delivery... If you look back over the years, groceries used to be
555 delivered, fish was delivered, bread was delivered, practically everything was delivered – meat was delivered. All of those changed and society has had to change, and people who are in a vulnerable position had to rely on others sometimes to do their shopping for them. So, in answer to Deputy Lester Queripel, the answer is yes, there is always that possibility.

Deputy Brouard questions the use of the word ‘optimum’ in the amendment. What does that mean? Is it
560 optimum for the consumers, optimum for the States, optimum for the retailers, optimum for Uncle Tom

Cobbley? Well, I cannot answer; no-one can. The point is, that gives Commerce & Employment wriggle room. It allows them to come back, having heard what people have said, what Deputies have said during today's debate, having absorbed all of the e-mail correspondence which has passed, having absorbed all of the public comment. It is up to Commerce & Employment then, after further discussion, to come back with what *they* say they as regards 'optimum'.

Deputy Green asks, 'Can the Dairy be entrepreneurial?' I think the answer to that actually is no, not while people are employed by the States, working for it. I think that any body in which the States has ownership can only be commercial if actually it is commercialised, as we have seen with Electricity and with the Guernsey Post Office.

So there we have it. I am sorry for the somewhat staccato delivery, but I am not opposed to what Commerce & Employment wish to bring about – in fact, I commend them for it. It is just this little bit which needs to be sorted out, in my view.

The Deputy Bailiff: Deputy Gillson, to be followed by Deputy Hadley.

Deputy Lester Queripel: Sir, can I make a point of order please?

The Deputy Bailiff: Deputy Lester Queripel, point of order.

Deputy Lester Queripel: It is in relation Deputy Perrot's comment, sir.

I thank Deputy Perrot for answering the questions I posed to Deputy Fallaize. I can only hope that Deputy Fallaize will answer the questions himself. But in his speech, sir, Deputy Perrot said that further discussion needs to take place between the retailers and C&E in an attempt to resolve the problems that still exist, and then he apologised for raising the issue of a Sursis at the Cotils presentation.

The Deputy Bailiff: Deputy Queripel, which Rule of Procedure do you say has been broken?

Deputy Lester Queripel: It was a point of order I was trying to make, sir.

The Deputy Bailiff: Exactly, so what does Rule 12(5) say:

'A point of order may only be raised for the purpose of drawing attention to a breach of a Rule of Procedure.'

So which rule do you say has been broken?

Deputy Lester Queripel: Well, perhaps it was a point of correction, sir, I was trying to make.

The Deputy Bailiff: You cannot have a second speech, by the way; so what are you saying was incorrect?

Deputy Lester Queripel: Well, then he went on to say that perhaps I should be known as 'Deputy Lester Queripel Confused.com' sir, which... Was he not himself showing elements of confusion by saying he raised the issue of a Sursis himself but then he regretted, I think, doing that, sir?

The Deputy Bailiff: Deputy Queripel, that is not a point of correction. My understanding of 'Confused.com' is that it is a valuable service, (*Laughter*) so potentially complimentary!

Deputy Lester Queripel: Ah, thank you, sir! I withdraw everything else I said there, sir.

The Deputy Bailiff: Deputy Gillson.

Deputy Perrot: Sir, I throw myself on the mercy of the Assembly and humbly apologise to Deputy Queripel, it was a joke which was pretty useless, frankly. (*Laughter*)

The Deputy Bailiff: Thank you, Deputy Perrot.
Deputy Gillson, then.

Deputy Gillson: Thank you, sir.

I am not sure whether I will speak now or in general debate, but it depends on the answer to the question of clarification that HM Procureur might give me. If the amendment is passed, will we be able to vote on item 1(e) separately?

The Deputy Bailiff: Well, that is potentially going to be a matter for me, and the answer is yes if you ask to.

Deputy Gillson: Right, in that case I am ambivalent as to whether this amendment goes through or not – I will speak in general debate.

The Deputy Bailiff: Deputy Lowe, then.

Deputy Lowe: Thank you, sir.

It is very difficult to just be talking about the amendment, sir, because the amendment has got all the Propositions on it –

The Deputy Bailiff: Deputy Lowe, I am quite happy if you want to say, ‘I am also going to speak in general debate.’ I have got a handful of notes where I think Members have spoken in general debate.

Deputy Lowe: Yes, okay then, thank you.

I, like others, support the farming industry – that goes without saying, really. I think it would be rather surprising if any of us did not want to see the farming industry flourish – they do an amazing job.

The Commerce & Employment proposals will cause financial and viability problems for the milk retailers in the future. Fact. How do I know that? Because Commerce & Employment proposals are unravelling the system the States helped to put in place for milkmen to operate under States’ direction to ensure viability and sustainability of their rounds. The States cannot and should not ignore where we are and just walk away.

Commerce & Employment tell us the GMRA did not co-operate with this Report. Most of us now know Commerce & Employment had sent a letter apparently to the GMRA last June seeking information, yet we also now know the GMRA never received such a letter.

I pose the question to you all: if you were taking a major report on the future of the dairy industry, involving the farmers, Dairy and milk distribution, and had not received a response to a letter seeking out information, wouldn’t you send a chaser letter or even a phone call? No, not in Commerce & Employment’s case. All we hear from them is, ‘They really did not want to answer our letter; we really needed information.’

GMRA had only heard about this letter from Commerce & Employment at a States’ Members presentation a few weeks ago. Did Commerce & Employment rectify this by sending them a copy? No. I asked the GMRA and Commerce & Employment if they would agree to meet last week with me and Deputies Perrot, Domaille, and Deputy Rob Jones to try and see if there was a way forward on working together. Yet again, the GMRA at this meeting informed us they still have not received this missing letter from Commerce & Employment and wished to know what information they sought. What was astonishing was Commerce & Employment *still* did not even pause the meeting to get photocopies, so they did not read it out either. And still today they have not had a copy of this letter from Commerce & Employment, the very Department who are seeking this information.

Deputy Soulsby: Sir, point of correction.

The Deputy Bailiff: Point of correction, Deputy Soulsby.

Deputy Soulsby: Yes, the letter was sent by e-mail and there should have been a copy sent to one of the GMRA representatives.

The Deputy Bailiff: Thank you.
Deputy Lowe to continue.

Deputy Lowe: Perhaps Deputy Soulsby would like to tell us the date of that then, please – or the Minister when he answers.

It was suggested at this joint meeting that the report be pulled as it is incomplete, and a joint draft statement was put on the table by the GMRA but it was not even considered. The answer was no. Does that give you comfort that Commerce & Employment really want the GMRA to be part of this report? Commerce & Employment did not even have the courtesy to let the GMRA have a copy of the report in the Billet before publication.

Will Deputy Fallaize’s amendment help resolve the potential problems for the milk retailers? Only time will tell if this amendment does go through. What Commerce & Employment will bring back to the States next year will be the telling point.

680 So why do I believe Commerce & Employment proposals will cause financial problems for the retailers and the Dairy? My husband and I owned a milk round for 15 years, from 1980 to 1995, and it is from this first-hand experience I believe Commerce & Employment are going down a retrograde step with their proposals. Under these proposals, issuing milk retailers with a licence to go anywhere around the Island and compete against one another would devastate their rounds and see the end of doorstep delivery.

685 Years ago, milk rounds were inefficient, expensive to operate and bad for the environment, spending unnecessary time with milkmen following each other along the road delivering next to one another. Our own round covered Rue Sauvage, St Sampson's, where six milkmen delivered milk. Each delivery day we followed one another up the road. This was a crazy, inefficient way to operate and this reflected similar delivery patterns around the Island. Milk rounds expanded all over the parish or parishes which the licence-zoned area stated. What frequently happened in the past was that retailers followed their customers as they moved house within the parish of their zoned licence. As an example, our licence stated we could deliver in the Vale or St Sampson's. This added to multiple retailers in any one road. If one of our customers moved from St Sampson's into the Vale, we continued delivering to them. There was much ill feeling though, inter-competition, as all were competing for the same customers.

695 Following consultation and the full support of the Dairy management during the late 1980's, the GMRA spent many months working together with the milk retailers and the Dairy management to implement exclusivity zoning within the licensed parishes, and producing roadmaps attached to licences. Exchanges of customers through totals of litreage used was to ensure the value of the rounds either remained, or financial payments were necessary. The outcome was not to disadvantage their business value. These changes were welcomed by most of those involved, including the Dairy management. I know that the manager of the Dairy at the time was extremely helpful and keen for full zoning and exclusivity to take place. Our own milk round went from 44 miles each delivery day down to 16 miles a day. The added bonus of less time using vehicles was surely better for the environment and kept running costs and milk prices down.

705 Commerce & Employment now not only want to sanction undoing all the good work carried out by those involved; they actually want to go further by allowing milk retailers to deliver anywhere around the Island – a free-for-all right across the Island. Do we really want to go backwards and have milk retailers following one another around? Do we really want this bad practice to be reinvented and expanded upon?

Had the Dairy not stepped in during the late 1980's, exclusivity zoning would not have happened. The Dairy management encouraged this zoning process by making available extended credit to the milk retailers if necessary or appropriate – that is how keen they were, as they saw such benefits for all concerned. The Dairy were owed a considerable amount of money as some milk retailers struggled with late payments from the larger establishments, sometimes several weeks or months after the milk was delivered. Milk retailers were chasing payments, yet the Dairy had to be paid weekly. Cashflow was a major problem for many milk retailers. By working together, the GMRA and the Dairy came up with the exclusivity in the licensed zone solution, making rounds more efficient. The Dairy's support was so much so that if a retailer purchased a depot – terminology used by the Dairy for a shop, garage or hotel – under the zoning mechanism, if there were not enough swaps of litreage to cover the exchange costs, the Dairy would pay the milk retailer selling his depot and would recoup by an extended credit to the purchaser. That is how keen they were to make sure all this efficiency and viability went forward.

720 The Dairy produced licences showing the parish and naming the depots on the back of the licences. Attached to each licence there were roadmaps highlighting which roads had exclusive use by the retailer. These maps were also held at the Dairy, so if a customer phoned up wanting a milk delivery, the staff at the Dairy could give the milk retailer's phone number as they knew exactly who delivered in that road.

725 The majority of this zoning happened during the late 1980's and was paid back within the specified time. So when Deputy Stewart said on Friday, at the joint meeting with the GMRA and the Deputies, that the Dairy had never been involved with zoning or exclusivity, I hope that between John Cleal's letter, which I circulated to all States' Members this week, and our own experience – with my husband being the other committee member on the working group with John Cleal and the manager of the Dairy, all working together to address the licence and exclusivity of the rounds – he will now accept he was wrong. He was also wrong in denying that there were exclusivity maps in the Dairy office – for there most certainly were, and assisted the staff generally.

735 As I said earlier, Commerce & Employment proposals before us today recommend a licence for the milk retailers which would have no geographical area belonging to them, no particular parish or roads identified. They propose a free-for-all, worse than the current system when the milk retailers are just completing in the parish on their licence. Commerce & Employment are taking away the protection put in place that was encouraged and endorsed by the States' Dairy to the milk retailers to ensure their rounds were viable and sustainable.

740 This free-for-all will see 20-plus retailers competing for business around the Island, approaching shops and hotels. This *will* happen. It happened under the strict zoning and exclusivity system, but I can assure you the Dairy and the GMRA dealt with the individual who tried it on. Indeed, the February 1991

regulations and guidelines governing the retail sale of milk, part of which Deputy Laurie Queripel read out yesterday, confirm this. If the milk retailer refused to take any notice of that, he was threatened that his milk would be withdrawn.

The system worked well until the year 2000, when the Dairy management were directed not to issue licences anymore to the milkmen, even though the milk retailers were not consulted or informed that this was taking place. It only came to light when licences were handed back for the new purchaser to have his name on the licence or when new shops or hotels decided to sell milk – these were added to the relevant milk retailer's licence. If, however, a shop closed or a hotel closed, again the licence had to go back and had to be amended. After many requests for the licences to be returned the Dairy refused to produce them, even though the licence states very clearly on the back, and I quote:

'This licence must be returned to the Committee if the holder ceases to operate his round or retail from his shop, as the case may be. Fourteen days' notice must be given of intention to discontinue the business. If the business is sold or transferred or the owner dies, the licence must be returned to the Committee for cancellation and the new owner should apply for a fresh licence.'

My successful amendment in 2007 directed Commerce & Employment to return the licences to the milkmen. To date, they are still waiting for those licences. Questions have been asked in the States numerous times and many letters have been written. At one stage, the previous Minister of Commerce & Employment said the States did not understand what they were voting for; that is why the licences had not been given back. I can assure you, Members here today, that the previous States were not best happy that they needed to give assurances that they fully understood what they were voting for, and would Commerce & Employment get on with giving the licences back.

What Commerce & Employment then did was they produced a 16-page new licence and tried to get the retailers to accept this in replacement of the original. They refused – quite rightly so – as the States had already supported my amendment. Incidentally, the new draft licence was unbelievable. It stated these self-employed milk retailers had to have their accounts audited and sent to the Dairy, they had to have a £2 million indemnity insurance, they had to hand over notes that had been left out by their customers... the list went on.

Before I move on from licences, I ask you to think about this: would you buy a car without a log book? Would you buy a house without the deeds? Yet Commerce & Employment, for the last 14 years, have expected the milk retailers to try and sell their rounds without any documentation or evidence that they own their round and the zoning restrictions exist.

An island-wide price war will take place and all the trust and goodwill amongst retailers will be lost. It was bad enough before the late 1980's: can you imagine what it would be like without the fixed-price milk as well? They may very well see a downward spiral with the demise of doorstep deliveries, as the losses will be unsustainable. Having proposals that any milk retailer could cover any parish goes a lot further than the old inefficient system. It certainly would not be protecting the retailers as envisaged by Commerce & Employment, as we are frequently being told. The zoning system in the latter part of the 1980's, when exclusivity was introduced, all this was put in place to make the distribution network efficient. It is.

What is the need or reason to change this? This question was posed to us at the Vale Deputies' surgery on Saturday, and again at the Vale Douzaine meeting on Monday night. Comments such as, 'We want our doorstep delivery to continue,' and 'We are happy with the price of Guernsey milk, because that is what we pay for good milk, and to keep the farmers going.' So who is calling for this change?

We have had previous Commerce & Employment reports during the last few States' terms always about importing milk and how the EU regulations could affect Guernsey milk. That has now been put to one side. Another new States Members' term of office: Commerce & Employment produce yet another report, proposing the removal of licences and having all milkmen signed up to a milk registry. This was heavily rejected by the States, as Deputy Fallaize explained yesterday – only four voted for it. The milk registry was to remove zoned licences so the milkmen could go anywhere around the Island and compete against one another, unravelling the efficient distribution put in place between the GMRA and the States' Dairy. Sound familiar? If at first you don't succeed, try each new States.

This is the third attempt with three different States to make the rounds non-viable, so Commerce & Employment can get what they have always wanted. Deputy Stewart confirmed this yesterday and indeed said last week at a meeting that if an amendment was produced to remove shops from the milkmen he would support it. He also believed that in five years' time there would not be any doorstep delivery.

So instead of Commerce & Employment being bold and putting a report together so the shops can get their milk from the Dairy, we have this mess resulting in inefficient rounds that are not viable and the end result of 20-plus small businesses folding. These proposals would do it slowly with cries from Commerce & Employment of, 'Not us, guv! We made it easier for them; we gave them the licence to go anywhere.'

Commerce & Employment do not recognise the fact that each retailer has paid tens of thousands for the right to sell milk to a certain geographical area indicated on their original licences; and quite frankly, how

this fits with Commerce & Employment's 'Building Confidence' document to support businesses, fails in my view.

800 Commerce & Employment have also stated that they will issue more licences under these proposals, if approached. Are you surprised? I am not. Bring in the big boys, squeeze out the milkmen and wave goodbye to doorstep deliveries.

This Report does have flaws in it. Here is an example. On page 2124, 3.93, it states:

'This means that a shop that sells (retails) milk to the public requires a licence, but for reasons that are unknown these licences do not appear to have ever been issued.'

805 Well, Commerce & Employment, I can tell you that shops have *never* been licensed. The milk retailers have, but that is all. When a shop or depot wished to sell milk, the milk retailer would contact the Dairy, who would then inspect the premises for refrigeration and storage of retailed milk, and once the Dairy was satisfied, they would add the shop or depot on the milk retailer's licence as it was he or she who had the licence, not the shop or depot. Your report is inaccurate.

810 Commerce & Employment have not included compensation in their report. The fact the GMRA informed Commerce & Employment last time a report came to damage the rounds, and Deputy Fallaize informed you all yesterday that discussions had taken place previously... even if Commerce & Employment do not believe compensation is payable, they have an obligation to include this in the report to make you aware that compensation claims may well be coming their way should they pass the proposals. T&R's response in the Billet may well be alluding to this.

815 When the retailers bought their rounds, they were buying a zoning system that was created and encouraged and endorsed by the States. The States cannot expect to railroad these retailers. Giving them a five-year grace is not sufficient. The fact still remains the same five years down the line.

820 Even back during 2006, in a copy of the minutes taken of the meeting with the GMRA and the Department held on 4th July, Deputy Falla gave a commitment that if, after further consultation had been undertaken with the GMRA, the Department felt it was appropriate for information on the financial loss incurred by the milk retailers to be included in any States' reports, it would then be for the States of Deliberation to agree whether compensation was warranted.

825 If Commerce & Employment are so confident with their proposals, are they saying if it was left to them they would be happy to employ 25 men and send them out at one o'clock in the morning, or whatever time suited, and say, 'Off you go, deliver where you like around the Island, when you like, and compete against yourselves'? Because that is exactly what is being said about milk retailers.

This Commerce & Employment report encourages more vehicle use, either by the milk retailer or people popping out to fetch milk from the shop. And who would want to buy a milk round now? Which bank would lend money to purchase a milk round?

830 Deputy Stewart said yesterday, and he was right, that the farmers do produce their accounts, whereas the milk retailers do not. There is a difference though, which he is well aware of. The farmers have a £2 million grant; the milk retailers are self-employed without any grant from the States. Deputy Stewart has, on more than one occasion, mentioned some quite extraordinary amounts for delivery charge by milk retailers, so I asked some of the milkmen, and indeed our own milkman does not charge his customers and it turns out that less than half of the milkmen charge a delivery charge, and in examples given to me they charged 25p a week – a *week*, Deputy Stewart, nothing like the amounts that have been bandied around here and outside. 835 By and large, most retailers who have doorstep rounds do not make charges. The risk of losing customers to the supermarkets is too great. So my milkman does not charge me, and yet my paper lady charges me £1.15 a week.

840 It is also interesting to be told at Commerce & Employment presentations that the farmers are fully behind these proposals – we were told that a few weeks ago – and it is only the GMRA. And yet some of us Deputies were asked to put a date in our diary for last Friday, as the farmers were not happy that they had yet another meeting with Commerce & Employment to try and get something in writing, otherwise they wanted to meet us before the debate.

845 I too would ask Commerce & Employment, when they sum up, to agree that the fixed price will not be touched until you come back and the States have decided what to do. (**A Member:** Hear, hear.) Please do *not* remove the fixed price. If I have not had that assurance, I am prepared to place an amendment and ask the States to give direction, and they will make that decision for you.

850 I would also like to know – and again I may place an amendment for this one, but it depends on the assurances that I am given on the response – why haven't you been seen to put a milk retailer on the board and not just a farmer? Is that because you have no intention of the milk retailers being around for very long? Previously, on the Agricultural and Horticultural Department, or Committee, before your time – their report was handed over to Commerce & Employment under the new system of Government – there was always a milk retailer, and that was always a farmer, as part of the three-legged stool, plus members of the Dairy as well.

So finally, sir, the GMRA are keen for the States to recognise its obligations to the system of licensing and zoning which the Dairy created and actively administrated. They have made it very clear that they wish to move forward. They have made it very clear they are happy to give information when they are actually told what information it is that Commerce & Employment are seeking. And they do wish to work together.

I would ask States' Members today to please support this amendment that Deputy Fallaize is putting forward and let Commerce & Employment take away the message that you cannot just walk all over the milk retailers and see their business demise after the States, through many years, insisted that they operated under the system that we implemented.

The Deputy Bailiff: Deputy Hadley, to be followed by Deputy Trott, to be followed by Deputy Storey.

Deputy Hadley: Mr Deputy Bailiff, we have now heard several hours of debate which is almost exclusively centred around the milk retailers, and only Deputy Green has actually drawn attention to the fact that we ought to be considering the customer. As far as the customer is concerned, if we are talking about a family of four, currently they pay £200 a year *more* than they otherwise would need to in any sensible distribution system, merely to support the milk retailers. And I say that because the profit on a litre of milk is just under 24p.

We know that the large supermarkets get their milk from a business which, in some cases, does nothing else but move the milk from the Dairy to the supermarket. They do not need 24p a litre to do that, and were the supermarket to buy directly from the Dairy they would probably make 4p a litre. So the milk would then be 20p a litre cheaper in the shops, which is why I have come up with the figure of £200 a year extra, which is what a family of four is paying for their milk.

Now, if the 24p a litre was going so that the milk retailers could deliver to their households, then there would be some sense in the system; but if only a third of the people on the Island or less have their milk delivered, then what we are really doing is expending an awful lot of the money of the people of Guernsey to keep these retailers going. What it also means is that some retailers who deliver early to the supermarket make a very large profit out of this antiquated system. It is a system which needs to change.

People have their views on whether milk retailers need to be compensated, and what this amendment does is it puts that argument away from us. What it does in the short term, if we pass this amendment and the substantive motion that follows, is we do at least allow the retailers to charge what they wish for milk, which would be to the benefit of families on the Island.

So I urge Members of the Assembly to think about the end user, the family that is paying £200 a year more for their milk at the moment than they need to, and these other people we should be focusing on when we change the current arrangements for the distribution of milk.

Two Members: Hear, hear.

The Deputy Bailiff: Deputy Trott.

Deputy Trott: Sir, I just have a number of questions on behalf of my constituents, which I would be grateful if the Minister of the Commerce & Employment Department could address while summing up on this amendment.

The first question is: was the question of unfixing the price of milk raised during the consultation process; and if so, when?

The next question is: has the Commerce & Employment Department intimated that a new Dairy might be built; and if so, at what cost and to whom?

Sir, a constituent of mine has been told, and would likely me to clarify whether it is true, that a milk distributor is making a profit of £8,000 per *week* on this activity. Are these figures remotely accurate? I have no way of knowing. I suspect that the Minister of the Commerce & Employment Department has no way of knowing, but this constituent did appear to be fairly well informed. (*Interjection*) Well, let's wait for the answer; you never know.

Lastly, sir, on page 47 of the report, the review group concludes that the fund for contract payments should be cut over a five-year period, reducing to an annual commitment of £1 million by 2019. That relates to a nominal cut of about 50%. My constituent, sir, who is better at maths than I, tells me that this may result in an increase in the price of milk that equates to 12½p per litre. Is that figure accurate and does the Minister of the Commerce & Employment Department share my constituent's concerns?

That is all, sir. Thanks very much.

The Deputy Bailiff: Thank you, Deputy Trott. Those were questions effectively posed in general debate then, I take it?

Deputy Trott: No, sir, they were –

The Deputy Bailiff: Well, the Minister has already spoken on the amendment. (*Interjection*) Not if he has spoken.

Deputy Lowe: There is still the Deputy Minister.

Deputy Trott: Well, not all Members of the Commerce & Employment Department have spoken as yet. Am I able to direct the question, let's say, to Deputy De Lisle, sir, who has yet to speak?

The Deputy Bailiff: Well, if any Member of the Department chooses to answer those questions, or if the Minister would crave my indulgence that he can speak a second time to answer them, then that would be the solution; but they did seem like questions that were directed more towards general debate than the amendment itself.

Deputy Trott: Well, it would be foolish of me to argue with you, sir! (*Laughter*) The point is this, though: that unless they are dealt with as part of the far-reaching amendment summing-up, they may raise amendments that will cause difficulty during general debate. So I think for the smooth process of this Assembly's business this morning, it would be helpful if they were addressed in advance, but I concede to you, as always, sir.

The Deputy Bailiff: I am grateful, Deputy Trott.
Deputy Storey, to be followed by Deputy Gollop, to be followed by Deputy Conder.

Deputy Storey: Thank you, sir.

I would like to speak on the amendment at this juncture, if I may, and possibly speak later on in general debate, if that is possible.

First of all, in respect of the amendment, I have to say that I support Proposition 1 wholeheartedly, I think. It makes much clearer the vision set out by Commerce & Employment in their report. It actually, in effect, converts into Propositions the thoughts and vision of the Department. So I wholeheartedly support Proposition 1 because I support the dairy industry. I consider it vital as a contributor to our landscape and to our culture in the Island. In fact, I think they are such an improvement that when you look at them compared to the Propositions from Commerce & Employment in their Report, the Commerce & Employment Propositions are quite woolly.

Can I ask you to turn, sir, to Proposition 2? When I first read this Proposition, I felt that it was just kicking the can down the road, as has been said in the past. I personally would have preferred to have decided these matters now, but I appreciate that the details to enable us to make those decisions are perhaps not in the report, and therefore there is some advantage in delaying the debate on that particular point. But it just means we are going to discuss the matter of licences in isolation next summer, and not perhaps in the context of everything else that is being proposed by Commerce & Employment.

Nevertheless, I think that Proposition 2 does have some merit, and if I could go further, sir, and say that if the Commerce & Employment Department will be coming back with recommendations next summer, they might be prepared to take into account some of the points that I would like to make now in respect of what the replacement licence might be like.

To me – and I have said this before in previous debates – the Dairy does not just produce milk; it produces other milk products. Whilst we currently have a situation where more or less the only supplier of milk is the Dairy – and hopefully in the future, as a result of new legislation, that would be reinforced – nevertheless, the Dairy does need to make other milk-derived products for a variety of reasons. It needs to produce value-added products to enhance its profitability, and that includes butter, cream and ice-cream, and it needs on occasions to convert milk to cheese in periods of over-production of milk so that effectively the cheese is a method of storing the milk for sale later.

In those instances, sir, the Dairy does not have a monopoly. The Dairy is in competition with national brands and international brands of butter, cheese and ice-cream, and the Dairy is at a severe disadvantage in this area because it does not control its route to market, whereas the competitors do. The reason for that is because there is, in many instances, a lack of co-operation between the milk roundsmen and the Dairy. I do not want to go into the reasons why, but what I do say, sir, is that in the long term, if the Dairy is going to be successful commercially then it needs to have control of its route to market in milk products.

So I would like the Commerce & Employment Department, when thinking about these alternative licences, to make sure that any new licence which might be issued in the future should, and perhaps *must*, include a mandatory support for promotional activity initiated by the Dairy. Otherwise, the Dairy is going

to be at a severe disadvantage as it is now, and would continue to be at a severe disadvantage to its competitors in milk products.

Could I now turn to the situation with regard to the existing licences, sir, because there has been a lot of talk this morning about compensation to milk roundsmen for the loss of the value of their licences? I have a problem with this, and I just want to go down to the basics.

We have had a lot of detail about what has been said and what has been done about the licences over the last 10, 20, 30 years, of which I know nothing but what I do know is that on the licence it is clearly stated that the licence remains the property of the Dairy. That cannot be disputed: it is there in black and white. What I also know is that when those licences were issued, there was no charge made for the licence. So, sir, I have a big problem with the States buying back something which a previous States provided for nothing – free, gratis and for nothing.

I do have real sympathy for the milk roundsmen but, sir, when people buy rounds they pay for the goodwill of the round, not for the licence. It is a commercial decision that they make, and all commercial decisions carry risks as well as rewards. I fail to see why this particular risk undertaken by milk roundsmen should be underwritten by the States of Guernsey – that is not what we are here for.

Milk roundsmen who are coming into the industry do not *buy* the licence, as a new licence is issued once the old one is surrendered. So it is quite obvious that what they are paying for is the goodwill, and the goodwill is based on their assessment of the profitability of the round they wish to buy – and their assessment might be completely different from somebody else's assessment. So I fail to see how we are even going to get to the first base in deciding what the value of the compensation might be, even if we decide that compensation might be payable.

Sir, we in this States are all working very hard to make operational savings in our individual Departments. In some instances we are removing services which have previously been available to the public, or in other instances we have been making charges for people who are using those services. We are going through difficult times and we are having to really cut our cloth according to our needs.

On that basis, sir, I am not prepared to put myself in a position where I have to explain to my electorate why I supported the principle of buying back, with taxpayers' money, licences which have no intrinsic value – of course, they belong to the Dairy – and were initially issued free of charge.

So I hope that when the Commerce & Employment Board consider what their revised proposals are going to be for debate next July, they take those points fully into consideration – route to market and the grounds for paying any compensation – because I think they are fundamental to what we are trying to do here and fundamental to the way in which we, as a States of Guernsey, operate for the best interests of the community at large.

Thank you, sir.

The Deputy Bailiff: Deputy Gollop.

Deputy Gollop: Sir, I find myself, I must admit, in partial disagreement with the last speaker, despite listening to the logic that he has put forward.

Deputy Jones earlier today raised the fear perhaps of a possible end to the traditional way of life of deliveries, and unfortunately we have seen the consumer walk away from that reality, to a degree, for some time now – we have seen changes to low-fat milk and so on. I sometimes think in our struggles to protect the milk industry... I just imagine – if you can indulge me for a moment – the fantasy, in the 1960's or 1970's, of the States setting up a committee to protect the interests of the traditional convenience corner shop. We would have had politicians sitting on a committee, it would have been staffed by civil servants, and we would probably have thrown money at these corner shops. But we only need to look around the Island and see how many have closed to realise that the market was driving change that was very hard to conserve, despite the corner shops' loss in many cases causing distress to older people, vulnerable people and so on. I draw that parallel with the milk industry because I think it is germane to the problems that we have.

It has to be said, from this report, that Deputy David Jones quoted what the former Minister, Deputy McNulty Bauer, had said – and perhaps there was a variance with the philosophy at Commerce & Employment both then and now, but it has to be said that it is pretty clear, from even a cursory look through the 'Dairy Farming in Guernsey in the Future Report'... the direction of travel from the use of language is obvious. You have a big quote in large letters from the Chairman of the Jersey Dairy on page 36, in which it is quoted, in bold type, in case we missed it:

'The ending of doorstep deliveries by the Jersey Dairy had no effect on total milk sales.'

Then, when one looks around earlier, there is emphasis on commercial freedom. There is a demand for trade customers. They quote from the scrutiny review that I was on, to a degree... Oops –

Deputy David Jones: Will you give way, Deputy Gollop? Thank you. I am grateful to the Deputy.

1035 The fact remains that there is no discernible change in milk sales simply because people still need to drink milk and use milk. That has nothing to do with how they get it. It does not surprise me in the slightest that milk sales have not gone down, because people still need it as a staple food commodity.

Deputy Gollop: Deputy David Jones is correct, of course, but the milk issue has changed, in that there has been a steady decline in both organic milk and high-fat milk and an increase in the use of green milk. The point I was making was not that overall sales of milk have changed significantly, but the distribution method appears to have done.

Again, on page 34 they quote, I believe slightly out of context because I was involved with the scrutiny review in 2006 and we were not perhaps quite as biased as this paragraph suggests, but it said:

‘It is entirely appropriate for the Department to review the protection and commission currently available to roundsmen.’

1045 – a bit sexist, that, but that is what is put –

‘It is not the responsibility of government to ‘subsidise’ private business. It is the responsibility of the Department to review the service provided by the rounds men, the Dairy and dairy farmers to ensure it represents value for money to the States in return for its investment in the industry.’

My point here is that the Report clearly has an inference embedded within it that the current situation is not optimum. I am minded, with a degree of reluctance, to support the Fallaize amendment because my primary interest has been to protect the existing culture of the milk roundsmen, the investment that they put into the industry and the problems that they appear to have faced.

1050 Deputy Fallaize’s amendment does not entirely answer two or three concerns. One concern is that if we endorse the changes to the retail price of milk, surely that will in itself have a significant effect on the future viability of roundsmen; and yet the amendment clearly calls for an endorsement of the change of approach. There was also a demand to partially depoliticise the Dairy, which I think has some potentially adverse consequences. Yes, if one looks:

‘A simpler approach to milk pricing in the industry along the lines set out in paragraphs 348-364 in that report and an independent but still States-owned Dairy...’

– and they are problems.

1055 It also raises the point that when the new Milk Ordinance is introduced, or indeed even in the changing of the prices, setting a firm gate price, for example, no longer needing permission for a change of price to commercial users, the freeing-up of that... Surely, if any of that happens before the review identified in paragraph 2... Will that be legal? Does the Commerce & Employment Department have the *right* to introduce that prior to the July 2015 report? Because that will be in itself a game changer, and I think that is the confusion within this.

1060 Then we come on to point (2) on the Fallaize amendment:

‘... a report on the distribution and retailing of milk and milk products which shall: set out what in the opinion of the Department are the optimum distribution and retailing arrangements for the long-term sustainability and success of the Island’s dairy industry...’

1065 The Deputy Minister for the Department, Deputy Brouard, asked: ‘What does “optimum” mean?’ and he wisely, I suppose, identified that ‘optimum’ for the milk retailers rounds men is a very different position from the Dairy or the farmers or the consumer or the larger supermarkets. It depends on your perspective as to where you stand.

Some Members have pointed out the consumer might be paying too high a price, especially in the shops, and have questioned the earnings of perhaps one or two milk retailers; but those people have invested in a business that Deputy Lowe, I think, has identified as having been sanctioned by the States.

1070 It should also be pointed out that if they are being successful, good luck to them – we created that business environment. Indeed, some of what I have heard from Deputy Perrot, and especially Deputy Lowe, makes me wonder whether we should not have a public inquiry or a scrutiny review into the whole issue of how the Dairy has managed to keep licences and not re-issue them.

1075 I think there is a point that we do have to investigate there, because we are reading different things in the report from what we are hearing from, I suppose, expert witnesses, and there has to be some settlement on this point. So in a way that goes beyond point (2).

Where I do, reluctantly in a way, agree with Deputy Fallaize is I think he has perhaps been the first politician to courageously state, beyond the Commerce & Employment theme, that we are actually ending an era and that we have to look at managing that – managing the change, the transition – because it is

obvious that the percentage of Islanders having milk is more or less the same but the percentage of Islanders using the traditional retailers, which were designed for a different age and stage, is going down.

Commerce & Employment are constantly making the point that the viability of the Dairy and the promotion maybe of some other premium product is being undermined by the money loss within the sector. I think there are some issues to this. One solution is for somebody to open their cheque book and compensate the milk retailers for the businesses they have invested in. Another solution, which is perhaps more interesting, is seeing how we can integrate paper rounds and other forms of delivery for food into the milk business to retain the communitarian aspect. I think that is something for the future, but we do need a review and I think we do have to own up to (a) managing change; (b) protecting the vulnerable, if we can; and (c), I am afraid, looking at realistic fair compensation, where appropriate.

I do not think a drip, drip effect – which is, I think, the outcome an unamended report would give – of basically changing yet again the negotiation position of milk retailers, changing the milk price, floating the retail price... All of that will undermine an industry, whilst not being the solution that Commerce & Employment actually want, because it is still not completely the right solution from a consumer point of view or the Dairy point of view. They cannot really have the courage or the convictions of the conclusions they draw in this report.

So I think the Fallaize amendment, perhaps slightly amended, is the best way to go.

The Deputy Bailiff: Deputy Conder.

Deputy Conder: Thank you, sir.

For the Members of the States, I will speak on the amendment and reserve my position on the substantive motion.

Sir, I was at the meeting last Friday when Deputy Fallaize presented the possibility of this amendment to the Minister and Deputy Soulsby. I thank them and compliment them on their pragmatism and their openness in terms of being prepared to respond to the suggestions that Deputy Fallaize made.

The reason I very strongly support all aspects of this amendment is that I believe the body of the main report is a very good document and a very good way forward after many years of procrastination and inability on the part of previous Governments to actually address the issues of the dairy industry.

I was concerned and remain concerned that, if Deputy Fallaize's amendment is not approved, there is a real possibility that all the excellent work done by the Department of Commerce & Employment in bringing us to this position would be lost. Having said that, I was, like so many of my colleagues, at the presentation at the Cotils a couple of weeks ago. I went to that meeting almost completely naive in terms of the issues that surround Guernsey's dairy industry and was there to listen. Despite some of the criticism at that meeting, I compliment the retailers on having the courage to make their case to a large number of very experienced Deputies and public speakers.

The issue that stuck in my mind was the point that was made by one speaker who referred to the enormous work that had been done in terms of building up a round, and the fact that, in effect, it represented their pension. Many of us – certainly people like myself – face issues of pensions and facing the future, and that is really what parts of this report will jeopardise for those retailers. I think that point stuck with me and I thought, in terms of pure equity and morality, it is not for a Government simply to rip away a lifetime's work and a lifetime's expectations.

So I do strongly endorse this amendment. I feel privileged to have been associated with it and I feel equally privileged to have had that discussion with the Minister and Deputy Soulsby, who have worked so extraordinarily hard to bring us to this position; and I am very concerned that we should not lose what we are very near to achieving.

Having said that, the most important issue, I think, which could bring this down and which, in terms of equity and morality, needs to be addressed, is the issue of the retailers. (**A Member:** Yes.) I, unlike my colleague, Deputy Storey, and notwithstanding I have often said in this Assembly that I am fiscally conservative, do believe there are occasions when the Government does have to recognise that its actions have a financial consequence – an unfair financial consequence (**Several Members:** Hear, hear.) – on part of its citizens.

So what I would hope – as a result of, I hope, a very strong endorsement for this amendment in all its aspects – is that there will be a coming together between the Department and the GMRA to explore the real costs and consequences of the decisions that will be made in this Assembly and these proposals that will be made to this Assembly in a few months' time.

The only thing I have to add to that is I believe that we need arbitration. I think we have witnessed that we cannot expect the GMRA and the C&E to thrash this out themselves. I think both sides have to accept, under agreed criteria, that a third party needs to be involved (**A Member:** Hear, hear.) in decisions about compensation. C&E, I believe, would accept that. I believe the GMRA equally have to be open and prepared to deal with an arbitrator in an open and transparent way. In that way, the issues, I believe, would

be addressed. The issues of equity and morality could be addressed and, through the ultimate approval of the C&E proposals, the future of both the dairy industry and the GMRA members can be secured.

So, colleagues, I hope that we will strongly endorse this amendment, because I believe this is the way forward.

Thank you.

The Deputy Bailiff: Deputy Langlois.

Deputy Langlois: Thank you, sir.

This hopefully short speech will be about the amendment but also general debate.

I – like, I think, virtually everybody else who has spoken – do urge Members to strongly support the amendment. I hear no major resistance or pitfalls being spotted. It is without a doubt the right way forward.

I think we need to just take one step back and acknowledge some sympathy and concern for Commerce & Employment. I have heard a lot of knocking comments this morning almost referring to the report as a whole, of which this particular topic of the milk retailers is a tiny part, or one significant part. The problem is it is a very vital small cog in a much bigger wheel.

All of us, I am quite sure, when we joined our Departments or took over ministerial positions, sat down at the second or third meeting of the briefing which we received from the staff and thought, ‘Ah, we wouldn’t have started from here,’ but I bet you that the Commerce & Employment Members thought, ‘Agghh, we wouldn’t have started from here,’ because this is the legacy that every single board gets in one topic or another – it just happens that Commerce & Employment seem to have several of them on occasions, but there we are. It is literally the problem of our system of turnover politicians.

So let’s have some sympathy for that. I think the compromise they have attempted to come up with is as good as any. I think the amendment offers a better compromise and better opportunity for a decent way through this.

It is a very sad history. I can speak from slightly different authority from... I think Deputy Storey and one other person said they do not really know about the background here – and there have been gaps; it goes back a long way. The reason I can... There is no conflict in this comment. Deputy Fallaize, in his introduction yesterday, spoke about the ODL Report. This is not a commercial... That organisation is being wound down, but we... I was a director of that firm and I was one of the writers of the Report which we heard quoted yesterday, and the background to that I will just go into a little bit more detail on, hopefully without breaking confidences that were offered at the time.

That Report identified essentially at least three different types of business – and they were labelled as businesses – among the milk retailers, and they were extremely different in their customer base. There is no doubt about it that, as Deputy Lowe said, it does not matter how it was documented. That is always the lawyers’ answer to everything: if you have got the right documents in place, everything will work. But anybody who has bought or sold a house will know that that is not true, that it makes good talk for lawyers. It does not matter how it is documented. The honest impression and perception of the milk retailers at the time was what we heard about today: that their business had a value, that it was sufficiently documented to convince banks that it had a value. I know that was a bit easier in 2000 than it would be today, but nevertheless it was there and money was borrowed. The figures concerned were at least discussed with the States at the time and there was a sort of recognition of the sort of value that each round had and so on.

There were actually three types of business: one basically delivering only to shops, or virtually only to shops; another, which was a hybrid, with a couple of shops and the doorsteps; and the third, which was one with, at the most, one shop and the rest as doorstep deliveries. Those were the three models. They also represented different lifestyles for the people operating businesses, because they involved different types of work, a different number of hours and different requirements to the number of people involved and so on. So that is the sort of business model that was there, and that was in, I believe, 2000. Deputy Fallaize knows better than me. I have not gone back in the records to look it up, but I think it was in 2000.

One of the key recommendations was this should evolve more as a franchise relationship, and this is where I take issue with Deputy Storey’s – with apologies – simplistic analysis of a pure business, with people taking risks in a competitive market and all the rest of it. It was not like that; it was much more, and I know this because at the time I was also a franchisee in a particular field. The way the franchise agreement is constructed, you recognise the restrictions and the restraints which the supplier can put on it and you then make your business calculations and your risk evaluation within that model. The problem was that that model was never quite defined; it was a matter of perception for each business person.

As an aside on another Deputy’s comments, Deputy Gollop often can make surprising links – we are used to it in board meetings – and move into speculative areas. Please, today, can we not head off down the nationalisation of doorstep deliveries process, because I think we have got enough on our plates without complicating matters further, Deputy Gollop?

1200 There is also, within this, a regulatory angle which I think we are in danger of ignoring. It is often
 focused on this stuff to do with food hygiene and the freshness of milk and so on. There is a regulatory
 angle where – and this is where I would part company with Deputy Lowe in her comments – within a
 1205 franchise arrangement you are obliged to reveal your books to a supplier to another person. That is perfectly
 normal. You are obliged to report in particular ways, and therefore the regulation is such that if this
 arrangement continues in a zoned type of way, it is perfectly reasonable for somebody like the States or
 somebody like the Dairy to say, ‘We actually need to know what is going on’ – and that is not a route to
 saying, ‘We won’t let you make any money out of this business.’ If you impose it as a route to stopping
 people making money, who on earth is going to deliver your milk? That is the way money goes around.
 That has got to be recognised. It has got to be recognised on all sides.

1210 So I think there is scope for a model which allows business owners to make a rational and informed
 choice on where we are today, where they are individually and where they will be going; and, if necessary,
 for them to formulate over a period of time a decent exit strategy. That is exactly what Deputy Storey was
 referring to in terms of risk analysis. When you go into a business, you go into it with great enthusiasm –
 the world is your oyster etc. That cycle of psychology then moves on to a point where you say... Well,
 1215 sometimes you say all sorts of unrepeatable things about the future, but it also moves onto a point where
 you say, ‘Hang on, I am going to have to wind this down or get out of it,’ because there is always an end to
 these things.

Therefore what we need is for Commerce & Employment to go away, work out a decent exit strategy in
 conjunction with each of those businesses, each one of which is different. I have not used the
 1220 ‘compensation’ word because I think ‘compensation’ is almost a patronising term. It is a way of saying,
 ‘How can these businesses evolve and change?’ and there will be several models to them.

So please support the amendment, and I think we will be getting somewhere after 15 sorry years of
 going around in circles. (**Two Members:** Hear, hear.)

1225 **The Deputy Bailiff:** What I am really interested in is whether any Member wishes to advance a position
 against supporting the amendment; because if there is nobody who does, then could we not just move on to
 winding up on the amendment (**Several Members:** Hear, hear.) and work out which set of Propositions we
 are actually debating thereafter?

If there is a Member who wishes to articulate a position against the amendment, I call them first.

1230 Deputy Le Lièvre, you look in a quandary. Do you want to...?

Deputy Le Lièvre: I am not confused at all, sir. (*Laughter*)

Deputy Lowe: That’s his natural look!

1235 **Deputy Le Lièvre:** I would like to speak on the amendment, I would like to speak generally, and I
 would like to put a few things right – a few misleading statements and views that have been expressed in
 this Assembly, outside of this Assembly and, in some respects, for year and years. So, if I may be permitted
 to speak, I would like to. I do support the amendment, but I do need to speak on other matters.

1240 May I proceed, sir?

The Deputy Bailiff: Yes, Deputy Le Lièvre.

Deputy Le Lièvre: Thank you.

1245 As I have said, I would like to speak on the amendment very briefly. I support it. I supported Commerce
 & Employment’s report. I liked it before the amendment; I prefer it afterwards.

Listening to some of the speeches today and various conversations and exchanges before the debate
 commenced, I have constantly been struck by a number of issues. I suppose I should say, before I start, that
 we in the Vale are a strange lot. (**Several Members:** Hear, hear.) In particular we are insofar as of the three
 1250 Deputies who have spoken today – three of the four – one was a dairy hand, one was a milk retailer and one
 was a Dairy manager, so of the Vale there is a high concentration of interest in the Dairy. And of course
 there is Deputy Jones, who also spoke today: his version of history is also very interesting – he is not here
 at the moment – but unfortunately it is slightly inaccurate.

The first thing: there has appeared to be a need to prove that somehow the Dairy was wholly responsible
 1255 for the issue of licences and for the creation of zones, and this occurred at some stage in the past. When is
 not actually detailed, nobody has actually said when it occurred, but perhaps I could shed some light on
 that. I would like to read from a Billet, which says the following, and this is about distribution:

‘The application of zoning to milk distribution effected considerable economies during the Occupation. There are, at present, 70
 retailers engaged in distributing milk and their numbers are sufficient to give us good service throughout the Island. The present
 system of zoning is too rigid and it is intended to give the public a choice of retailers within a limited area. The resultant

competition between the retailers should improve the service at present offered. The licensing of retailers is a control that should be retained and conditions attached to the licence are important from a public health point of view.'

The date of that Billet is 22nd May 1946, so licences and zoning have been in place for nearly 70 years – in fact, longer than 70 years, because it was our European cousins who asked us to introduce zoning (Laughter) because there was a need to ensure that the population received a key part of their dietary needs. That is why zoning was there, because the Germans wanted to ensure that the population stayed as healthy as possible. Obviously, that probably came with a good input from what was the Essential Commodities Committee, or suchlike – there was another name for it, which escapes me at the moment, but it has been around since during the War, and I think even before the War there was talk about zoning, but it certainly came about during the Occupation. It was nothing to do with the Dairy; it was the States and the occupying forces combined that introduced it, and they also introduced licensing – although the Dairy did that for health reasons.

The second point is that the local dairy industry was one that would be doing great things if it was not for the interference of the States, and the Dairy in particular. Well, that, I am afraid, is absolute rubbish. (A Member: Hear, hear.) As Deputy Perrot has said, he doubts very much whether the dairy industry could ever be a commercial enterprise, and it cannot be today for the same reason it was not in 1940. It is because of the price of land, because of the price of rented land, because of the price of labour etc. Exactly the same reasons exist today as existed before.

As I have said, the third is the level of interference that has occurred in the past, and that has been mentioned today. Whether it occurred in the 1970's, the 1980's, the 1990's, or 2001 or 2007, the fact of the matter is that the States has not interfered. It has supported the dairy industry in all its forms, that is the farmer, the milk distributor – or the retailer; call him what you like – and indeed the Dairy, and there were a number of reports... The States decided in September 1945 that we would run a dairy industry and the key aspects of that dairy industry were the three legs of the stool that Deputy Lowe has referred to. The truth of the matter is that without the constant support and involvement of the States there would be no local dairy industry, none at all. It would have collapsed. It could not continue as it was. I will give you some statistics – and this is as relevant today as it was then.

There has been a blurring of history, and it is certainly during the years 1937-45, and it would do well at one stage if somebody could be commissioned, or do it free of charge, to write a history of the day to set matters straight once and for all. (Interjection) I'm not going to do it! (Laughter)

By the end of the War, the Dairy was still left with a very rudimentary set-up, as is described in various reports in 1945 and two in 1946. They make very interesting reading, because it was during that post-war period, and during the years 1946 and 1947 in particular, that the structure of the current industry was set in tablets of stone. But the milk retailers had existed seven years before that. They had existed with their zones and their licences in 1940. This structure was required not only for the sake of efficiency, but also for health issues, due to the fact that the milk that was being sold to the local population was a health risk. It was not pasteurised. In some cases it was still warm, because it had left the cow warm. Cows' udders are wonderful. You warm your hands on them in the winter. It is really lovely. I thought they would be cold when you touched them, but actually when you put the milk in and they are nice and warm – you can warm your hands up. (Laughter) The milk that comes out is obviously warm –

Deputy Fallaize: He did say people in the Vale were strange! (Laughter)

Deputy Le Lièvre: I love cows! (Interjections)

Nevertheless, the milk that was sold to the population was actually warm, it was not pasteurised, and it failed... Even in 1945 terms, half of the milk sold would have failed the tests of that day.

Of course, the situation with regard to milk producers was incredibly different. Where nowadays we have, I think, 15 farms, or something like that, in 1945 there were 472 holdings. I will not call them farms – they were holdings with cows and they had an average number of 4.6 cows each. Only two farms in Guernsey had more than 21 cows and there were 185 holdings with three or less. Most farms or holdings also had one or more greenhouses, because you were not just a farmer – you produced vegetables, you produced tomatoes and you also had a few cows. Farmers were also distributors and milk was sold unpasteurised – and the practice of selling warm milk still existed in 1945.

Over the intervening years, the States has controlled the industry totally in the interests of the health of the Island, for the benefit of farmers and in the interest of the Island's dietary needs and for the efficient distribution of milk around the Island. That is what the Dairy's job... Well, not the Dairy's, the States' job. The Dairy gets the blame for all of this stuff because it is in the middle of this. It is a States entity in the middle of a self-employed sandwich. For sure, the Dairy has issued licences and attached to those were zones, but that did not come about in the 1970's, as I have already said – it came about in 1940, or slightly later than that, but certainly in the years 1940-45 zones and licences were in full operation.

So, please, less of the blame and more acknowledging the true evolution of our existing industry, which is a structure devised by the States for the benefit of farmers and for the benefit of the population, and a key aspect of that industry is milk retailing, but it has changed beyond all measure.

1320 When I was little boy, Mr Yates used to come round in the Grand Bouet with his churn and his ladle. My mother would take out a jug: he would put it in, she would put a little napkin over it and the milk would go in the cupboard, and it lasted about 12 hours. And that was the state of it – it did not last any time at all – but times have changed and milk will now last seven days, you can buy it in bulk, and the corner shops, which Deputy Gollop referred to, have gone. We used to have 400-plus corner shops; they have all gone. On my way to school, I walked past four – there aren't any now. They have gone and they have been replaced by mass distribution centres – supermarkets – and the nature of employment has changed. Many partners – mum and dad, husband and wife – go out to work. They cannot afford to leave their milk sitting on the doorstep, as good as it is.

1330 So we do have a situation where the industry has changed beyond all measure, from the farming to the distribution, and the distributors have been with us all the way, from 1940 right through to today, but their situation has changed. As we heard at the Vale Douzaine from a milk retailer on Saturday morning, you cannot make a round pay – you could not, even if you were Usain Bolt. There is no one person who has enough physical energy to make a decent living out of distributing by just doorsteps. It cannot be done. We might value doorsteps, but they are no longer a way of achieving a proper income, or a reasonable income – certainly not even a median income. There is not the physical ability to do that, to deliver that much milk – and it is heavy stuff.

1335 Lets' talk about it: if we are to remove milk distributors from this three-legged stool – they have been there for over 70 years – we cannot contemplate doing that without recognition of the fact that they have supported the industry and been a key part of the industry for all of that time. It is only now, in the last 10 years or so, perhaps 20 years, that the need for milk retailers has reduced significantly. I value doorsteps – I do not have a doorstep delivery, but I do value them – but times have changed and we have to recognise that fact. That is just really what I wanted to say to the Assembly today.

Two further points with regard to the actual report itself, which I do support and it is a good report, but there are a couple of areas that worry me and they are in fact connected. They are by-products as a result of surplus supply of milk, and quotas.

1345 When I was manager of the Dairy, I had no... I think I did five years at the Dairy the first time round. I did so badly that they invited me to go back and finish the industry off! But during that period, I had no truck with milk retailers at all – none at all – because the whole of my concentration was dealing with 2,000 tonnes of milk additional to what I needed. Two thousand tonnes is approximately 2,000 cubic metres of milk, and that would fill this Assembly to overflowing. That is what was the focus of my mind. The pressure I was under was not from retailers, it was from farmers: 'Andrew, you've got all of this milk, do something with it. You're the Dairy Manager, market it properly, turn it into by-products etc.' It is impossible, absolutely impossible. For the reasons that have been mentioned already, you cannot effectively run by-products from the Dairy, with the exception of two – that is cream and butter – and both of those by-products are as a result of the fact that we are all fit and healthy, we like to drink low-fat and skimmed milk, and the Dairy is... not overwhelmed, but it has a surfeit of cream, which effectively it receives for nothing.

1350 If you had to make cream and butter out of whole milk, then you would be back in the situation you were in in 1945, when the price of milk was sixpence a pint – but it was subsidised to the consumer because the States paid a ha'penny a pint more than that to make sure it was economic for the farmers – but the price of butter was 3/6 for a pound, seven times the price of a pint of milk. You do not have to do the maths to work out just how pricey 500 g of butter would be nowadays if you applied the same formula. Nobody would eat it. It would not be a product they could even sell in the supermarkets, because it would not compete with what you have from the UK.

1360 And of course we did not have quotas then. Quotas came in as a result of an Assembly full of milk. That is what happened. The Dairy Committee – the Agriculture and Milk Marketing Board of the day – had to find a way to sell this to the consumer, so they actually did it by way of an environmental payment to farmers. Twenty-two pence, or whatever the price was, should have gone on the price of a litre of milk. That would have been open and transparent, but it went in through the back door to the farming industry, because that is what they needed to make milk production sustainable.

1370 If you remove quotas in the interests of getting new people into the industry – and this is my view, expressed directly now at the Minister of C&E – you must make absolutely sure, 100% sure, that whatever system you put in place does not end up with the Dairy manager, the Dairy Committee and C&E faced with the issue of what it does with a million litres of additional milk it does not need. This is not a new problem. The problem existed in 1946 and has existed throughout the life of the Dairy, so I would ask C&E please to take great care when it removes quotas: make sure that you have complete control over the situation, because you will find yourself in an awful mess.

It made my life *miserable* at the Dairy. You imagine going home every night thinking, ‘I’ve got 2,000 tonnes of milk in the back garden – what am I going to do with it?’ Peter Roffey, who worked for Channel Television at the time, interviewed me in the cold store and referred to it as ‘the cheese mountain’. He was right: there were boxes of cheese as high as the eye could see, stacked four high and 15 wide, or whatever it was – you could not move for cheese – and I sold that at rock-bottom prices. It would have been more efficient to open up the drain and pump the milk straight in and down the drain. That would have been beneficial to the Dairy. It would not have been for the environmental life in Belle Greve Bay, but it would certainly have done a lot of good economically for the Dairy. So be careful.

I just want to re-emphasise this business about by-products. It is no use going to the Dairy manager and/or whatever team you set up and saying, ‘Invigorate the industry, find some magic product that will make the dairy industry profitable and means we can pour in tons and tons of extra milk.’ It cannot be done. It cannot be done because the price of milk, even if you reduce it to manufacturing levels, which the farmers will not accept... but if you did, then you might stand a chance of success. But this is the dilemma you are going to be in – do you reduce the price of milk to a miserable little level in order to make by-product production economic, or do you buy it at a higher price and see what you can do with it – because I tell you now, the dairy industry will fail. It cannot be done. I have tried it desperately and so have managers before me and so did managers after me. The production of by-products using whole Guernsey milk is a big no-no, and that is really all I wanted to say, sir.

Thank you very much. (*Applause*)

The Deputy Bailiff: Deputy Dorey, are you going to speak against the amendment, or not?

Deputy Dorey: No, but I would just like to correct something that has been said earlier in the...

The Deputy Bailiff: Okay, point of correction, then.

Deputy Dorey: Well, it is not a point of correction; it is a short speech.

The Deputy Bailiff: Can it wait until general debate?

Deputy Dorey: I think it is relevant.

The Deputy Bailiff: Okay, quickly; and then Deputy Soulsby.

Deputy Dorey: Earlier, there was talk about the cost of the retail price of milk and what it is made up of, and what would happen if we had a different distribution system. I have not done the research myself, but I have gone back to the independent report which was done in 2011 and it gave a very clear breakdown of the cost of a litre of milk in the supermarket, which was then 98p. It showed that the cost of distribution to shops in Guernsey was 7p, but it does say in the words that it varies between 5p and 7p, and I would use a comparison, as it shows in the table, to a UK supermarket, where it says the cost of distribution is 3p. It then says that the distributors’ – the milk retailers, whatever you call them – profit was 6.25p. This is in Guernsey, so we have 13.25p, which is between the cost of distribution and the profit that the milk roundsman makes. The shop margin it shows at 8p. What is interesting is that if you then look at what the UK supermarket costs are, it says the cost of distribution for a UK supermarket is 3p, but the shop margin is 18p. So, in fact, when you add up the cost of distribution in Guernsey, the distributor profit and the shop margin, you get to exactly the same amount as the cost of distribution and the shop margin in the UK, and this is a UK supermarket.

There has been a lot said about... this would radically change the milk price in Guernsey if we changed the distribution system. I would say, based on that report – and that is an independent report which was done for 2011 – that it might not make any difference at all, and in fact what is happening in Guernsey is that the shop margin is less than it would be in a more free-market situation. People talk about going to a more free-market situation, but in fact it might result in the same price of milk. It is just that the profit will move from one place to another.

Thank you.

The Deputy Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, before I give my thoughts on the amendment, I would like to answer a number of questions posed to the C&E Department now.

Deputy Trott’s first. Was the question of unfixing raised, and when? Yes, 18th July 2013 at the GMRA.

Has C&E intimated a new Dairy will be built, and at what cost? No. That was the Minster's vision, and we know he has got some really excellent visions... (*Laughter and interjections*) But with it was a museum, educational facilities, gift shop and café, so... But no, it will be for the Dairy to consider, as part of its future, these proposals that are put forward.

1440 Is a milk distributor making a profit of £8,000? I do not know – we have not seen the books of the retailers; it would be wrong to say – but what I say later may shed some more light on the costs of delivery.

Regarding the effect of reducing the subsidy by £1 million, if there were no other changes it could lead to an increase of 12½p in the retail price, but with the freeing of the retail price and an efficient dairy, through the farmers and the Dairy working in partnership, this will not happen – and I will go into more detail on that in the main debate.

I should also note that the Dairy is absorbing the effect of the first year's reduction, so it will have no effect. This is also a reason why we need to keep the retail price fixed until a new Ordinance is in place – that and the fact that existing retailers will continue to have exclusivity until the end of the year.

1450 Deputy Gollop asked whether Proposition 2 will stop us from freeing the retail price. The answer is no. The Ordinance states we *may* set prices; we are not *required* to.

I will deal with Deputy Le Lièvre's comments regarding quotas in main debate, if that is okay.

Sir, I would like to advise that, as a Member of the dairy industry review group and the C&E Board, I believe that the re-presentation of Propositions that this amendment provides represents a positive way forward for the States to consider the dairy industry review.

1455 Proposition 1 sets out our 10-point plan for the future, as described in detail in the review group's report. There is merit in having what we consider to be a vital practical and integrated plan set out in this way. We are happy for it to be explicitly stated in the recommendations to give complete clarity, which is an important theme in this review.

1460 Of all the aspects of the review – and not for the first time – the matter of distribution and retailing is where contention lies. Proposition 2, by seeking to direct the Department to take a second and longer look at that topic, away from the general review, should ensure that the most important and urgent elements of the report – such as the modernisation of the Milk Ordinance, the partnership between the farmers and the Dairy, and the freeing-up of the retail price of milk – can be delivered without delay and we can at last begin on our journey towards the modernisation of the dairy industry.

1465 I have found undertaking the review of the dairy industry fascinating on a number of levels: firstly, in learning about the history of the Guernsey breed; secondly, in finding how milk gets from the cow to the carton; and thirdly, realising the importance of dairy farming in preserving Guernsey's natural environment and its biodiversity. I will speak on these during main debate, as it is these areas that are crucial in understanding the future of the Guernsey dairy industry.

1470 I would just like Members to note the word I used there: 'future'. The review is entitled 'Dairy Farming in Guernsey in the Future'. I want to emphasise that point, as the other aspect of this review that I found fascinating, and which I will speak on now, is how it has become abundantly clear to me that this industry has been completely and utterly suffocated by its past, and nowhere more so than in the distribution system and as epitomised by Deputy Lowe's speech.

1475 The means of getting milk from the Dairy to the shop or doorstep should be straightforward, but it has had a difficult history, to say the least. I have spent countless hours researching how we have ended up with the current system of distribution. I have read countless reports and articles, spoken to countless people and interrogated the Director of Client Services over many hours to get a picture of how we got here and what 'here' actually is. I would actually like to thank the Director for the time he has afforded me over this.

1480 It was evident from all the research I did and from the meetings with the GMRA that, because of this history going back decades, it might not be possible to resolve matters in just a few months. As someone who likes to come up with solutions that all parties can accept, and who came into the review with a genuinely open mind, I found this aspect very disappointing.

1485 The board came up with a compromise way forward for the distribution system, which we make clear in paragraphs 271 and 272 of the report is not the optimum system for the industry as a whole. Personally, I do not think that it makes any sense to prevent the shops from picking up their own milk and dealing direct with the Dairy. I have calculated that it costs one of the major supermarkets over £75,000 a year to have milk delivered to its stores. Well, that makes no sense at all. We have also got the situation where we have one distributor who delivers to one entrance of the PEH and another who delivers to the other. Again, it makes no sense at all to me and suggests that there are costs in the system that need not be there. But a compromise was found, and frankly I cannot reconcile Deputy David Jones' or Deputy James's comments that we were looking to pull the rug from under the feet of the distributors with the recommendations in our report. I will not go through what I think the optimum system of distribution is now, or how we get to it. That is for another day if, and I hope when, this amendment is passed, but we do not have it now.

1495 I thank Deputy Fallaize for this amendment, which gives us a way to maintain much-needed momentum in bringing about change where full agreement exists, while having a little longer to work with stakeholders

in the one area where there is disagreement, and taking into account the comments that have been made today. The last thing we can afford to end up with is another missed opportunity to make positive changes and have a report that gathers dust among the many others over the last 10 years at Raymond Falla House.

1500 Finally, I reiterate what I said before: in my view, this is an industry which in some aspects is suffocated by its past, but in others is ready for new challenges and developments. As a States, we really have a duty in 2014, for the good of all those involved, to help it to move on and enable the dairy industry to look to the future – and a positive one at that. If we do not make a decision today to support all the Propositions laid out in this amendment, and put it off yet again, just letting history repeat itself, we are seriously in danger of 1505 losing what we are trying to protect. I therefore support this helpful amendment and urge all Members to do likewise.

A Member: Hear, hear.

1510 **The Deputy Bailiff:** Alderney Representative Jean, do you wish to speak briefly?

Alderney Representative Jean: Thank you, sir.

First of all, I would like to start by congratulating Deputy Stewart on this report and those who worked with him. It is a fascinating report, very interesting.

1515 The dairy industry in Alderney underwent sweeping change in the mid-to-late 1990's, and I will come back to that a bit later. At that time, the Island's Dairy was run by the States and also ran each year at a deficit of £35,000. In previous years, the picture was very similar to that of Guernsey, but Alderney only had, of course, four to five farmers and you had very many more than that here in those days. Two or so of these farms in Alderney were very small, and as was explained in your report you also had many farmers 1520 with only a few cattle.

The States' Dairy was established in Alderney in 1946 as part of the British government initiative towards the communal farm. The communal farm did not survive beyond 1949. Our farmers wanted to work their own land and went their separate ways, with the equipment, horses and machinery being split up amongst them. Somehow, the Dairy survived and remained States-run, with a milk round attached through 1525 all those years. The Dairy was successfully run, but through the 1980's and 1990's the picture changed, with increasing deficit and increased costs for new plant and rules and regulations, and by the mid-1990's only two farmers remained. A year or so later only one farmer was left.

As a Member of the States of Alderney, I was a Member of the committee that took the decision to shut our States' Dairy and transfer the operation direct to the one farm remaining, which is Kiln Farm today – 1530 although under different ownership and different management. I agreed at that time to handle the media interviews. There was a storm at first, with the one remaining farmer opposing the change and quite a few of the States Members at that time quite vociferous and emotional over these steps. As I went to counter interview, I assured the public and our farmer that there would be a long period of transition during which the States' Dairy and the milk round would continue to be run by the States. We would give the farmers the 1535 equipment from our Dairy and do all in our power to see that the handover was smooth.

The long and short of it all is that, for the States of Alderney, the privatisation of the Dairy was a great success, and continues to be so. Most people in Alderney support our local dairy industry and the milk-round doorstep delivery I referred to earlier changed and evolved of its own volition, with the farm delivering Alderney milk to all our retail outlets instead of the doorstep. Plus, in the last two years, our 1540 farmer has opened the Old Riduna Stores as his Alderney Kiln Farm shop, which seems a great success too and is popular with the locals.

I certainly am pleased with the outcome of the decisions I took part in then on the future of our farm industry; with a second, and even now – just – a third-generation on the scene showing a keen interest in succession in farming on Alderney.

1545 One thing does concern me, as our farm and Dairy are independent of the States of Alderney but do receive the same subsidy that the farmers here in Guernsey receive, is how they will fare if the milk subsidy is cut. Our farmer, Mr Cox, is in a different position from the farmers in Guernsey inasmuch as he is running his own dairy, paying for electricity and fuel costs, which are very high on Alderney; and having spoken to Mike Cox, our farmer, he explained that the milk subsidy from Guernsey is very important to his 1550 family-run dairy. If it is cut, this may create difficulty for Kiln Farm in Alderney, of which I and so many people are so proud.

I would say a word or two on the roundsmen here. I believe that their role here may be more important... Ours naturally evolved that doorstep delivery ended. It just seemed to end naturally. More retail outlets were in different directions of the Island, where people could go and collect their milk 1555 themselves. Here in Guernsey, because of the distances, I am not sure whether that is the case. I do urge you to look at that.

But I am going to support the report. I think it is an excellent report and I thank you for it; and thank you for allowing me to speak, sir.

1560 **The Deputy Bailiff:** Deputy Fallaize to reply on the debate to the amendment.

Deputy Fallaize: Thank you, sir. I cannot be five and a half minutes. Are you going to permit me to be a few minutes over?

1565 **The Deputy Bailiff:** Can you not be five and a half minutes on the amendment, because quite a lot of it has been general debate, which we can tackle in general debate?

Deputy Fallaize: No.

1570 **The Deputy Bailiff:** Members of the States, I am minded to try and get a vote out before lunchtime. Are you in agreement with that? Those in favour; those against.

Some Members vote Pour, others voted Contre.

1575 **The Deputy Bailiff:** Do continue, Deputy Fallaize, but keep it as brief as possible, please.

Deputy Fallaize: Thank you, sir.

Deputy Stewart was the first to speak after I opened on the amendment and he confirmed that the amendment, if it was successful, would not cause any great problem to the Department in terms of the order in which they wish to carry out the other reforms in their report. He said he did not support or oppose the amendment. Well, hopefully he is going to vote one way or the other when we go to the vote, and I hope that he will support it. I think he did say, though, that he could see the amendment was a clear way of moving to the optimum arrangements in the foreseeable future. I would suggest that it is the only way.

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1585 Deputy Laurie Queripel talked about the fixing and the unfixing of the retail price, and I want to just deal with this in the context of the amendment, because when Deputy Gollop spoke he said the amendment did not deal with the fixed retail price. Well, no, it does not, because that is not what the amendment was designed to do. The amendment is designed to bring into the Propositions all of the Department's proposals and also to deal with the distribution and retail side of it, which I think the Department is dealing with inadequately in their original report. I am not trying to vary the Department's proposals in respect of pricing at all.

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What I would say, though, about the unfixing of the price, is that it has to be considered in the context of the extant Resolution of 2008, which is that the Commerce & Employment Department should grant exclusive rights to licensed milk distributors to deliver to doorstep customers and commercial customers within specified rounds. I do not know, strictly speaking, whether that is happening, but that amendment...
1595 It is a temporary arrangement until the end of 2015, but that is meant to be in place. So if the amendment is successful and then there are no further amendments, it may be that the Department chooses not to set a retail price but they will be unfixing the price within the context of the current distributors having exclusive delivery rights within specified rounds. I do not know whether the Department has considered that, but that is the way that the unfixing of the price would have to operate, according to that extant Resolution.

1600 Deputy Lester Queripel said that he was waiting to see which way the amendment went before considering what to do with the possibility of the Sursis. If he can tell me which way I am meant to vote on the amendment, then I will happily vote whichever way in order to avoid a Sursis – because that would be the very worst possible outcome, to leave here without making any decision on any part of the dairy industry and send the Commerce & Employment Department back to carry out the umpteenth report. There is no purpose in doing that at all.

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I think Deputy Perrot answered all of the other questions which Deputy Lester Queripel raised. Deputy Perrot is the seconder of the amendment. I agree entirely with the answers that he gave to Deputy Lester Queripel's questions. The one question he did not answer was: what is meant by 'optimum' arrangements? 'Optimum' does not only mean financially optimum arrangements. It means financially, socially, and environmentally what are the optimum arrangements for the long-term health of the industry. The Commerce & Employment Department will be obliged to take all of those things into account, as they would normally, when they return to the States with what they consider to be the optimum arrangements.

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Deputy Brouard said the Department's proposals in respect of distribution were a compromise. I think they are a fudge. But importantly, even if they are a compromise, they do not suit anyone: we know that they do not suit the Dairy, because the Department's report says that; we know that they do not suit the large commercial outlets, because the Department's report says that; we know that they are not the preferred approach of the Department; and we know what the present retailers' view of the proposals is. So
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I think that the alternative to the amendment is either to chuck out everything, which I will do if the amendment fails – that is the way I would vote – or to accept the Department’s proposals, which all parties accept is not the right way forward.

But Deputy Brouard also ignored Proposition 1, which I am trying to incorporate by my amendment. I do not know why the Department originally wanted to deny States Members the chance to vote on control of the importation of milk, the pricing policy, the farm development arrangements and the distribution and retailing arrangements, but that is the way they chose to set out their propositions, which my new number one is trying to deal with.

Deputy Perrot made an excellent speech. I think clearly I should have written the amendment but let him propose it, because he made the case for the amendment. I timed him in, incidentally, (*Laughter*) at 10.18, and I timed him out at 10.40. That is 22 minutes. So my task is that the average across my two speeches will not have to exceed 22 minutes, because he always tells me I speak for too long.

I agree with him: the breed is immensely important; the farmers’ custodianship of the countryside is immensely important. This amendment is not a trick or ploy. I want the Department’s proposals to go through, I want the Department to carry out the reforms that they want to carry out; but as he said – and this is almost quoting word for word, I think – it is abundantly clear that the States have acted in such a way as to lead retailers to conclude that the States are intimately involved in zoning. That is at the crux of the second Proposition in this amendment. The distributors have taken out loans and remortgaged, based on that arrangement; which, as Deputy Le Lièvre has told us, goes back at least as far as the end of the Second World War.

I do not know if my view on whether we vote separately on 1 as amended makes any difference, but I thought it does not. I drafted it in such a way that Members could vote separately on it if they wish to when we vote substantively.

I agree with Deputy Lowe: the Department’s proposals about distribution and retailing are just not sensible. I would go as far as to say that they are illogical and they will not work in practice. If we try it, in two or three years’ time we will be back here trying to fix a problem that they will have created. In a way, I do not blame the Department for that. Their focus, not unreasonably, has been on farming and the role of the Dairy and the consumer, but they have not dealt properly with the distribution and retail arrangements.

Deputy Hadley made a good point about the interests of consumers. Clearly they are key. If the industry loses the support of the consumer, then it will be completely unviable, even with the considerable subsidy of the States – although I think he based his calculations on the average household consuming 19 litres per week of milk, and given the number of single-person households there are in Guernsey, I am not sure that calculation was quite correct.

Deputy Hadley: Point of correction, sir.

The Deputy Bailiff: Point of correction, Deputy Hadley.

Deputy Hadley: I said ‘a family of four’.

The Deputy Bailiff: Thank you.
Deputy Fallaize.

Deputy Fallaize: Okay, I understand, but even a family of four... I am not sure that the average family of four is consuming 19 litres of milk a week! (*Interjection*) Cornflakes are popular in that household, obviously! (*Laughter*)

I do not think that the present proposals have the consumer’s interests at the forefront.

Deputy Storey made a case... I think he may actually end up voting for the amendment, but he made the case which has been put to me by the more free-market end of the States. I understand that case entirely, but I think it is bordering on the intransigent. The only way that we are going to get the optimum arrangements is to do what I am setting out in the new Proposition 2.

In a way, whether it is difficult or whether it leaves a nasty taste in our mouths I do not think really matters, to be honest; we just have to get a pragmatic way to move forward in the way which the majority of us believe we need to move forward, and that requires us to find reasonable mitigating measures for the existing distributors. So I do not make any bones about it. I am not proposing this amendment on any great point of principle, other than I think it is the just way to act. Primarily, it is about being pragmatic, and sometimes in politics I think we just have to be pragmatic.

The other thing is Deputy Storey was critical of compensation, but he was sitting on the Commerce & Employment Department when they proposed compensation back in 2011, and they explained how it could be done.

I agree with Deputy Conder that arbitration will be necessary. I do not believe it will be possible for the Department and the distributors to reach agreement, given the history of this; but that is what the Department proposed – arbitration – in 2011.

Deputy Allister Langlois made... Other than Deputy Perrot's speech, I thought Deputy Langlois' speech was the best speech of the debate. He said, quite rightly, that we would not have started from here, but he used the phrase I should have used in my opening speech, which was, 'We need an exit strategy.' That is precisely what this amendment tries to propose, and I say that unashamedly.

He explained well the role of the rounds during the period when he was reviewing it in the year 2000. I say this to the Department: if this amendment is successful, please, please, do not spend several more months trying to persuade yourselves, in order to persuade the States in a few months' time for the fourth or fifth time, that the States were not intimately involved in zoning and creating *de facto* exclusivity, because if the amendment is proposed, based on the contributions to this debate, the argument is over for Commerce & Employment. The States will have accepted that there was States-endorsed zoning and *de facto* exclusivity. So please do not tie yourselves up in knots trying to prove that was not the case, because successive States have rejected that argument, this States would have rejected that argument, and the Department must move forward on that basis.

As Deputy Le Lièvre said, we cannot move forward as we need to move forward without recognising the role played historically by the distributors. They have been fundamental to this industry, which is to some extent a synthetic industry. If we cast it out to the free market entirely, there would not be a dairy industry, and the States have been as intimately involved in the distribution network as they have been in farming, as they have been in the Dairy and as they have been in keeping the costs down to the consumer to try to discourage the importation of milk.

Sir, I do not have any more to say, other than I think the amendment is the only pragmatic way forward, I think it is the only fair and ethical way forward, and it is on that basis that I lay it and I ask the States to support the amendment strongly and then to go on and support the Department's proposals.

Thank you, sir.

A Member: Hear, hear.

The Deputy Bailiff: Thank you, Deputy Fallaize.

There is a request for a recorded vote from Deputy Lowe, Greffier.

There was a recorded vote.

The Deputy Bailiff: Members of the States, I will declare the result formally when we return at 2.30, when we will commence our continued general debate on this Article. We will adjourn until 2.30.

*The Assembly adjourned at 12.40 p.m.
and resumed its sitting at 2.30 p.m.*

**IX. Review of the Dairy Industry –
Debate concluded –
Amended Propositions carried**

The Greffier: Article IX. Continuation of debate on the Review of the Dairy Industry.

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

I have two amendments. I do not know if you would like me to place them separately, or I put them together.

Deputy Bailiff: To a certain extent, Deputy Lowe, I am in your hands. (**Deputy Lowe:** Ooh!) (*Laughter*) If you would rather take them one by one, we will have them one by one. If you want to move both of them together with separate votes at the end, then we will have them separately.

Have all Members got copies of both amendments on their desks?

Deputy Lowe.

Amendment:

1. To insert at the end of the words in Proposition 1 e) “, except that retail price control shall not be removed before the States have considered the Report referred to in Proposition 2”.
2. To insert at the end of the words in Proposition 1 j) “, except that the Commerce and Employment Department shall not repeal the Retail Price Order in effect on 1st January 2015 (other than to repeal and replace it if so recommended) before the States have considered the Report referred to in Proposition 2”.

Deputy Lowe: Thank you, sir.
The first amendment is:

‘To insert at the end of the words in Proposition 1 e) “, except that retail price control shall not be removed before the States have considered the Report referred to in Proposition 2”.’

And number 2:

‘To insert at the end of the words in Proposition 1 j) “, except that the Commerce and Employment Department shall not repeal the Retail Price Order in effect on 1st January 2015 (other than to repeal and replace it if so recommended) before the States have considered the Report referred to in Proposition 2”.’

1730 So in other words, sir, it is an amendment, as I said this morning in my speech and others said around this Assembly... that we would ask Commerce & Employment if they would hold on to removing the fixed price until the report came back to the States, which we have approved today in that amendment from Deputy Fallaize.

1735 It is really the belt and braces, to be honest. I know we have heard this morning, ‘Well, the exclusivity will still be there, so why do you need this?’ Well, you actually need this because, at the moment, if the fixed price of milk was removed in January you could have a situation where you buy-one-get-one-free at the supermarkets, you could have the supermarket selling it for 10p, you could have somebody else selling it for some ridiculous price, and then could find that, actually, those having doorstep delivery would be going to supermarkets before we have even come up with a solution in July. And should then Commerce & Employment, or whoever is trying to see... If you are looking back at the last year’s figures, they could be considerably different, because the price war will have started before they have had time to look at how the accounts have varied or been produced over the year.

1740 So I think, to finalise it all and to make it fair to everybody... They have got a date for July to bring it back to the States. We are talking here seven months, so I do not think that is unreasonable. If they have been all this time trying to get it sorted, to ask for an extra seven months of keeping a fixed price until the States’ Report comes back is reasonable, and I ask States’ Members to support this amendment, please.

I thank Deputy Laurie Queripel, who has agreed to second it.

1750 **The Deputy Bailiff:** Did I understand it correctly there, Deputy Lowe, that you are moving both at the same time?

Deputy Lowe: I can do, sir. I was going to do them separately.

1755 **The Deputy Bailiff:** You were. You have just moved the one that the Deputy Laurie Queripel is going to second.

Deputy Lowe: Yes.

1760 **The Deputy Bailiff:** That is fine, thank you.
Deputy Queripel, do you formally second that amendment and reserve your right to speak?

Deputy Queripel: I do, thank you, sir.

*Amendment by Deputies Fallaize and Perrot:
Carried – Pour 24, Contre 0, Ne vote pas 2, Absent 5*

POUR

Deputy Duquemin
Deputy Green
Deputy Dorey
Deputy Le Tocq
Deputy James
Deputy Adam

CONTRE

NE VOTE PAS

Deputy Brouard
Deputy Lester Queripel

ABSENT

Deputy Paint
Deputy Sillars
Deputy Luxon
Alderney Rep. Jean
Deputy David Jones

Deputy Perrot
Deputy Wilkie
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy O'Hara
Deputy Quin
Deputy Hadley
Alderney Rep. Harvey
Deputy Harwood
Deputy Kuttelwascher
Deputy Brehaut
Deputy Domaillé
Deputy Langlois
Deputy Robert Jones
Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Conder
Deputy Storey
Deputy Bebb
Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Le Pelley
Deputy Ogier
Deputy Trott
Deputy Fallaize
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre
Deputy Spruce
Deputy Collins

1765 **The Deputy Bailiff:** Before I open debate on this first amendment with two Propositions, let me just formally announce the result of the vote on the previous amendment, proposed by Deputy Fallaize and seconded by Deputy Perrot. There voted in favour, 40; there were two abstentions. Therefore, I formally declare the amendment carried and return the voting slip.

Deputy Fallaize.

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Deputy Fallaize: Thank you, sir.

Deputy Lester Queripel said this morning that a Member who did not understand something should be brave enough to admit it, and he was describing the position I am now in – confused.com. (*Laughter*)

1775 It may be because I do not have a solid enough grasp of the economics of the dairy industry, having been only a dairy *hand* – but we do have a former dairy *manager* in our midst and we have more than half a dozen Members who have at various times served on Commerce & Employment, including of course the present Members. So I am hoping that somebody will be able to remove my confusion before the end of this debate.

1780 The reason I am confused is because I do not fully understand why the fixing or the unfixing of the retail price at this time is a great issue. I do not understand why it is an issue for the proponents of the amendment and I do not understand why it is a big issue against which the Department is fighting.

1785 The reason I say that is because... If I take the position of the proponents of the amendment, if the retail price is unfixed from 1st January 2015, the concern that is being presented to us is that it would be an unfixed retail price before Commerce & Employment have returned, setting up the optimum arrangements for the dairy industry. However, it has to be ready in conjunction with the Resolution of 2008, which arose from Deputy Le Lièvre's amendment that the Department has to grant *exclusive rights* to milk distributors to deliver within specified rounds. So that is not only exclusivity; that is zoning and exclusivity. I know the fear with the unfixing of the retail price that some of the current distributors will aggressively 'poach', for want of a better word, business from other distributors. I understand that that is a concern, but while you have a States' Resolution in place which says that until the end of 2015 the Department, through the Dairy, has to guarantee exclusive distribution rights in fixed zones, the possibility of one distributor or retailer poaching the business of another is extremely remote.

1790 I will give way to Deputy Lowe.

1795 **Deputy Lowe:** Thank you, Deputy Fallaize.

This is nothing to do with poaching, and we fully understand that the zones will still be in situ. It is actually that it *could* affect the doorstep deliveries.

Deputy Fallaize: Yes. So the next argument is that you cannot have poaching, because we have got the zones guaranteed. I have a say on that point I assume – and it is an assumption because I am placing faith in the Department – that the Department is implementing this Resolution from 2008. I am presuming that we do have licensed distributors with exclusive rights within specified rounds. Deputy Lowe is shaking her head, but perhaps the Minister, when he speaks on this amendment, or any Member of the Department, could confirm to us that this is exactly what we have now, because this is the States' Resolution. It is six years ago, they have not come back to the present States to tell us there is any problem in implementing this Resolution, so we have to assume that this Resolution is being implemented and enforced by the Department. And if it is, it means that there cannot be any inter-retailer poaching, as it were.

There could, of course, be some transition from doorstep deliveries to supermarkets. However, at the moment, because of the Resolution arising from the Le Lièvre amendment, we do not have commercial outlets buying direct from the Dairy. They have to go through a milk distributor, and therefore the end price is bound to be determined, at least to some extent, by the margin which the distributor takes out before they sell on to the retail outlet.

Okay, you could say ultimately, in a more commercial model, 'Well, yes, this is what the retailers feared, obviously, with C&E's proposals.' They could say, 'Well, yes, but what will happen is the large commercial outlets will drive down our margin because we may want to take out 9 pence a litre, let's say, but another distributor will say, "Well, I'll deliver your milk and take out 5 pence per litre."' So that competition would squeeze some of the retailers. But that cannot happen until you have done away with zones and until you have done away with exclusivity, because presumably if I am retailer A and I offer to move into retailer B's zone and provide milk to a commercial outlet in that zone, the Dairy, in conformance with this amendment, is going to say, 'No, retailer A, you cannot do that because you have gone into retailer B's zone and you are undermining the States' Resolution, which we are implementing in full, that we are having zoning and exclusivity.'

So, if this Resolution is being implemented fully, I do not really understand what the problem would be with unfixing the retail price with effect from 1st January 2015. I do understand the problem that would cause from 1st January 2016, once the temporary arrangements set out in the Le Lièvre amendment end, but by then we would have had the Report back from Commerce & Employment, which my amendment this morning put in place.

On that side of it, if I look at this from the point of view of the Department, I do not understand why I would be so intransigent about wanting to unfix the retail price now, or from 1st January, in advance of changing the distribution arrangements for the circumstances I have just described. I do not understand what great benefit there is going to be to the dairy industry of unfixing the retail price while you have licensed distributors selling in specified zones with exclusive arrangements from the Dairy, as per the Le Lièvre amendment.

So we may be about to have potentially a quite lengthy debate, where people take entrenched positions either for this amendment, or against this amendment in favour of the Department's original proposal, but I do not understand what the issue is with fixing or unfixing the retail price from 1st January 2015 while we have the Le Lièvre amendment in place, *unless* the Le Lièvre amendment is not being implemented. I have given the Department an assurance that I will support all of their proposals, with my amendment having been successful, and I will stick to that unless the Department tells the States that they have not faithfully implemented previous Resolutions, including the Le Lièvre amendment; in which case, clearly, the deal is off, because I can only give an assurance based on the full and proper implementation of previous Resolutions.

So I need to know from Members of Commerce & Employment that they are implementing the States' Resolution fully, or that they will implement it fully before the end of 2015, as they have been instructed to by the States. If they give that assurance I will certainly vote against this amendment, because I am with them and I cannot see the problem with unfixing the price.

Thank you, sir.

The Deputy Bailiff: Deputy Gollop to be followed by Deputy Dorey.

Deputy Gollop: Sir, Deputy Fallaize has just given a very interesting speech, and I am another 'confused.com' in a number of ways.

I will support the amendment because I think it strengthens the implied guarantee of the earlier amendment. Let me just say that I think there are some difficulties. The first is I personally would be amazed if any Member or Minister of Commerce & Employment was in a position to describe the zones and where they are going, not because they do not exist and did not exist in the past, but because I do not believe there is an accessible list that the Department has compiled. I may be wrong in that respect, but I think perhaps they have failed in part or in whole to implement every facet of the previous Resolution – but we will perhaps hear on that later. I do believe that the zones and the licenses exist, due to previous States'

1860 practice and the continued efforts of the milk retailers to self-police themselves in conjunction with the Dairy. But I would be very interested to see the list of these licences and the zones.

There are imponderables in this Report. I would draw Members' attention to what I think is probably a paradox, and it is this – on page 2112, under point 3, 'Review Group Conclusions 5, 6, 7, 9, 10 and 11', it makes the point under 6:

'Bearing in mind the States' Resolution in 2008 that gave distributors...

– meaning milk roundsmen –

'some limited and temporary exclusivity over sales of milk and retail sales of products on to doorsteps for a period until 31st December 2015, these arrangements should start from 1st January 2016.'

1865 That agrees with what Deputy Fallaize has just said, that the arrangements are currently set in stone until over a year from now; but listening to what Deputy Soulsby said in her speech this morning, and turning to page 2128, paragraph 3.118, it says:

'If the States accepts the Department's proposal for a new Milk Ordinance, it will have to be drafted and returned to the Assembly for approval. If this has not occurred on 1st January 2015,'

1870 – which would be very surprising if it did get done in that time –

'the Department intends to repeal the Retail Price Order that is in effect at that time.'

Now, does it apply to this area? I am not sure.

1875 Turning to the main report, regarding the specialist report, there was a particular section on the milk trade counter and the determination to open it up to a wider range of commercial buyers. It would seem to me that if, as they define... any commercial buyer would be able to establish a direct relationship with the Dairy, what is a 'commercial buyer'? Surely that could be a shop, a garage, a hotel, a restaurant, a guest house, a public house – I am not sure.

1880 If they are currently bound in to a relationship with their zoned milk distributor – or milkman or milkmaid, as we might call them – but they are then allowed in the immediate future to have a more direct commercial relationship with the Dairy, thus potentially cutting out the middle person, the distributor, that will be a material change to the business prospects of the milk retailers before we have had a review as to their zones and whether compensation is an issue or not. That will materially affect the outcome of any negotiations and viability of these businesses and the services they provide.

1885 So I would actually say the Lowe amendment probably does not go far enough, because it should also include within it a caution about the changing role of the trade counter, because that may well be an optimum outcome for the future of the industry from a consumer or Dairy point of view, but it clearly cuts across the spirit of the virtually unanimously approved amendment that we heard just before lunch.

So I do support this amendment.

1890 **The Deputy Bailiff:** Deputy Dorey, to be followed by Deputy Hadley.

Deputy Dorey: Thank you, sir.

1895 I just wanted to ask the Procureur a question, to understand... We now have the new Proposition 1, and in 1(i) it has got:

'modernised arrangements for milk distribution and retailing;'

but it does not refer to the paragraphs in the report. So I just want to understand what is the implication if the States votes for 1(i), because if you go into the report, on page 2124, for example, under point 9, conclusion 14, says:

'There is no case, or need, for the Department or the Dairy to become involved in matters of the zoning of milk rounds.'

1900 So I just wanted to understand, if the States vote for 1(i), does that mean that section under point 9 is then taken as the Resolution of the States; and if that is so, does that replace that previous Resolution of 2008?

Just one more question, just to understand about the Milk Ordinance coming back by 1st January – is that possible?

1905 **The Deputy Bailiff:** Mr Procureur.

The Procureur: Well, to answer the second question first, it is not logistically impossible but I would not be terribly hopeful because there are some complex discussions to be had before that occurs.

1910 My understanding of Deputy Fallaize's Proposition 1(i) is that it stands together with Proposition 2, and so whereas the proposal is to support... and for the States to take ownership of all of the other ideas as set out in the report, Deputy Fallaize was endeavouring to say, 'Yes, we do need to modernise arrangements for distribution of milk retailing, but not as set out in that report as may be recommended to us next July.'

1915 So I did not think that it was necessary for Deputy Lowe's amendment to tackle those, but rather (e) and (j), which contain the details of the proposals to get rid of the fixed retail milk price and the intention of the Department, if it has not otherwise been got rid of, to repeal the order so that there is actually no price set. Have I understood Deputy Dorey's question?

Deputy Dorey: Yes.

1920 **The Procureur:** Good.

The Deputy Bailiff: Thank you, Mr Procureur.
Deputy Hadley.

1925 **Deputy Hadley:** Mr Deputy Bailiff, I am sure somebody will correct me if my maths is a bit inaccurate, but as far as I can see, in this situation probably 70% of the milk is brought to the supermarkets and the people of Guernsey who are buying that are probably paying around about £70,000 a month more than they need to because of the 24p margin between the price at the Dairy and the price it is sold at in the supermarket.

1930 If we vote for this amendment, we deprive the vast majority of people in Guernsey of a reduction of 20p a litre in the price of milk, and I think for this Assembly to act in a way against the vast majority of the people of Guernsey would be quite wrong. So I urge Members to reject this amendment.

The Deputy Bailiff: Deputy Dorey, you are standing.

1935 **Deputy Dorey:** Just as a point of correction –

The Deputy Bailiff: A point of correction.

1940 **Deputy Dorey:** I do not think Deputy Hadley was in the Chamber when I spoke this morning, but in the 2011 report it lists what the various mark-ups are of the various people and it compares it to the UK. It shows that the mark-up in the UK supermarkets is 21p when you include distribution costs and the shop margin, which is the same as when you combine the cost of distribution in Guernsey, the distribution of profit and the shop margin. So it would not make a difference if the supermarkets in Guernsey follow the same pricing structures as the UK.

The Deputy Bailiff: Deputy Perrot.

1950 **Deputy Perrot:** I am responding, sir, to the question posed by Deputy Fallaize in relation to what happens if the price of milk is fixed. He said that there could not be, he thought, any poaching. He wanted anybody who had a different view from that to explain it.

1955 I think there could be poaching indirectly, because if the price of milk is unfixed one has got to have regard for the fact that there are two types of distributor. One sort of distributor will leave milk on a doorstep, but others will have just a couple of very large commercial customers, and what certain people do – at least one of them does, and I suspect more – is that that is not done on a commission basis. What happens is that the distributor sells to the shop and the shop then sells on to the retail customers, so what could happen if the retail price of milk is unfixed is that those distributors could sell at a reduced price to the supermarkets, and one could see that although there is no poaching, there is a move away to supermarkets from doorstep customers.

1960 So that was why I was suggesting, earlier on when I was seconding Deputy Fallaize's amendment, the wish that the new Ordinance did not come in until these discussions have taken place next week, so that the retail price of milk could not be unfixed.

1965 Alas, Deputy Fallaize, knowing that I was going to stand up, has disappeared, so I am not able to give him the (*Interjections*) answer that he wants, but perhaps somebody will pass that on to him. Oh, there he is! (*Laughter*)

The Deputy Bailiff: Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

1970 I want to ask Members to think of it this way: what is the harm in retaining the current arrangements just for a few months? We know that the finishing line is in sight. We know that in just a few months there is very likely to be a new Dairy model in place, and along with that an optimum distribution system. So I cannot see why there is this great resistance just to not keep the current arrangements in place, bearing that in mind.

1975 I think actually if the Department Members voted for this amendment it will be a very gracious gesture on their part and I think it will actually help to heal the rift between the distributors and the Department. It seems like a very arbitrary thing to do, to me, a very random thing to do – you keep the other conditions in place but you unfix the retail price.

1980 The retail price being fixed is as much a stable element of the round as is the zoning, and Deputy Fallaize has said that is not quite the case because the zones will still stay in place, but I agree with Deputy Perrot's assessment. What could happen is that say, for example, you have got a distributor who has got a round of 200 doorsteps, a small shop in his zone, and he has got a supermarket in the zone next to his, and as Deputy Perrot says, the guys who deliver to the supermarkets have probably got a greater margin to play with, so they could probably reduce the price that they sell to the supermarkets. Therefore, you might find that a litre of milk in a supermarket in the next zone to yours is being sold for 5p or 10p less a litre, and there might be a gravitation of your doorstep customers to that supermarket and you might lose 20 or 30 customers who go and get their milk from the supermarket rather than have you deliver to their doorstep. With a smallish round like that, with perhaps doorstep customers and one small shop, that could have quite a detrimental effect on the value and viability of your round.

1990 So I do not see the harm in keeping all of the current arrangements in place just for a few months. The finishing line is in sight. We are very likely to have this brand new model in place with this optimum distribution system as part of it. I just do not see why there is any resistance to keeping the current arrangements in place and why there is this random approach just towards one of the stable elements of the current arrangements.

1995 So I would really urge Members to think of it that way: that this is just a safety net really for the distributors to have that stability while this extra work is done before the report comes back, and when it comes back we will be looking at a brand new way of distributing. I really would ask Members to see it in that way, sir, to support this amendment, allow the retailers just that bit longer to have these stabilising elements as part of their rounds, and then look at what Commerce & Employment come back with in the future.

2000 I would urge Members to support this amendment. Thank you, sir.

The Deputy Bailiff: Deputy Storey.

Deputy Storey: Thank you, sir.

2005 I was just as confused as others at what was behind these latest amendments. The only possible reason that I can find in my own mind for them is that they are in order to maintain the *status quo*, which effectively means maintaining the profitability of the rounds so that if at some stage in the future there is some talk of compensation, then the values of the rounds have been maintained.

2010 If retail prices are frozen at the beginning of the coming year that means that the supermarkets may well wish to reduce the price they charge their consumers, and it may be that they may well put some added pressure on the retail suppliers to reduce their supply price to them, which would in effect reduce the value of those rounds. In addition, if the supermarkets are reducing their prices, then there will be an accelerated drift, I suspect, from doorstep delivery to people buying their milk in the supermarkets, and that will reduce the volume of milk sold by the doorstep delivery roundsman and will reduce the value of their rounds.

2015 So, although Deputy Lowe did not explain that in her introductory speech, having thought about the situation and having agreed largely with what Deputy Fallaize said earlier in this debate, it would be helpful to me if Deputy Lowe could, when she sums up, confirm or deny my analysis of the situation, because if we are going to vote on it I think we really do need to understand the full implications of passing or rejecting this amendment.

2020 Thank you, sir.

The Deputy Bailiff: Deputy Le Lièvre.

Deputy Le Lièvre: Thank you, sir.

2025 Deputy Fallaize and I were at the Dairy, but unfortunately not at the same time. He could have got up to all sorts of mischief... nevertheless, there we go.

I think this amendment probably should be supported, for a number of reasons, some of which have been outlined in the last 10 minutes.

I honestly believe that there is room for mischief here, mostly by the outlets and especially the large outlets, who can see the opportunity to make a killing, which could result in all sorts of ramifications and unexpected consequences and even possibly a milk retailer saying, 'Well, I cannot deliver at that price,' because they have cut their margin to such a degree that it would be unaffordable. Then you can see that they would say, 'Well, I won't deliver milk.' You would have a large outlet possibly saying, 'Well, we've got no milk. What should we do? Oh, I know what we'll do: we'll get a container in from the UK.'

That is far-fetched maybe, but I do think there is room for mischief here and I will support this particular amendment. I do not see any point in shifting the fixed price of milk at this particular time, and certainly not until the negotiations with the roundsmen are complete.

Thank you, sir.

The Deputy Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

I find it very interesting: this morning I was ridiculed for asking questions in an attempt to establish the facts, to the point that Deputy Perrot suggested that I should now be known as 'Mr Queripel Confused.com', which I found hurtful and distressing, to say the least. Deputy Perrot had the good grace to apologise to me in this Chamber, which I am grateful for, but what I find very interesting about this afternoon is that the majority of speakers have expressed confusion, yet there is no suggestion that any of them be known as 'confused.com'.

Having said that, sir, this, to my way of thinking, is what debate should be all about. We should not be afraid to ask questions in an attempt to establish the facts, regardless of whether or not we are expected to know the answers.

The question I have for Deputy Lowe in relation to this amendment is regarding what my brother Deputy Laurie Queripel just referred to in his speech. He referred to this amendment as a safety net, and I was just wondering, could Deputy Lowe please elaborate a little bit more on that safety-net element to this amendment?

Thank you, sir.

The Deputy Bailiff: I turn to the Minister of the Commerce & Employment Department, Deputy Stewart, to reply on the amendment, if he so wishes.

Deputy Stewart: Thank you, sir.

I think it is for me to say that I actually feel it is a bit unfortunate that, as in previous times, this whole debate has really just been about the people who deliver the milk from the Dairy to the household. We have spoken so little about the farmers, who are custodians of our environment. We have heard even less about the loyal customers, the consumers. (**A Member:** Hear, hear.)

If I can give you one good reason, and one *really* good reason, to unfix the price of milk, it is because listening on the radio right now are all the consumers, and if the supermarkets want to do buy-one-get-one-free, if they want to do special offers, that is going to benefit the consumer. We have heard so little about the loyal consumers – and you can see from Island Analysis – who support our approach and have supported the Dairy for years.

This is about fairness to the consumer, and if you pick up this Report, which I stand by, pages 39 to 42 give you all the reasons why we should unfix retail pricing. In many ways, milk retailers argue against themselves. They say they cannot make doorstep deliveries pay, and yet they cannot charge enough for the price of milk to make them pay. So you argue against yourselves. If you are having your milk delivered to your doorstep, some of them do make a charge. Again, we do not know, because the GMRA did not tell us, what the exact pricing was and exactly what some members charged.

So the price of milk is not fixed right now. Some people who pay an admin charge, or however it is dressed up – delivery/admin charge – are paying more for their milk anyway, and those who go to the supermarkets and get double-divvy, or are over 65 and get the 10% discount at some supermarkets, are getting the milk at a different price. If we unfix the price, the main beneficiary of this is the consumer, (**Several Members:** Hear, hear.) and we should not lose our focus on getting a fair deal for the consumer.

I will come back to what Deputy Fallaize asked me about: have we complied with the former Resolution? Goodness knows, Deputy Fallaize, through the Chair, we have because we have got to a point, after three years of negotiation between Commerce & Employment and the GMRA, where we issue the licences. The GMRA chose not to sign them. We asked them and we have the software ready at C&E for the zoning. That has not been forthcoming. During the review that we carried out we asked: 'where are the zones?' That information has not been forthcoming. So it is very difficult for us to comply with the Resolution when there is absolutely no co-operation from the other side, and that is where we are with that. The licences are ready to go. They were issued but have not been returned to the Department signed and we

2090 have absolutely no information of what the zoning is. Years ago, there was some information. That was all sent back about 10 years ago. There is so much history.

I will tell you the other reason why we should unfix the retail price: because we had better start moving on. We had *better start moving on*, even if it is a little bit piecemeal as we have agreed to look and bring a report back to the States. But let's not rip the guts out of every other bit of this report, and we will bring another bit back to the States and another bit back, and another bit back to the States. We are going to get nowhere. We are not going to make any decisions, and this whole industry will wither on the vine.

2100 The thing that worries me is that why the farmers supported us is because they want to start getting some certainty from the States of Guernsey – they have to make investment decisions. What will happen, and what will be the end of this industry, is if the farmers do not make that investment, if they do not get that certainty – and we have had very little talk about the farmers... If we drop below 6½ million litres a year of production, then the Dairy or whoever will have to bring in milk from off Island, whether it is from Jersey or the UK, and once that starts happening as a matter of course, it will spiral downwards very fast and we will have nothing to save, we will have nothing to debate, and the whole thing will fall apart.

2105 So I would urge you to reject this amendment. Let's stop doing everything piecemeal. We have agreed to look at the retailers separately, but can we, as a Department, move on with this and reject this amendment?

Thank you, sir.

2110 **The Deputy Bailiff:** Deputy Lowe, the proposer of the amendment, to reply to the debate.

Deputy Lowe: Thank you, sir.

2115 Deputy Stewart seems to be missing the point. This amendment is not actually saying, 'Do not ever unfix the price.' It is not saying that at all. It is saying, 'Will you keep the price fixed until the report comes back to the States *no later than* July next year?' You can bring it before then if you like. If you are that well advanced, bring it before; but we are talking here of July next year at the latest. So please do not try to mislead people by saying that actually this amendment is to keep the price fixed, because it is not.

Deputy Stewart: Sir, I am not misleading people.

2120 **The Deputy Bailiff:** Deputy Stewart, if you want to make a point of correction, the Rules say you stand and say 'Point of correction,' and I will then invite you to speak.

Deputy Stewart: Sir, point of correction. I am *not* misleading people.

2125 **The Deputy Bailiff:** Deputy Stewart, point of correction. You can now make it! (*Laughter*)

Deputy Stewart: Thank you, you are too kind.

2130 **The Deputy Bailiff:** Deputy Lowe to continue.

Deputy Lowe: Deputy Stewart has obviously joined the confusion.com, sir!

So, where are we here? It is my view, and I believe some of my colleagues' view, that this is a straightforward amendment. We are not asking to never remove the fixed price.

2135 Deputy Stewart said actually they have been six years and they have not implemented what they are supposed to do. Well, this is not actually even six years away. Why haven't you actually done that? You are carrying on about the licences. I am not interested in the *new* licences. It is a pity you have not carried out the States' Resolution back from 2007, which is seven years out of date, and these milk retailers still do not have the licences which the States directed you to give back to them.

And if we are talking here about –

2140 **The Deputy Bailiff:** Point of correction from Deputy Stewart.

Deputy Lowe: No, I am not going to give way unless it is a straight –

2145 **The Deputy Bailiff:** No, he said 'Point of correction', Deputy Lowe.
Point of correction from Deputy Stewart.

Deputy Stewart: It is wrong to say that we... We have done everything within our power, and it is fully documented at Commerce & Employment. We have issued the licences, we have not had them returned –

2150 that is a fact. We have no zoning information that has been forthcoming from the GMRA. We have done everything in our power to implement that Resolution.

The Deputy Bailiff: Deputy Lowe to continue.

2155 **Deputy Lowe:** I can do, sir, but I will correct Deputy Stewart because he does not seem to understand.

The States actually said, 'Give them back their licences'; not 'Redo new licences of 16 pages.' That was not on the radar, and Commerce & Employment chose to ignore the States' decision; hence a letter had to go round to all States' Members to reiterate to the previous Commerce & Employment what was exactly meant, because she seemed to feel that the States' Members misunderstood what actually the amendment was all about, even though it was very clear.

2160 So to date we have milk retailers with no licence, which is exactly what I said before about if you bought a house you would expect deeds etc, and if you bought a car you would expect a logbook. You are sort of saying that it has to be that they have got their zones and everything else, but these people now, if they wanted to actually contest this with the Dairy, have not got a bit of paper to say to you, 'That is my shop and that is my road.'

2165 That is the very point here that we are actually saying: that there is not actually some document to say who they can deliver to and not, because the Dairy, for some reason or other, has lost them – because they had them there. You heard my speech this morning: they had them there. They had the zones on the maps, of which roads which milk retailer delivered to. That was at the Dairy.

2170 **Deputy Stewart:** Sir, point of correction.

Deputy Lowe: I saw them during my time when they were there.

2175 **The Deputy Bailiff:** Point of correction, Deputy Stewart.

Deputy Stewart: All that information, which I have been advised... All of that zoning information – and this is before 2007 – and all that documentation was handed back to the GMRA at their request. That is the information that I have been given.

2180 **Deputy Ogier:** Sir, point of order. Should debate not be... Through the Chair –

Deputy Lowe: Back to the amendment?

2185 **Deputy Ogier:** Should the debate not be –

The Deputy Bailiff: Point of order, Deputy Ogier.

Deputy Ogier: – particular to the matter at hand? I fear we have strayed from (**Deputy Lowe:** I agree.) the fixing of the retail price of milk.

The Deputy Bailiff: I think it would probably help everyone to allow Deputy Lowe to conclude what she has to say on the amendment, take the vote on the amendment and then see where we stand.

2195 **Deputy Lowe:** I totally agree with Deputy Ogier on this one, but it does have a – (*Interjection*) Well, it does have an element to it, because if you are talking about where this amendment is not needed because they have still got the exclusivity and the zoned areas, if the Dairy – Commerce & Employment – are saying, 'Well, actually we have not got any documentation,' this is my very point: keep the price fixed until this report comes back in July next year, to make sure that it is a fair playing field for all of those involved, because the supermarkets or whoever... A supermarket may say to a milk retailer, if the price has gone, 2200 'Well, actually, I will buy it from you at the net price that you would get from the Dairy,' or 'I will pay you ½p or a penny.' Then he buys that from the milk retailer, who is not going to sell it at a loss – they have got a living... they have got to be able to survive – and that supermarket could actually sell it, or give it away free with a packet of cornflakes, and try to get people through the door. We all see the offers, week in and 2205 week out, in the paper or on the radio, wherever, trying to get people in the door into supermarkets by giving away free goodies and that sort of thing. That could happen and could have a detrimental effect on the doorstep deliveries, and that is the reason that I believe that Commerce & Employment should be a little bit more giving and should have supported this amendment, to ensure that the fixed price remains until the report comes back, no later than July next year.

2210

I ask Members to support the amendment.
Could I have a recorded vote, please, sir?

The Deputy Bailiff: There is a request for a recorded vote, Greffier, please.

There was a recorded vote.

The Deputy Bailiff: Deputy Lowe, is the outcome of that vote relevant to whether you move the next amendment, or will it be moved in any event?

Deputy Lowe: I can move the next amendment.

The Deputy Bailiff: We will move on to the next amendment then.
Deputy Lowe to propose it.

Deputy Lowe: Thank you.
This amendment is:

To insert at the end of the words in Proposition 1 c) ‘, but with the inclusion of representation of milk retailers (as well as dairy farmers) on a (new) Dairy Management Board’.

This, sir, is to complete the picture and have the three legs back on the stool of part of the dairy industry, and it takes it back to how it used to be with the Agriculture & Horticulture Board, where there was always a farmer on the committee, there was always a milk retailer on the committee, and then there were other committee members themselves who were the political board. It is vital. If we really want all parties to work together and this is all about the Dairy, why are you leaving out one sector? It just does not make sense. You are all supposed to be trying to do the best you can to make sure that we have a thriving Dairy and a thriving milk business for selling milk.

I said this morning I would be putting this forward because I have concerns as to why they have been excluded. This really does not go any way in proving to me that Commerce & Employment want to work with the milk retailers and the Guernsey Milk Retailers Association, because if they really wanted to work with them they would be in this report. They would be saying, ‘Look, we have drawn a line in the sand. We have got a new management board coming up. We want it to be how it used to be – we all work together, we thrash things out around the table, we come to a compromise and we go forward with it.’ They have been excluded, and I do not think that is right.

I ask States’ Members to please support this. If we want to make sure that all three parties work together, we put the three legs back on the stool and we direct Commerce & Employment to make sure that they are included with the farmers, that all parties will be listened to, all parties are part of that negotiation, as has been previously over the years when looking at how much percentage each will get, with of the farmers, out of this pot of money, and the Dairy milk retailers – always about the promotions, it was always done jointly between all the bodies concerned, and yet now they have been excluded under this report by Commerce & Employment. I would urge Members to please ensure that we show we do actually want to work together in the same way that we are trying to do in this Assembly here, with joined-up working and working together corporately. I would expect Commerce & Employment to be doing the same with the milk retailers.

I ask Members to support this amendment, please.

The Deputy Bailiff: Thank you.
Deputy Le Pelley, do you formally second the amendment?

Deputy Le Pelley: Yes, sir, I do, and I would like to have the right to talk on it later.

The Deputy Bailiff: Of course.

*Amendment by Deputies Lowe and Laurie Queripel:
Not carried – Pour 19, Contre 25, Ne vote pas 0, Absent 3*

POUR
Deputy Dorey
Deputy Perrot
Deputy Wilkie
Deputy Burford

CONTRE
Deputy Duquemin
Deputy Green
Deputy Le Tocq
Deputy James

NE VOTE PAS
None

ABSENT
Deputy Paint
Deputy Harwood
Deputy David Jones

| | |
|------------------------|----------------------|
| Deputy O'Hara | Deputy Adam |
| Deputy Brehaut | Deputy Brouard |
| Deputy Domaille | Deputy De Lisle |
| Deputy Robert Jones | Deputy Inglis |
| Deputy Gollop | Deputy Soulsby |
| Deputy Sherbourne | Deputy Sillars |
| Deputy Lester Queripel | Deputy Luxon |
| Deputy Gillson | Deputy Quin |
| Deputy Le Pelley | Deputy Hadley |
| Deputy Ogier | Alderney Rep. Jean |
| Deputy Trott | Alderney Rep. Harvey |
| Deputy Laurie Queripel | Deputy Kuttelwascher |
| Deputy Lowe | Deputy Langlois |
| Deputy Le Lièvre | Deputy Le Clerc |
| Deputy Collins | Deputy Conder |
| | Deputy Storey |
| | Deputy Bebb |
| | Deputy St Pier |
| | Deputy Stewart |
| | Deputy Fallaize |
| | Deputy Spruce |

The Deputy Bailiff: Before we move on, let me announce the result of the vote on the previous amendment, proposed by Deputy Lowe and seconded by Deputy Laurie Queripel. There voted in favour 19; there voted against 25. I therefore declare that amendment lost.

2265 Deputy Soulsby.

Deputy Soulsby: Sir, whilst the earlier amendment had a modicum of sense to it, this amendment is, quite frankly, nonsense on a number of levels.

2270 Firstly, Members need to be aware that the farmer representative is an interim measure before the future governance of the Dairy has been sorted and the States approve it later next year.

Secondly, what would having a retailer add? What will they bring to the table? On the other hand, the Dairy has key supply quality and long-term forward planning requirements that require close and continuing engagement with the dairy farmers.

2275 And which retailer should be on the Dairy Management Board? (*Interjection*) But... GMRA representative? Well, not all the retailers are represented by the GMRA, including the largest retailer.

2280 Fourthly, if you put a distributor on the Dairy Management Board, and the logic of this amendment is you would have representatives of the shops, one for the consumer and even one for the production staff, you will need a bigger room and you cannot fit them all in the Dairy. This is tokenism of the pointless and unproductive type. The Dairy does need to work with distributors in a commercial manner, but they are not fundamentally vital to the planning of its operations, as the farmers are.

Finally, there are issues of commercial confidentiality, and a significant job of the Dairy Management Board, on which I currently sit, is consideration of trading with its customer base, and the Dairy Management Board sees and discusses confidential account information. Clearly, the milk retailers would not be able to participate in those discussions.

2285 So this amendment makes no sense whatsoever. It will not add anything to the table and I request that Members reject it unanimously.

The Deputy Bailiff: Deputy Le Clerc.

2290 **Deputy Le Clerc:** Thank you, sir.

I do agree with what Deputy Soulsby has just said. I go back to the presentation we had from the Guernsey Milk Retailers Association on that Monday evening: they just were not united, and I am not sure that they represent the whole of their retail distribution. So I would tend to agree, because who would you actually choose to go on that Management Board and whose interests would they actually be representing? Because I do not see a united front.

2295

The Deputy Bailiff: Deputy St Pier, to be followed by Deputy Fallaize.

Deputy St Pier: Sir, I oppose this amendment.

2300 As the Members of Commerce & Employment who are involved in this process are aware, the one objection I had to their excellent report and their recommendations was in relation to this issue about the governance around the Dairy Management Board.

My view is that good governance should be about ensuring that the most appropriate people with the appropriate skills should be serving on that body based on their relevant experience. This is intended to be a

2305 commercial business with a commercial board; therefore nobody should be at that table simply because they come from a particular background, in my view.

I had some reservations, which I had expressed to Commerce & Employment, in relation to them reserving a position for farmers on the Dairy Management Board. I therefore extend that objection to this amendment and feel unable to support it. Therefore, for reasons of good governance... We would not structure the governance of any other of our trading bodies, I would suggest, in such a way, and I therefore cannot accept this amendment, sir.

The Deputy Bailiff: Deputy Fallaize, to be followed by Deputy Gollop.

2315 **Deputy Fallaize:** Thank you, sir.

I think that Deputy Soulsby makes a good point. I think it was Deputy Soulsby who spoke about the possibility, if we accept the principle behind this amendment, that we could draw in stakeholders from all different parts of the sector onto the Dairy Management Board. We could have people who just represent a particular sectorial interest on the main body, instead of an ex-officio basis. The whole thing could become almost as dysfunctional as the Policy Council. *(Laughter and interjections)*

I think there is a serious problem when there is potentially that degree of self-interest. I know in theory it sort of works – if you draw in the different sectors of the industry they could all represent their own interest – but actually, as a decision-making body to run something, I am not sure that it would work terribly well.

2325 I am not absolutely sure that a farmer should have a seat on the Dairy Management Board, to be perfectly honest. I think the point Deputy St Pier makes is very valid. But I also take the view that I never really feel very comfortable with the States trying to dictate to or determine the governance arrangements of committees – that is effectively what the Dairy Management Board would be – that sit below States' Committees. That is why I have always been opposed to the States imposing its Members on, for example, Policy Council subgroups, because I think it should be dealt with by the parent body and I think Commerce & Employment are probably the best people to form the composition of the Dairy Management Board.

2330 But I also think there is an issue of what is the Dairy Management Board going to do? Paragraph 3.30 of the Report explains a couple of the tasks that the Dairy Management Board would be expected to undertake. The Dairy Management Board will not, presumably, be undertaking very much work which relates to what happens to the milk once it leaves the Dairy, because those arrangements are pretty much set in stone. Licensed distributors have exclusivity and they should have zoning. If the Commerce & Employment Department could actually be bothered to implement the Resolutions of the States, or at least come back to the States and explain why they cannot... and six years to come and tell us that a Resolution has not been implemented just is not acceptable, but if that Resolution were implemented, then what happens to the milk once it leaves the Dairy is pretty much set in stone.

2340 The Dairy Management Board is not going to have to get too involved in all of that, but they clearly are going to have to do a lot of work in terms of milk supply agreements and the relations between the Dairy and the farmers, and obviously they are going to have to do a lot of work in respect of the way that production at the Dairy works. The farmers and the Dairy are much closer related in that respect than ever the distributors in the Dairy are.

2345 So I do think that if we are going to start loading distributors onto the board, we probably need to load, for example, representatives of large commercial outlets, and then we start telling Commerce & Employment, 'Well, you must have one member of your committee that sits on that board,' – or maybe two members. Should it be the Minister? Should it be the Deputy Minister? Should it be an independent Member of the States? Should consumers be represented? I just think that it is not sensible for the States to involve itself at that level of detail, and I am happy to leave it to the Commerce & Employment Department.

2350 Therefore, for many of the reasons already articulated by Deputy St Pier and Deputy Soulsby, I think I will vote against this amendment.

The Deputy Bailiff: Deputy Gollop.

2360 **Deputy Gollop:** Sir, I think I am correct in saying that currently two political representatives sit on the board and the proposal is for one and one representative of the farming community, which in all likelihood is going to be one of 15 people, or 15 separate farms.

2365 I rise to support this amendment because I think what we have been seeing is, for many years, even in the early days since the creation of the Policy Council, we have had this cliché of 'the three-legged stool' of the milk industry, which was the Dairy, the farmers and the milk retailers. The tone of the report, as has already been discussed, does suggest that the role of the milk retailer will change, and in some people's minds perhaps already should have changed; but if we are to continue with at least the transitional role of

the three-legged stool concept of the industry, you have to have, clearly, a farming representative and a milk retailer representative. Shops, of course, are not directly at the moment licensed to sell milk. They have to go through an intermediary. Moreover, one has seen that milk sales have flatlined. They have plateaued, despite a rising population on the Island. I would hope that a representative who was democratically chosen by the milk retailers' sector and industry would... part of what they would bring to the table would be encouragement and consensus on how the dairy could best increase the sales of milk to shops, commercial establishments and households, and how, in the age of social media, modern technology apps, that could be achieved utilising the expertise of the existing distribution system.

When it comes to what we bring to the table, what do *I* bring to the table? What do politicians bring to the table? (*Interjection and laughter*) The Deputy St Pier notion of a commercialised approach, when predominantly bankers, lawyers and accountants and very successful people in business go on to a board because of their skills or experience, completely undermines the guild sense of representing the entire community of ages, gender and indeed different socio-economic positions. I think we have to be wary of that – that a commercialised board is not completely agenda free. And anyway, in my view, the Dairy differs from many other commercialised entities of the States, not only because it is not commercialised, nor is there a proposal for it to be, but it clearly would not stand alone as a rival industry without significant States' support. In fact, I think it is misleading to call it an industry at all. Arguably, the Dairy should be managed by Public Services or the Environment Department, because it is not really going to bring us millions in the future – and I think everyone would acknowledge that.

Many aspects of Guernsey history, including the shows, do have sector representation. Where would the Eisteddfod be without representatives from each one of the popular areas of arts and crafts? I think the history of Guernsey shows that the representation from all the different sectors of an industry are more likely to achieve consensus than a small elite team of people who perhaps are not even familiar with the Guernsey history or way of life.

I do think we should give the benefit of the doubt to the Lowe amendment.

The Deputy Bailiff: Deputy Le Pelley.

Deputy Le Pelley: Thank you, sir.

I do not wish to speak for too long on this. I just feel that, in the checks and balances of things, if you are taking the view of one end of the chain you should be looking at the other end as well. I would urge Members to try and show a degree of fairness across the whole spectrum of milk, from the cow right the way... I am not suggesting you are going to get a cow in there, (*Laughter and interjection*) but I am suggesting that if you have got a farmer representing the farmers' views, you should also have a milk retailer representing the views of the milk retailers. I understand where Deputy Fallaize and Deputy St Pier are coming from in... They are saying, 'Should there really be a farmer there?' but if there is a farmer there – and there is – then there should be a milk retailer too. It is all about checks and balances. I think we need to give everybody a fair chance of expressing their views. Otherwise, we are just going to have one particular viewpoint put, and it is going to be an imbalanced view that is coming back to this Assembly.

I urge people to support the Lowe amendment.

The Deputy Bailiff: Deputy Sherbourne.

Deputy Sherbourne: Thank you, sir.

I am initially attracted to the concept. As a democrat, I believe that people should play a full part in our community. There is an argument that in fact the probably more like eight hours that we will have spent on this debate might have been unnecessary had the milk retailers played a part and had the right sort of dialogue with the Dairy board some years ago. I think it is the fact that keeping people out of the loop creates suspicion. You are not necessarily getting the best from people. We did not get the best from the milk retailers at the Cotils. In fact, we probably got the worst. (**A Member:** Yes.) I went with a very open mind and I was almost, I believe, abused to start off with. When I heard the argument, I thought, 'No, there is a point here,' and it was the reason I felt very uncomfortable with the entirety of the Dairy report.

So I do believe there is a case to engage with people. They must play a part in the dialogue that goes on as a result of the amendment that was passed, the Fallaize amendment. They must play a part. I suppose that part will be with Commerce & Employment; but why not, as part of the future vision for the dairy industry? Keeping them out, I suspect, will not help. So I am attracted to the Proposition and I think we need to think very carefully before we reject it.

The Deputy Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir.

I would just like to reiterate to my colleagues that the new management board is to drive the industry forward. It is not a focus group, it is not some sort of collection of arbitrary people to come together as a consensus; it is a team to drive forward the industry. I am sure that team, when they set themselves up, if

they need to speak to the retailers or farmers in more detail, or to consumers, will put that in train. So, please, take heed of the advice from our Treasury Minister that when you are setting up these organisations you need to look at the governance and make sure we focus on what those people are there to do, which is drive the industry forward, not necessarily at that level looking at individual pockets of their particular specialism.

Thank you, sir.

The Deputy Bailiff: With no-one else rising, I will turn to the Minister of the Department, Deputy Stewart, to reply on the amendment.

Deputy Stewart: Deputy Bailiff, I just really want to underline the fact that the farmer representative being proposed is just an interim measure until new Dairy governance is in place. Indeed, the farmers have already spoken to the board last week and said they are not sure whether they actually would want to sit on the board. What they would just like is very much a closer working relationship. So that is by no means a given. What we have said is just in the interim, and it was, in a way, to give the farmers some confidence that they will be working a lot closer with the Dairy. But, in fact, already that dialogue is going on in the background about how the farmers actually can see the best way they can work with the Dairy. So it is not a done deal that they would sit on the board, and it was only an interim measure that we were proposing until we come back with new Dairy governance to this Assembly.

You can see the real value in adding a farmer when there is so much to discuss between the farmers and the Dairy. Notwithstanding that, remember that the farmers are getting, at the moment, £2 million worth of state subsidy, and by having a States' Member on the board it does kind of bring it into the scrutiny loop. Also, the farmers have all their accounts visible as well to this Department and have done for many years.

So it is a totally different situation with the farmers and it is bringing that real focus of how important it is to get everything from the calving patterns right... and these things change on a fairly regular basis, so we do need to bring these two very closely together.

That is not to say the milk retailers will be excluded. We have heard from Deputy Lowe and Deputy Sherbourne this word 'excluding' the milk retailers. If you look at appendix 2 here, we had more meetings with the GMRA than any other single body; and not only that, there were numerous telephone calls as well, which are not reflected in this appendix, with both States' Members and with officers of my Department; and, of course, correspondence.

It has been very difficult, and I hope, if the GMRA can learn anything from this... we have to talk, we have to engage and we have to work together. Whatever happens after this debate, the door of C&E is open, the door of the Dairy is open, because we do need to work together to move forward. But I do not think it is appropriate, for all the reasons that the Treasury Minister has said, to have a representative of the milk retailers – which may not be a Member of the GMRA, incidentally – on the board, and how to achieve that. And then, if you did have that, why would you not have someone from Waitrose, someone from Alliance, someone from the Co-op – and what about the consumer panel representative?

I think Deputy Brouard is absolutely right: let's keep the board of the board, and let's... We can run as many focus groups or workshops, whatever you want to call them, around that. We probably will have to run those sort of workshops as we try and move the industry forward. But at this time, please, I ask you to vote against this particular amendment.

Thank you.

The Deputy Bailiff: Deputy Lowe to reply to the debate on the amendment she has proposed.

Deputy Lowe: Thank you, sir.

It is quite interesting, this great concern about good governance, and of course we sign up to good governance, so... I do not see any amendment coming forward from the Minister of Treasury & Resources or others, that said, 'Oh, we are not very happy that there is a farmer on there, because of good governance.'

Well, you should be removing the farmer, maybe, if that is not right. You cannot have it right for one and not for the other if you are talking about confidentiality as well.

I do not know... Well, I do know. I do know that previously, before the Machinery of Government 2004, we had a very successful Agriculture & Horticulture Board. We did not have these sort of arguments and all of these sort of things on the front of the paper that we have currently. We did not have the mistrust that we see in this Assembly currently, or outside, because they all worked together, because they were included. And if you are trying to build trust, the best thing to do is make sure you all work together, not

saying, 'Well, we are going to keep one close to us, but the other one, you can stay outside and we will talk to you when we actually want to talk to you.' And who is to say which farmer will be on there? There is great play about which milk retailer will be on there, but which farmer will be on there? Who is going to decide that?

Interestingly, the Minister has just said, 'Oh, it's only temporary.' Well, he needs to read his report. It says:

'Farmers should have a permanent place on the Board...'

That is not temporary. 'Permanent' begins with a 'p'; 'temporary' begins with a 't'. (*Laughter*) It is permanent – it says in here. So you need to remember what you have actually written in your report, Deputy Stewart, because it is a permanent role that you have in here.

John Cleal. You all had the letter which I circulated. Hopefully you will have read it. I only thought about it a couple of days before this debate and I apologise for not sending it earlier, but ask those who have been in the States previously: we have to keep recycling all the same paperwork because of the distrust... the problems we have with Commerce & Employment, who come up with a different angle to say this is the third time that it has come back to the States.

So, John Cleal. You saw his letter, which I circulated. John Cleal was a milk retailer and he was also on the Agriculture & Horticulture Board, and it worked very well. Are we saying that he broke good governance and he should not have been on there? I do not think so. As I say, that was part of the three-legged stool. He was well respected, and of course he was also a States' Member at the end as well.

This talk about, 'Well, the shops will be on there,' – well, no, they will not, because they have not got a licence. Shops have not got a licence. It is milk retailers who have got a licence. There seems to be this confusion from Commerce & Employment and they seem to think the shops have not... they cannot find their licences. As I explained this morning, shops are not licensed. It is only milk retailers who are licensed to supply milk. Shops are not licensed to supply milk, so they would not be on there, for that reason, as part of the triangle, because they are not that close to the workings of the Dairy.

So, if we want to build this trust and wanted to go forward, I do not see any problem whatsoever. The problem we have got is that Commerce & Employment are so entrenched that they cannot get on with the Guernsey Milk Retailers Association. Instead of saying, 'Yes, actually, it has happened before – let's draw a line in the sand and let's all work together,' this nonsense is found about confidentiality. Well, they managed before when they went through accounts on the previous committee. I do not know what the problem is now. Equally, we have stronger rules now in place, so if there is a conflict, somebody leaves that meeting while that is taking place. That does not mean to say you cannot be a member. You should all know about that, because I am sure that at some time or other you have had to leave a meeting, or declare an interest and then leave the meeting, and you do not get the paperwork etc. So the rules are very tight in the States now. They do not always apply, unfortunately; but they should do, and all we have to do is make sure there is good governance in the way you operate and how you circulate paperwork.

I would urge States Members to try and get this rift stopped and get all parties working together and support this amendment so that we have somebody from the milk retailers on this board in the same way that we have got the farmers.

If I could have a recorded vote, please.

The Deputy Bailiff: Thank you, Deputy Lowe.

There is a request for a recorded vote. This is the amendment, proposed by Deputy Lowe and seconded by Deputy Le Pelley, to insert some words at the end of Proposition 1(c).

Greffier.

There was a recorded vote.

The Deputy Bailiff: Members of the States, I will give you the formal result as and when it is available, but that appears to have been lost, and therefore we will move into general debate on Article IX. Who wishes to speak in general debate?

Deputy Storey.

Deputy Storey: Thank you, sir.

I think we really needed this report and the vision, because the farming industry is vital for our community and the farming industry's sustainability is just as vital. I think paragraph 1.3 explains the vision and the plan for the dairy industry and synopsis, which I think is very helpful.

The Minister said, in his introduction at the beginning of this debate, that he felt that the farming industry was in a fragile state and needed nurturing, and I agree with him. The vision looks for ongoing support for the Guernsey iconic breed, because quite often it is the Guernsey cow that is the face of

Guernsey and represents Guernsey in so many different ways. The vision sees comprehensive control on the importation of milk, which I think is vital for the support of the industry, and there is an implied wish to support Guernsey farmers, and that is great. Those three main objectives are supported by the continuation of the dairy farm management contracts, although reduced, and protection for our unique agricultural land heritage. When you look round Guernsey, you see a landscape which is completely different from landscapes that you might see – that I have managed to see, anyway – anywhere else in the world. It is unique and it is worth retaining and looking after. It also envisages a certain amount of flexibility in the land use for ancillary uses – ancillary to farming, rather than ancillary to other matters. I think that is quite a comprehensive degree of support for the dairy industry and I fully support those objectives and that vision.

I do have to disagree with the first comments by Treasury & Resources on page 2131, where they say that this report is ‘comprehensive and evidenced’. I do think it is *fairly* comprehensive, but I do not think, in many areas, it is properly evidenced. In fact, I think there is a significant lack of evidence or projected outcomes in this report; and yet we are being asked to support the vision without being told what the outcomes of that vision might be. The report does not look into the effect of its proposals on those who are most probably the most important participants in the industry: the farmers and the Dairy, and especially the consumer.

Firstly, perhaps I could look at the Dairy. Commercialisation is suggested and I think that is a great idea, but if we are going to look at commercialisation, I have to say, from my experience on the Dairy board in a previous States, we need a more commercial make-up of the board and possibly the senior management. The Dairy needs more capital expenditure to enable it to modernise and become more efficient, but it has limited reserves so where will these costs come from? Perhaps from increases in the gate price for milk, but we are not told where the cash is going to come from for this modernisation which is essential. We are also told that there is going to be a reduction of land management payments to the dairy farmers and that will be made good by the Dairy, at least in the first year. That is another £200,000 a year. Where will that cash come from? We are not told, but it has got to come out of profit somewhere. Or does it also have to come from reserves? I do not think the Dairy has got that much in the way of reserves at the moment. There are no abstracts of the Dairy accounts in the report, so we do not know whether the cash is going to be available from revenue or whether it is going to have to be taken from reserves, and we do not know what the reserves are. So here we are, looking at the Dairy but with no projections for the use of the existing Dairy reserves in terms of capital expenditure for the land management payments, no projections on producer prices, no projections on gate prices, and no projections on retail prices. So, for me, looking at this report, whilst I agree with the principles of the vision, there is a lot of detail that is missing and needs to be filled in.

Secondly, I would like to look at the situation with the farmers. As has been said before in the debate, in the 1950’s there were over 400 farms – obviously too many. In 2014, I believe there are only 15 farms. Perhaps that is too little, I do not know; but what will be the impact of these proposals on these farmers? There is no estimation in this report, but putting together various bits of information that are available in the review group report – which I thought was extremely good – we are told that the average farm profit in 2012 was £50,000 a year. The reduction in the proposed farmland management payments by year 5 will amount to £1 million a year reduction. So, if I crudely divided that by 15, that means that on average a farm will lose £66,667 a year income. That loss in income is greater than the average profit of the farms, so are we going to end up in future with farms losing between £16,000 and £17,000 a year? That amount, I believe, is impossible to make up by efficiency gains, which is what is suggested in the report, so the only alternative, and the alternative I think that would have to be followed, is that the Dairy is going to have to increase the producer price.

If I look in the report at paragraphs 3.71, 3.74 and 3.78, it tells me that:

‘Contract payments were introduced in 2001 and as a consequence the Retail Price of milk was dramatically reduced.’

It also tells me that the reduction in contract payments:

‘may have an impact on the Producer Price paid by the Dairy to farmers for their milk, which may also create...’

– and these are the words in the report –

‘an upward pressure on the wholesale price of milk.’

What about the retail price? If you increase the wholesale price, you are going to put pressure on the retail price. So now here we have upward pressure on the gate price – that is the wholesale price – to replace the dairy land management contracts and to fund the modernisation of the Dairy. The current price for the consumer for a litre of milk is 111 pence. The report gives us no estimate of the average retail price likely to exist once these changes have been introduced. Is this a case of ‘don’t frighten the horses’? I suspect it most probably has something to do with that. In 2001, following the introduction of dairy land

management contracts, the retail price of milk reduced by 26 pence a litre. That is the ‘significant’ amount that is mentioned in the report. It was 26 pence a litre. If the same happens in reverse following the removal of half the contract payment, this most probably means a 13 pence increase in the retail price of milk at 2001 prices. If we add in some extra costs that will need to be covered by the Dairy, because now they are commercialised and they are having to fund all their capital expenditure and maintenance themselves, then we could be looking at a retail price of somewhere between 125 pence and 130 pence per litre to cover the decrease in the land management and the cash the Dairy is going to need in order to maintain itself. This, it seems to me, is something that ought to have been clearly stated in this report, and yet it has been omitted because it might influence our decision as to whether or not we support the proposals in totality.

I have to say I do support the proposals in their totality and I will vote to support it, but my concern is that the Department have not been open with us in this Assembly about the consequences of what they intend in their vision. For me, this is a transfer of cost – i.e. a reduction of £1 million of land management fees to farmers – from the Commerce & Employment revenue expenditure to the public via increases in retail prices. None of these projections have been included in this report, so I ask myself why have these potential cost increases been camouflaged. At the end of the day, this is what the Guernsey consumer will be concerned about. They are going to be concerned about the increase in the retail price from 111 pence to between 125 pence and 130 pence, because it is going to hit them in the pocket.

I will support the proposals in this report as amended, but I am very concerned that the Minister did not provide the States and the public with this information, which I think is very fundamental to what is being proposed. What is actually being proposed, apart from the restructuring of the industry, is a transfer of cost from general revenue to the public – i.e. the consumer pays – and that is not made clear in the report, and I think it should have been.

I do not expect the Minister to answer my questions, because I think he is most probably as embarrassed as I was when I first read this report at the fact that that information is not available in the report. Nevertheless, I think, from the point of view of the vision, it is a good vision, but unfortunately all of the information that we ought to have been supplied with has not been supplied.

Thank you, sir.

Amendment by Deputies Lowe and Le Pelley:

Not carried – Pour 8, Contre 36, Ne vote pas 0, Absent 3

POUR

Deputy Dorey
Deputy Gollop
Deputy Sherbourne
Deputy Lester Queripel
Deputy Le Pelley
Deputy Laurie Queripel
Deputy Lowe
Deputy Le Lièvre

CONTRE

Deputy Duquemin
Deputy Green
Deputy Le Tocq
Deputy James
Deputy Adam
Deputy Perrot
Deputy Brouard
Deputy Wilkie
Deputy De Lisle
Deputy Burford
Deputy Inglis
Deputy Soulsby
Deputy Sillars
Deputy Luxon
Deputy O'Hara
Deputy Quin
Deputy Hadley
Alderney Rep. Jean
Alderney Rep. Harvey
Deputy Kuttelwascher
Deputy Brehaut
Deputy Domaille
Deputy Langlois
Deputy Robert Jones
Deputy Le Clerc
Deputy Conder
Deputy Storey
Deputy Bebb
Deputy St Pier
Deputy Stewart
Deputy Gillson
Deputy Ogier
Deputy Trott
Deputy Fallaize
Deputy Spruce
Deputy Collins

NE VOTE PAS

None

ABSENT

Deputy Paint
Deputy Harwood
Deputy David Jones

2625 **The Deputy Bailiff:** Before I call the next speaker, I can announce formally the results of the vote on the amendment proposed by Deputy Lowe and seconded by Deputy Le Pelley. Those who voted *Pour*, 8; *Contre*, 36. Accordingly, I declare the amendment lost.
Deputy De Lisle.

2630 **Deputy De Lisle:** Yes, sir. Despite all the debate over the last day, key to this report by the Commerce & Employment Department is the viability of the farming industry, which is in decline. The breed has been declining in numbers for some time. In fact, if you take a look at one of the special reports that we had written by Bill Luff, he indicates there that we are now down to 12,000 animals worldwide, whereas in the heyday, before the Second World War, there were in the region of 450,000 animals worldwide. But it is not
2635 only that. It is not only the breed that has been declining in numbers for some time, but it is the number of farms locally and milk production and sales. Sales in proportion to the rising population over recent years have definitely declined on this Island.

So sustainability of the industry and the breed is crucial and a priority, and I think we have to take this extremely seriously, because given the trends today – towards grow-your-own and self-sufficiency for food
2640 products, freshness and so on which can come through local products, and the need to protect the environment and agricultural land and our unique breed – the dairy industry is not only part of our heritage but also provides an example, a very real example, of what can be accomplished in self-sufficiency. When you consider that most of everything that we buy is imported into this Island, and we hear of the problems when a boat is not able to come into the harbour for some reason with the supplies, and the seriousness of
2645 that on the shelves in the supermarkets, you realise how important self-sufficiency is.

So, in reality, the Department is coming forward with a report to protect the Guernsey breed with robust import controls on liquid milk, to protect the rural environment and the existing rural character of the Island and agricultural land for agricultural use, and most of all to create a stable environment for investment in dairy farming, and thus protect the future of the dairy industry. That is what it is all about. It is not about a
2650 few distributors, which we have heard for a whole day and a half, or whatever it is – it seemed like two days! It is about the dairy industry, it is about creating a stable environment for investment in dairy farming and protecting the future of the dairy industry.

Thank you, sir.

2655 **The Deputy Bailiff:** Deputy Gillson.

Deputy Gillson: If no-one else is going to speak... I am supportive of most of this report. I think it is a good report, and having sat on the Commerce & Employment for a couple of years I realise the problems that they have encountered and the importance of the dairy industry to the Island as a whole. So I welcome
2660 some of the changes and a lot of what they are recommending.

A lot of the debate has centred around deliveries and methods of delivering; but assuming that Proposition 2 will be passed, then that will be debated fully again in a few months' time, so I am not going to really talk about that.

I am going to focus on another aspect of the report and the recommendations; in particular,
2665 recommendation 1(e), which relates to the reduction of the subsidy to farmers by £1 million. To state the obvious, the aim of the report is to protect the dairy industry as a whole. A key factor in the sustainability of the dairy industry, as has been said by Deputy Stewart, is the volume of milk going through the dairy, and to maintain that volume we have to ensure that the demand for local milk is not reduced by imports coming in. And so the ability to stop the imported milk is vital to this report and to approving the reduction of the
2670 £1 million subsidy.

If we just look at the history for a moment, the £2 million subsidy to farmers is key to being able to stop imports, because in effect the subsidy was a subsidy to consumers in that it reduces the price paid to farmers for their milk by £2 million. By taking £2 million out of the cost chain, it enables the retail price to be £2 million lower than it otherwise would be, hence why it can be viewed as a subsidy to consumers, but
2675 this reduction in retail price makes imported milk less commercially viable, less attractive and therefore less of a risk. Reducing that £1 million will, in effect, add £1 million into the cost chain. I accept that one of the proposals is to remove the fixed retail price but maintain the fixed gate price so we would stop having in effect that £1 million increase in total gate price cost. So, under those circumstances, any reduction the retailer may offer will have to be funded by a reduction in their profits. The cost chain will have still been
2680 increased by £1 million if this proposal goes through, which puts the pressure on the retail price of milk.

So, sir, for me to support the reduction of the subsidy, I need to be very comfortable – I need to be totally comfortable – just how secure and defensible the game changer is, the game changer that could stop the importation of milk, and so far I am not that comfortable with it.

Unfortunately, I did not find the advice from HM Procureur to be clear enough for me. I know that
2685 Deputy Stewart said that they, as the board, are very comfortable in this respect; but with respect to the

board, the comfort of other Deputies with regard to a matter of legal risk is not enough for me to be comfortable. So I am still not able to say that I would support that. What I really need to know... and perhaps when HM Procureur comes back we can have some clear advice as to what that risk is and the magnitude of the risk, because at the moment I am not happy to support that at all. I really do not feel I know enough about how the game has changed and the magnitude of the risk – how the risk has reduced – to be able to support that particular Resolution.

A little bit embarrassing that I have to speak, as no-one else did, when the Procureur is not in the Chamber, but no doubt he will be at some point come back. Perhaps when he is back can we put that question to him?

The Deputy Bailiff: We can, *if* he comes back before we conclude the debate. Otherwise, we would have to adjourn.

Deputy Gillson: Yes, because depending how clear his advice is... His view of the magnitude of the risk is key to me being able to support this or not. Without better clarification, I would have to vote against 1(e) and I would have to urge other Members to vote against 1(e). (*Interjection and laughter*)

The Deputy Bailiff: Just a moment. Is there anyone else who wishes to speak at the moment?
Deputy Le Tocq, Chief Minister.

The Chief Minister (Deputy Le Tocq): Sir, I will be brief.

We are obviously now faced with voting on the amended Propositions. I did warn Deputy Fallaize that I was nearly tempted to not give my support to his Proposition, because in the amended Proposition 1(c) there is an awful error – in fact, there are two awful errors. One is that there is an apostrophe after a compound adjective, (*Laughter*) and secondly because ‘States-owned’ is an adjective, there should not be a comma after it, but I really held myself in and was happy in the end to vote it. It is easy to let that slip past your eyes. (*Laughter*)

A Member: I wouldn’t worry!

Deputy Le Tocq: But there you go. Sorry, I won’t milk it anymore! (*Laughter*)

Seriously though, in Proposition 2 there is a concern. I think it was raised in the debate on the amendment by Deputy Brouard, and I do think that we need to recognise what we are asking the Commerce & Employment Department to do, and not think that we are solving this issue by voting for this Proposition.

We need to understand what it will do, and I think it is particularly in the wording of ‘the optimum distribution’. I am glad that the Deputy Chief Minister, when he spoke earlier, used the term ‘a decent exit strategy’, because I do believe that optimum distribution and retailing arrangements – the *crème de la crème* of retail arrangements, if you want... Sorry, I said I wouldn’t do that anymore! But I do think that will be very difficult to find and we will probably have the same sort of debate that went on within the Commerce & Employment Department regarding this, because there are many different stakeholders and what is optimum for one, and indeed in a changing market environment and a changing... Certainly we are very different today, in terms of retail practice and even milk production, than in the 1950’s, and there has been a lot of referral back to how things used to be, but of course we are dealing in a market that is changing rapidly and no doubt will change even further.

And so let’s just be realistic. I am not suggesting we vote against that Proposition; I am just saying let’s understand that we are probably going to have a debate at some point with a report that will say that there is not an optimum for everyone that will not actually... It will not provide for us a means that will say, ‘Well, that’s good, we’ve ticked the box and everybody is happy.’ We are to some degree kicking the can down the road. We will have to return to it, and I am sure when Commerce & Employment brings a report they will be informing us of that fact when they present something to us, because it is not going to be possible to please everyone in this particular area.

I do think what has been missed in the debate – and it is a bit of a shame, although there have been some loose references to it – is that the report did pick up on the most important parts of this: our dairy farmers, our industry, our cows – it would be wonderful if we could have a cows’ contribution to this debate in some way – and the consumers. The beginning and the end of the process are in fact the most important parts of this, because I am sure that the bits in between are going to continue to change over the course of time, and for us to try and control that in some way is actually going to be not only very difficult, but actually going to be unfair in the end.

The produce that we produce in Guernsey through our farms is excellent, is fantastic and is world-renowned and we want to protect that, and that is what I believe Commerce & Employment is seeking to do. We have also got a customer base here in Guernsey and that is going to continue in various forms, and I

am sure that will change as well and the way in which those customers relate to the produce will change. So I think we need to be cognisant of the fact that the bits in between, including the Dairy, will probably change in future because there are new technologies moving in and it may well be that it is appropriate to bring some flexibility into that in the future.

I am certainly going to support this, but I just wanted to flag up that particular issue.
Thank you, sir.

The Deputy Bailiff: Deputy Bebb, to be followed by Deputy Luxon.

Deputy Bebb: Thank you, Mr Deputy Bailiff.

I will keep this very brief. Members, I know that we are actually looking at the Dairy. I congratulate the Department on the report, but it is a subsidy that we are actually giving.

If Members were to cast their minds back about two years now, they will remember the 113th Medical Officer of Health Report. Whilst everybody got very worked up about health inequality, the other part of the report dealt with dental care. Members will probably be quite surprised that the number-one cause of people being admitted into our Accident & Emergency – the same as the UK – is dental. I would suggest that recommendation 29 of the 113th Report was to consider a policy of taxation of sugar-sweetened drinks. I know that the Minister of Treasury & Resources and all of those Members would hate to hear the word ‘hypothecation’, but I do believe that there may well be merit in consideration of taxation of sugary drinks and that that, in due course, could be a means of subsidising appropriately.

I personally would be more than happy to work with the Commerce & Employment Department and with Treasury & Resources in order to investigate the merits of such a proposal, but given that we are looking at a time that milk is considered to be the most appropriate drink for children, and indeed is far superior to what is currently being offered in terms of sugary drinks, I think that this is the time to embrace it and actually put the Dairy on a commercial footing with the backing of the health promotion.

Thank you.

The Deputy Bailiff: Deputy Luxon, to be followed by Deputy Fallaize.

Deputy Luxon: Thank you, sir.

Having approved the Fallaize-Perrot amendment, we now are going to come back in seven months’ time, and the irony is that the reason that Deputy Fallaize had to lay this report is because Commerce & Employment fudged their proposals to try and accommodate the needs and dynamics of the Guernsey Milk Retailers Association. So I would implore the Guernsey Milk Retailers Association to think hard and quickly and deeply, and convey and articulate exactly what it is that they would like to see in terms of their role going forward. I met with the Chairman of the GMRA a few weeks ago and had this conversation with him and asked him if he could share with me exactly what the objectives, the needs, the outcomes were that his Association had and wanted. He explained that they were not in a position to do so, and I have still not received that detail.

So if Commerce & Employment are going to be able to deliver in seven months’ time, as the Fallaize-Perrot amendment asked for, proposals for the long-term sustainability and success of the Island’s dairy industry, then we absolutely do need to understand what the GMRA members themselves actually see as part of their future. Otherwise, we will have this same debate in seven months’ time and be no further forward.

This is a mess, and it is a mess because it is complex. The people of Guernsey clearly have said, as Deputy Perrot articulated, that we want to see the countryside in Guernsey as it is. The farmers therefore... Obviously, we ask them to then operate their dairy business, but of course they need a price that allows them to make a profit. The Dairy feels hamstrung because we ask them to do all sorts of things but do not give them the autonomy to be able to get on with it. The milk retailers, or the roundsmen, feel frustrated because they feel that they are being marginalised, and of course the retailers – the actual true retailers, the shop retailers – are frustrated because they cannot give their customers choice, they cannot give them price choice, and they feel frustrated. The consumer should be frustrated because they are paying too much. They are paying a retail price that they should not need to if there was an optimal distribution system in place, but of course the consumers are the people who want the fields to be good in Guernsey. It is complex and it is a mess.

The single biggest reason for me, sir, in terms of why this report that Commerce & Employment brought, having written a fantastic review report, but a report with proposals that really were not as fit for purpose as we would like them to be, is because the dynamics have changed and the milk retailers, the roundsmen, the distributors, have become marginalised in this process. It is not their fault. I have great empathy. They were very passionate and shared real emotion in terms of the impact that the last 10, 12, 15 years have had on some of their members, and it was clear that some of them are stressed and have become

unwell. Unfortunately, they have got so deep into their problems that they are not playing a constructive part any more in the dialogue and debate, which is why I am glad we did not vote to include one of them on the Dairy Management Board, because we would just continue to see this alienation between them and Commerce & Employment.

I truly would implore the Guernsey milk retailers – who clearly are well thought of by circa a third of our householders, who continue to buy milk outside of the chill chain at a price too high, and yet they still keep on supporting their milkmen so there is clearly something in the service that some consumers in Guernsey like and are prepared to pay for – but, please, let us know what it is that you want, so that we can then try and ask Commerce & Employment to incorporate that into their strategy and vision.

Thank you, sir.

The Deputy Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I think it is 10 months, actually, not seven months when we will have our next debate, or when C&E have to bring back their report. But something on this Proposition 2 as amended, or a couple of points.

First of all, the Chief Minister doubts that it will be possible for the Department to lay proposals with which all parties are content, and I agree with him, but the amendment does not actually ask for proposals – or the Proposition as amended does not require proposals with which everyone is content. It requires the Department to set out what, in its opinion, are the optimum distribution and retailing arrangements for the sake of the industry. Actually, what we know is that the optimum arrangements for the Dairy and the optimum arrangements for the large commercial outlets and the optimum arrangements for the Commerce & Employment Department are probably quite similar. The optimum arrangements for the existing distributors are not similar, but the Proposition as amended includes putting in place mitigating measures to address any adverse consequences upon existing milk distributors of moving to such arrangements. It could almost have been possible to have set out in an amendment the optimum arrangements. We can leave it to C&E, but we can have a pretty good idea what the optimum arrangements are going to be that they set out, and I would suggest that the one party which is most likely to be aggrieved by the optimum arrangements will be the party for which the mitigating measures will have been put in place. That is basically the reason I see the amended Proposition 2 as a way forward, or as ‘an exit strategy’, to use Deputy Langlois’ words.

Another reason why I do not think we will have the same debate is because, by their own admission, Commerce & Employment Department have put these proposals regarding distribution with one hand tied behind their back. They have not put the optimum arrangements and they were not prepared to consider mitigating measures. When I first raised mitigating measures with Members of the Department – if looks could kill – there was absolutely no way at all that they were going to consider mitigating measures, and I think that was their starting point. If you enter the question about what are the best distribution arrangements to put in place, and your first principle is ‘whatever happens we will not consider putting in place mitigating measures for the existing distributors’, then you are never going to reach the best proposals, and I think that is the position the Department had got itself into. Well, now, by the direction of the States, it can move on from that. It has been directed to examine mitigating measures. I think that will lubricate the process and I fully expect the Department to come back, setting out their optimum arrangements. They will not have one hand tied behind their back, and I am more confident that they can get right what they have not got right in this report.

As I said when I opened on my amendment, I think they have got more or less everything else right. I commend them again for that, and I think it is a very good report.

I do share some of Deputy Gillson’s concerns about the reduction in the subsidy. I am not quite sure that the economics of the industry will work in exactly the way he envisages, because actually the producer price clearly will have to go up if the subsidy is going to be cut. Whether that will put the retail price up depends on lots of factors, including who is taking out the margin between the gate price and the retail price. And that, of course, depends on the distribution arrangements, which Commerce & Employment are now likely to suggest will change with their report next summer. So I do not think it necessarily follows that consumers will pay more for milk, although I think Deputy Luxon’s vision of consumers paying – I took it from his speech, quite a lot less for milk, is perhaps slightly optimistic, I think.

The reduction in subsidy is going to be staged and it will become... Well, if the Guernsey Farmers Association have got themselves properly organised, and I am sure they have, it will quite quickly become apparent if the phased reduction in the subsidy is having a very detrimental effect on them. For a start, they are going to have a seat on the Dairy Management Board, potentially, but I am sure they will be able to communicate to the Department. And if the Department feel that future staged reductions will have a detrimental effect that goes too far, then they can turn the tap off.

You have to have some faith, I think, in the Department. It has set out its vision; it has produced a report, the review group report, which has been widely commended. I have some faith in the Department

that they will be able to manage the relationship with the farmers appropriately; and if things in respect of the reduction of the subsidy are not going well, then they can propose adjusting it accordingly.

The one remaining area of concern I have, I suppose, is the transfer from quotas to milk supply agreements. As a person who is very interested in history, I suppose I am bound to say this, but I think that States' committees sometimes are guilty of not, frankly, researching history, and understanding... We use the phrase 'we are where we are', but we need to understand *why* we are where we are. Quotas were introduced for a very good reason. Deputy Le Lièvre has told us about some of those reasons. The Dairy had two million-plus litres of milk per year which it did not need, and it effectively had an arrangement in place with farmers that it would buy everything that could be produced. The Dairy was the meat in the sandwich, and it was being squeezed more and more and more. Those milk supply agreements are going to need to be extremely well crafted and tight not to go back to the same problems of overproduction which the quotas were introduced to alleviate, and that is my remaining concern.

I would appreciate some assurance from the Minister, when he sums up, about how the milk supply agreements, while not incurring the kind of problems which the quota system has obviously incurred, will be as effective as quotas have been at not having overproduction. We cannot put the Dairy back in the situation where it has some kind of *de facto* obligation to farmers to take every single litre of milk that is produced, because very quickly... What we have tended to do with this industry is we move the subsidy from one part of the industry to another part. It goes from farmers to distributors, distributors back to farmers, and the Dairy is subsidised by the taxpayer. Very quickly we will find that the subsidy that is being reduced from the farmers will have to be increased in supporting the revenues of the Dairy.

So I think some clarification around how milk supply agreements are going to work as effectively as quotas have worked to prevent overproduction would be useful, but other than that I will place my faith in the Department and in their report. It is a good report and I hope the States will vote for the Propositions as amended.

The Deputy Bailiff: Deputy Soulsby to be followed by Deputy Sillars.

Deputy Soulsby: Sir, this report is not just about the dairy industry. It is indeed entitled 'Dairy Farming in Guernsey and the Future', but that future is not just about the production of milk and the manufacturing of milk products. No, it is about the environment and heritage that make Guernsey the unique Island it is and that we, the States of Guernsey, have a duty to protect. As such, this report is incredibly important for this Island.

At the centre of all this is the Guernsey cow. Thanks to our entrepreneurial ancestors and to the experts of the present day, we have a pure breed that produces high-quality milk revered the world over. As part of the research I undertook when working on this report, I came across an American book entitled *The Guernsey Breed* by Mr Charles Hill, written in 1917 and recorded in the Biodiversity Heritage Library in the USA. In the foreword written by Mr W H Caldwell, of the American Guernsey Cattle Club, he states:

'The Island people in their manner of handling and caring for the breed and their tenacity shown in protecting its purity have contributed greatly to the development of the breed.'

He went on to say:

'The future of the Guernsey is a bright one. The public is fast demanding a better class of dairy products and is rapidly learning to make a distinction between the different grades of milk, cream and butter. The Guernsey and her grades stand without a peer in the economical production of products having the highest natural color and finest flavor.'

A Member: Hear, hear.

Deputy Soulsby: Indeed, today, Islanders take great pride in their milk, cream, butter and ice-cream, as the results of the Island Analysis survey, included in the appendix to the review group report, has shown.

Sadly, since 1917, where the Guernsey cow was once a dominant breed it is endangered, if not now classed as a rare breed. In fact, this Island has 10% of the entire world population of registered pedigree Guernsey cattle, with world numbers having fallen 21,000 in the last 20 years. However, it is now because of this rarity, or more accurately the dominance of just a small number of high-production breeds of cattle, that we can protect our dairy industry, our natural heritage and our environment.

It is estimated by the Food and Agriculture Organisation of the United Nations that the number of domestic animal breeds are dying out at the rate of six per month, with 30% of the world's breeds at risk of extinction. They are being replaced, in both developed and developing countries, by a few high-production breeds which increasingly are coming to rely on commercial feeds, antibiotics and other inputs of industrial agriculture.

2925 The world is beginning to wake up to this problem, and while some of this here may think that only negative things come out of the EU, that organisation is very much aware of the issue, having calculated that the loss of biodiversity costs it €450 billion year after year. This culminated in May 2011, with the European Commission adopting a strategy to halt the loss of biodiversity and ecosystem services in the EU by 2020.

2930 So the need to preserve the Guernsey cow breed means that not only must we continue to ban the import of dairy cattle, but also we must ensure that the threat of imported milk is lifted. This has been a cloud hanging over the industry for many years and resulted in uncertainty and concern that impacts investment and efficiency in the industry.

2935 It is therefore imperative that we get a new Ordinance in place as soon as possible to ensure we can effectively control importation, which we really believe all the evidence shows we can do. No, we cannot have cast-iron guarantees years and years into the future, but at the present moment in time we can see that we have strong evidence to show that we can control milk imports for all the reasons I just gave.

2940 I cannot say strongly enough how important it is that approval to this Proposition for the modernisation in the Ordinance is given today. With effective controls on importation we can focus on moving the industry forward to a sustainable future, and that means change. The one thing I have realised as our review progressed was, as I stated in the earlier debate, that this is an industry suffocated by its past and that the *status quo* is definitely not an option. The industry needs to be more sustainable, which means the current subsidy must be reduced and with it greater efficiencies achieved. In answer to Deputy Storey and Deputy Gillson, this is how producer price and gate price increases can be mitigated, and the key means of attaining this is through the farmers and Dairy working in partnership: the farmers, on the one hand, in providing an even supply of milk to the Dairy; and for the Dairy to have a governance structure that enables it to act in a more commercial manner.

2945 I would like to say at this point what an excellent job is being done by the manager, Andrew Tabel, and his staff at the Dairy. (**A Member:** Yes.) As a Member of the Dairy Management Board, I have seen first-hand the challenges they have faced over the last couple of years – SAP implementation being high on that list – and I admire the professionalism with which they have dealt with them.

2955 The Dairy Management Board believe these proposals will make a real difference. In particular, the transition from the quota system to milk supply agreements will benefit both the farmers and the Dairy. Quotas played a useful role in the past in stemming overproduction when it reached 9.8 million litres, but then have also had the effect of stifling growth and making it difficult for new entrants into the industry. So, in answer to Deputy Fallaize, they are inflexible and inhibit business development. Milk supply agreements will provide an element of control, but flexibility at the same time, enabling a matching of total farm milk supply to the needs of the market.

2960 It is true that the farmers did have some concerns about aspects of the report – the reduction in the subsidy understandably the biggest. However, instead of stomping their feet and making loud noises about it, the GFA were happy to speak openly to us and articulate the concerns that they had. Much credit needs to be given to the GFA, and James Watts in particular, (**A Member:** Hear, hear.) for the manner in which they have conducted themselves throughout the review and since the report was published. The proposals will mean change for them, and with change comes uncertainty. As such, I thank them for the trust that they are placing in Commerce & Employment and for expressing their support in what we are trying to achieve. This bodes well for the future as we work together with the farmers and the Dairy in developing a sustainable dairy industry.

2970 So we have developed a new structure that results in more modern arrangements for the farmers and the Dairy. I will not talk about the distributors now. I made clear how we got to where we are in the Fallaize amendment debate.

2975 What I will talk about, however, sir, is the one key stakeholder who has been generally forgotten in all this: the consumer. We know there is incredible brand loyalty, but are consumers getting value for money for their litre of milk? It became abundantly clear to me during this review that they are not, and in the current economic climate this should not be allowed to continue. Fixed pricing is an outdated, anachronistic mechanism that was brought in against the threat of imports. However, with the approval of this States to modernise this Ordinance, the reasoning for it goes away. Consumers are paying over the odds for their milk, and I will give a few examples just so there can be no doubt.

2980 Before I do so, I would like to thank the offices at the Hub for their assistance. This was a good test of SAP, and I am pretty sure that the information they have provided would not have been so easily available, if at all, previously, and it shows how it can assist us in making evidence-based decisions.

2985 The Hub was able to provide me with details of the cost of milk supplies to the States of Guernsey premises. Excluding schools, the total cost of milk supply for the first eight months of this year was £111,000. That is an annualised figure of £166,000. Of that, £112,000 is spent by HSSD. With the distributors getting a margin of 23.46 pence, this means it cost £24,000 a year to have milk delivered to that Department's premises. Now, there would be a *real* FTP saving! Interestingly, it is also more than the cost

of the water coolers that were taken out of the PEH. And talking of the PEH, it costs over £13,000 to have milk delivered a mile up the road from the Dairy to the Hospital, by two retailers to two different entrances – madness! There is a clear saving the HSSD Board could and I am sure would make, but currently has no means of doing so.

2990 Concern has been expressed that, if we end the fixed pricing on 1st January, the prices will zoom up and there will be a clamour for imports. Well, that is *not* how it will be. With the knowledge of the new Ordinances coming in, no-one is going to benefit from importation. The likelihood is that with competition there will be no price rise in the first place, and with exclusivity in place until the end of 2015, the retailers will be protected.

2995 We have a report here that gives a coherent and sustainable vision for the future of the dairy industry, that deals effectively with what are its most important stakeholders – the farmers, the Dairy and the consumer. We must action it now – action it to produce greater self-reliance and sustainability, and as far as possible in a changing and commercial world, more clarity for the industry, providing it with the most positive future it has had for decades.

3000 I therefore urge all Members to support the report as amended.

The Deputy Bailiff: Deputy Sillars.

Deputy Sillars: Sir, thank you, I will be brief.

3005 I sat on the Dairy Management Board for three years in the last term. I thoroughly enjoyed myself there and I actually applaud the report.

I still have a big concern though at the various highest level that... The Procureur tried to answer it and I listened very carefully, but I was not really understanding the actual answer – I was hoping for more of a yes or a no. I understand from comments from the Procureur you cannot predict how a challenge may come and how sure we are that we can defeat that challenge, but *all* the advice we had in the previous States – and, I imagine, previous – was that we probably could not stop imports coming in. We accepted that, which always made our reports slightly wishy-washy because we were terrified that we could actually open the floodgates and we would close the whole industry down.

3010 You tried to answer Deputy Brehaut's question, and I know Deputy Gillson has asked it, but could I have a shorter, slightly more... Yes, it has changed quite a lot in the last year or two since I was not on the C&E, and therefore the belief generally is that we can prevent more strongly imports coming in. Because you talked about 10, 20 years, it has been the same or similar, and I thought, 'Well, that is not... I was only two years ago, or three perhaps now – what has changed in the last three years?' Because this board, whilst they are prepared to stand up for it and that is great, and in the previous board we were able to stand up and say we would, but actually there is only 18 months to go. If there is a challenge, I suspect it will be another board, and I have no idea how they will feel or look at it. So we are committing another board to maybe face a challenge. So if we could have a slightly more specific answer on what has increased the assumption that we *can* defend against imports, I would much appreciate that.

3020 Thank you.

3025

The Deputy Bailiff: Mr Procureur.

The Procureur: I am afraid Deputy Sillars is going to feel let down, as is Deputy Gillson, because I cannot do that.

3030 What I can say, and I will try to say it more clearly, is that, whereas years ago it was really rather difficult to see any way in which, conformably with our obligations in European Community law, a straight ban on the importation of liquid milk could be compatible with our duty to allow free movement of goods, and in particular trade in agricultural products between the islands in the community... Whereas that was certainly the situation in the past, my understanding is that in more recent times a different, and some may say more enlightened, approach to the environment and the conservation of rare breeds has rather 'moved the goalposts', as the saying goes, and there is now a very respectable argument which can be made, and can be forcibly made, for the legitimacy of such measures.

3035 I cannot be more precise than that, and I say again that no Member of this Assembly should be under the illusion that any of the legislation which will be introduced will go without challenge. Whereas the Minister rightly says any legislation *might* be challenged, there are specific issues of which we are aware in this area. But an argument can be made and will be made, and has much more of a chance of being successful now than would have been the case in the past.

3040 Does that adequately address Deputy Gillson's issue as well, which he raised when I was out of the Chamber necessarily?

3045

The Deputy Bailiff: Deputy Gillson, if you want more clarity you will have to ask for it, but does that answer the question?

Deputy Gillson: Almost. Is it possible for you to give your assessment of the *level* of risk that we now have?

The Procurer: The level of risk is lower than it once was. (*Laughter*)

The Deputy Bailiff: Deputy Quin.

Deputy Quin: (*Laughter and applause*) May I congratulate the Department on its excellent report and back up your colleague here when he said Mr James Watts, as normal, did a wonderful presentation? Thank you.

I will get some water for my speech impediment! (*Laughter.*)

The Deputy Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you, sir. I will be very brief.

I know we do use this expression, 'we are where we are', but sometimes it does pay just to reflect, and as I said before, you generally do not use that expression in marine circles, you like to establish exactly why you have run a vessel aground.

The challenge for the Commerce & Employment Department is they had a number of obstacles left there through the passage of time, through history, that they had to deal with to make this report easier to sell to the States and to the community, probably.

One of the obstacles they faced was the Guernsey Milk Retailers Association, and the Minister was on air on the radio, saying that they were an opaque organisation and they did not want to submit their accounts. He also said that they picked the wrong Minister, which I thought was unfortunate – that they picked the wrong Minister. In other circles, that is something we just might call predetermination – that the Department took a position and were going to solidly defend it, and I think that was unfortunate.

They also would have known that there was a considerable element of *déjà vu* today. They would have also known that Deputy Lowe will also be an opponent to the proposals. So engaging with Deputy Lowe and the milk retailers earlier on... and I do not mean necessarily... because although we are talking about having arbitration after this, there was a time probably for mediation long before today and long before the report was published.

But the thing that gives me the most concern – and this is where I think respectfully... and I know that the Minister has just tweeted, with regard to his summing up, that we will need to tighten our seatbelts. I have to be careful what I say. (**A Member:** Ooh!) But the Milk Law... I would just say the Minister is being far too cavalier, because if you look at the manner in which this issue of the Milk Review is being dealt with, it has been in a way that has sought to challenge, to push through, to lead, and to do it in a manner that does not take people with you, unfortunately. And I think, especially with regard to the Milk Law and the vulnerability to milk sales generally, that cavalier approach has not helped.

Also, there is one thing I am still not too clear on, which came up around the C&E Board when we met with them, was this issue – and this is my rudimentary understanding – to flatten out the pattern of milk delivered to the Dairy and to take the milk, and the surplus milk becomes UHT milk, is sent to Jersey, and comes back to us in I think one-litre cartons of UHT. That does concern me, because people on a budget will buy UHT. Some people say they do not like the taste of it and they will not drink it, but some people on a budget will bulk buy UHT, and there is a risk that UHT bought in bulk on a regular basis compromises the fresh milk sales.

I will make the language used around this, which is... the good guys clearly... the script has to... and the message is being rammed home several times that the farmers are the good guys. I understand that, because without farmers we do not have cows and the whole milk chain collapses, but to say that the farmers opened up their accounts and the GMRA did not... The farmers are totally dependent on C&E. With the sums of money changing hands, the States would be irresponsible not to have an open-book policy with farmers for the subsidies they get, so it makes good sense in the interest of governance that the farmers submit their accounts. I have been self-employed before, and handing over your accounts to your accountant is bad enough, because there your life is in black and white, the trace that we all leave, and for milk retailers just to hand their accounts over to a States Department that has not been particularly generous towards them over time – and it takes two, I know, but I can see what the reluctance would be there.

But I just make one overarching statement, which I have made before with regard to C&E. If you could buy milk down an ISDN line, the Minister would be out there promoting it tomorrow. And that is the problem, because a new start-up digital company is fantastic, if it is a new techno FinTech initiative, 'Let's have a bit of that!' I know the scale is upped and there is more profit, but what the last Commerce & Employment could not do and this Commerce & Employment Board cannot do is small local business. I am afraid they do not do it particularly well, and it is unfortunate that, with everything that has gone before, the

Commerce & Employment Board could not come to this perhaps in a different manner and had mediation of all the parties involved, and long before now.

I will support this amended report, sir, but I am not the least bit comforted by what we have heard, respectfully, from the Procureur, because I think the approach that we have seen throughout, which is, 'We will draw a line in the sand and we will defend it,' is just, as I said earlier, a little bit too cavalier for me.

Thank you.

The Deputy Bailiff: As no-one else is rising, I will turn to the Minister, Deputy Stewart, to reply to the debate.

Deputy Stewart: Deputy Bailiff, thank you.

Just to cover off a few of the points – and we have had quite a long time, so I will actually be brief.

Deputy Storey, thank you for giving your support to this, and I understand you were concerned about where the outcomes were going. Well, of course a lot of this is going to come back, anyway. Now we have got the direction – or, if this all goes through, we will have the direction – we will come back regarding the milk retailers and we will come back with governance for the Dairy.

I would like to point, though, to page 13 of this report. This just outlines... You were saying about what were the outcomes. These are the key outcomes we are going to try and achieve, and as we said, we are on a journey as we start to go down that. So some of those things and getting it through here... there is absolutely no point in doing a massive report five times bigger than this, every single bit of detail put into it, if it is not going to get approved. Now it is approved, actually the real work starts now. We will be sitting down with the farmers, we will want to sit down with the GMRA, and let's start working together on this.

There are plenty of ideas around. We are discussing in here... and I take Deputy Brehaut's comment: of course not everything is about digital, but we have to look at digital emerging sectors. At the same time, we must not forget our traditional businesses. Within this report we are talking about revisiting maybe some way of funding farms, and at the same time we have been running, over the last year, small business workshops which help people understand everything from debt collection to managing their business. So to say that Commerce & Employment is not interested in small business is a little disingenuous. But we will move on from that.

In terms of the Ordinance, am I cavalier? No, but I think one has to absolutely give the impression... and the resolve that is around the board... so it is not really an impression, but it is a stance. Around the board we have listened to advice from the Law Officers, from our other officers, and in our view, first of all the current Ordinance we have we know – it is an open secret – is *totally* ineffective. So we are on shifting sands there straightaway. A new Ordinance, with the way that attitudes are in the EU – and it is not just officers I have spoken to; I have spoken to MEPs about this as well – there is a huge focus on the environment, there is a huge focus on rare and endangered breeds, and it was the decision of my board... And, Deputy Gillson, I appreciate you cannot say, 'Oh, we've got a 25% risk,' or whatever, but we think that if we are challenged we can put up a very robust defence, and in our view we think we would be able to defend a new Ordinance. There is work to be done on that, we are bringing it back to the Assembly, but we have to move from where we are anyway because the one we have now is totally unfit for purpose in a lot of areas, even to how it defines milk. But the advice that we have had is that we would be able to robustly defend that, and that is all we can say. Is it 75%, 80%, 95%? I do not know, but one thing that we are saying as a board is if we get that new Ordinance in and you import milk, you are going to get your collar felt – and it has our support. So I think that is all you can say, and once we have had a challenge it would probably, if we are then successful, further strengthen there. But whether we are cavalier, or just being resolute in what we are saying – well, you can make your own judgement.

I would like to thank everyone who has basically commented on the general thrust of the report. It has been a huge and fascinating piece of work for me. I came in with a totally open mind. I have actually made a lot of friends of farmers, and drunk unpasteurised milk since I have been doing this review – and it tastes fabulous – and it is a pity we cannot buy even a little bit of unpasteurised milk, because it is absolutely brilliant and there is so much more flavour to it.

I would like to thank Deputy Soulsby, who has done a *huge* amount of work on this, particularly over recent weeks, and indeed the staff at C&E.

I hope we can vote through these proposals and I hope we can move towards a much more sustainable dairy industry, and one that is fair for all.

The Deputy Bailiff: Members of the States, can we move to the vote on Article IX? There are three Propositions, they are the three Propositions from the amendment successfully moved by Deputy Fallaize and Deputy Perrot. Is there a request to have any of them taken separately?

Deputy Gillson.

3170 **Deputy Gillson:** 1(e), please.

The Deputy Bailiff: Well, we will take Proposition 1, paragraphs (a) to (d) first. Those in favour; those against.

3175 *Members voted Pour.*

The Deputy Bailiff: I declare those four subparagraphs carried.
Proposition 1(e) we will take separately – a simpler approach to milk pricing. Those in favour; those against.

3180 *Members voted Pour.*

The Deputy Bailiff: I will declare that also carried, but with minor dissension.
Moving to Proposition 1, subparagraphs (f) to (j). Those in favour; those against.

3185 *Members voted Pour.*

The Deputy Bailiff: I declare all of those subparagraphs carried, and therefore Proposition 1 as a whole is carried.

3190 I propose to put Propositions 2 and 3 to you together. Those in favour; those against.

Members voted Pour.

3195 **The Deputy Bailiff:** I declare both of those carried without dissension. All propositions carried.
Greffier.

TREASURY & RESOURCES DEPARTMENT

X. Guernsey Electricity Limited – Annual Report and Accounts – Report and Accounts noted

Article X.

The States are asked to decide:

Whether, after consideration of the Report dated 2nd July, 2014, of the Treasury and Resources Department, they are of the opinion to note the Annual Report and Accounts for Guernsey Electricity Ltd for the year-ending 31st March, 2014.

3200 **The Greffier:** Article X. The Treasury & Resources Department. Guernsey Electricity Ltd – Annual Report and Accounts

The Deputy Bailiff: Thank you.

I invite the Minister of the Department, Deputy St Pier to open the debate on this matter.

3205 **Deputy St Pier:** Sir, I shall be very brief.

The very brief States' Report covering the accounts which appear in the Billet, and they speak for themselves. I have nothing else to add to that, and I will obviously attempt to answer any questions or comments that arise, should there be any.

3210 However, I will, if I may sir, just briefly take the opportunity to expand on an issue which I mentioned yesterday in my statement in relation to sweating of assets.

If Members turn to page 2155 of the Billet, which is the balance sheet for Guernsey Electricity at 31st May 2014, they will see that the share capital of the business is about £109 million, the shareholders' funds are about £96 million – so, give or take a million or two, taxpayers have invested around £100 million in this business.

3215 If, as part of the process of sweating our assets, we were to determine, for the sake of argument, that a return on our capital that we would like is say 5%, we would be expecting a return of £5 million a year. The likely commercial response from any commercial board running that business would be to say, 'Well, that is actually quite an expensive cost of capital to us, we will look to refinance our business.' Typically, a utility company might have a debt-equity ratio of somewhere in the region 80:20. Being conservative, I am
3220 sure that we in Guernsey might opt for something lower, less racy – say a debt-equity ratio of 60:40. If that

debt was financed at say 4% on £60 million, and the remaining £40 million of capital was expected to produce a return of 5%, that would lower the cost of capital to the business, and therefore the consumer, from £5 million to £4.4 million.

The point of just illustrating this simple example is that, if over the medium-term we were to apply that logic and discipline across all our trading businesses, there is a significant opportunity for the taxpayer, and indeed the consumer, to benefit by several million pounds per annum. So it is not the Holy Grail by any means, but equally it is not snake oil and it is not to be sniffed at. I will be speaking further on this in the next month or so, ahead of the Budget Report, because it is an issue that we will need to consider in the context of any States of Guernsey bond issue, sir.

I will attempt to deal with any other issues that arise out of the accounts, sir.

The Deputy Bailiff: Deputy Luxon.

Deputy Luxon: Sir, could I just ask the T&R Minister whether or not, bearing in mind that the taxpayer and the consumer are one and the same, any saving to the taxpayer by the improvement he made would just be picked up by the same person as the consumer?

The Deputy Bailiff: Well, Deputy St Pier, I do not see anyone else rising, so there is that one matter to deal with, if you wish to.

Deputy St Pier: I will gladly summarise the debate, sir (*Laughter*).

Deputy Luxon does, of course, make a very valid point. Of course there is not a complete overlap between taxpayers and consumers, but they are largely the same group. Clearly, the point of the illustration is that there is a balance to be had between consumers and taxpayers, and I am sure Deputy Luxon would agree; and that is the debate and the issue which we must have as we determine what are the appropriate returns from our investments that we expect.

It is not a debate I would suggest, sir, that the States of Guernsey has given serious attention to over the years, but as we seek to manage in a financial environment which is considerably tighter than perhaps it was before, it is a valid question to ask and it is one that we do need to answer, as I am sure Deputy Luxon would agree.

Thank you, sir.

The Deputy Bailiff: Thank you very much.

Members of the States, there is a single Proposition. It is on page 2175 in the Billet, to note the Annual Report and Accounts for Guernsey Electricity Ltd for the year ending 31st March 2014. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare the Proposition duly carried.

HEALTH AND SOCIAL SERVICES DEPARTMENT

XI. Emergency Medicine Consultant (Charging) – Proposition carried

Article XI

The States are asked to decide:

Whether, after consideration of the Report dated 7th July, 2014, of the Health and Social Services Department, they are of the opinion to agree that, notwithstanding the 2002 States Resolution referred to in this Report, or any other States Resolution to the contrary, the Department is authorised to charge for the services of States-employed doctors (e.g. the Emergency Medicine Consultant) provided within the Accident and Emergency Service.

The Greffier: Article XI. Health and Social Services Department – Emergency Medicine Consultant (Charging).

The Deputy Bailiff: Can I turn to the Minister of the Health & Social Services Department, Deputy Dorey, to open the debate.

Deputy Dorey: Thank you, Mr Deputy Bailiff.

3265 The purpose of this States' Report is to make a technical change to existing resolutions which prevent HSSD charging for the work of an HSSD-employed doctor working in the A&E service.

Over 16,000 patients pass through A&E every year. At the moment, every patient who is seen by a Primary Care Company Ltd (PCCL) employed doctor in A&E services receives a bill. The fee depends on whether the patient is seen in working hours or out of hours and what kind of treatment is required.

3270 HSSD is now seeking to appoint an emergency medicine consultant who would be a direct employee of HSSD. When the consultant joins the Department, he or she will work alongside the other doctors in A&E. The consultant will have other responsibilities too in providing clinical leadership and developing the emergency care service, but an element of his or her work will be hands-on providing exactly the same treatments to exactly the same patients as all the other doctors in A&E.

3275 The emergency medicine consultant will be employed by HSSD, and HSSD is not allowed to charge for the work done by any of the doctors it employs. If this does not change, it means that you could have two patients receiving identical treatment in A&E, and one of those patients walking out without a bill. There is no logical justification for this, so HSSD is seeking to make the necessary changes to the existing framework of States' resolutions to avoid such a situation developing. That is the purpose of this States' Report: it is simply to avoid creating a loophole that would enable some patients in A&E to avoid fees and charges just because of the employment status of their doctor.

I recognise that States' Members will want to understand the context of this States' Report. In brief, in July 2013, the Health & Social Services Department decided to employ an emergency medicine consultant to enhance the clinical leadership in Accident & Emergency. This is consistent with the College of Emergency Medicine Review conducted in 2011, which acknowledged that the quality of care in A&E was generally good, but that clinical leadership accountability was an area for development. The appointment of a consultant was discussed and agreed with Primary Care Company Ltd and with a medical specialist group. There was a question over whether HSSD should employ the consultant directly or whether Primary Care Company Ltd, who provide all other doctor-led services in A&E, should do so. After due consideration, it was agreed that HSSD should employ the consultant. This reflects the fact that the A&E contract is due to expire in 2018 and both HSSD and Primary Care Company have indicated that they want to enter into renegotiation well before that expiry date. It is expected that the consultant will be an asset to HSSD in continuing to develop emergency care services. HSSD and Primary Care Company Ltd have negotiated a £210,000 reduction in the cost of the A&E contract to take effect once the emergency medicine consultant is appointed. This reflects the fact that when the consultant is on duty, the Primary Care Company will not have to provide the same level of doctor cover as at present.

3295 Recruitment for a consultant is proving challenging. Demand for any A&E doctors in the NHS is high, so HSSD is competing with health providers across the UK. HSSD has undertaken one recruitment cycle earlier in the year, but unfortunately it did not result in an appointment. A second recruitment campaign is underway. HSSD remains optimistic that an appropriate candidate will be found.

Some will question why the Department has not taken this as an opportunity to revise the whole charging structure in Accident & Emergency. Whether or not the charging structure needs to be revised, the basic answer is that this would substantially alter the terms of the contract with Primary Care Company. Both HSSD and Primary Care Company have agreed that they want to bring forward the renegotiation of the contract and this will provide the opportunity for HSSD to take a good look at the service as a whole.

3305 For the time being, the purpose of this States' Report is simply to make sure that the fee structure in A&E is consistent for all patients, no matter who their doctor is employed by. This is fair and straightforward and I trust States' Members will support it.

Thank you.

3310

The Deputy Bailiff: Deputy Gollop.

Deputy Gollop: Thank you, sir.

3315 I think when some people saw this at Social Security it was broadly supported, and I certainly can endorse Health & Social Services in a number of respects.

Clearly, the saving of money is to be applauded. It is of interest, I think, that the contract to date as quoted in the Billet was £878,000 in 2013, as quoted on page 2177 – not an inconsiderable sum of money – but savings have been made. Clearly, the cost of direct employment would appear to be cheaper than the alternative.

3320 I too have always supported the principle of a specialist consultant in this demanding and important field. That said, I have got to say it does cause me some minor dissent to continue to acknowledge the principle that Accident & Emergency services are not free at the point of use, and that we are forced to change a technical rule in order to continue with that policy, because specialists in other areas such as psychiatry *are* free at the point of use. It is my contention that A&E is on the front line of difficult social

3325 issues in our society and many people who seek the services are, to a degree, challenged by the constraints and situation that they live in and are not in a good position to pay – and indeed it is probably fair to say that not everybody *does* pay, inasmuch that not every bill is paid promptly.

I think there are issues with charging people in this way. It could be an example of where our whole medical system – that Deputy Adam's board, I know, looked at – is curious, because some people who can afford to pay are given specialist treatment of a considerable nature, whereas these many victims of society who perhaps end up in A&E are not in that situation. So I think the whole policy of the appropriate charging for Accident & Emergency should be addressed, and in a way we are just endorsing, I think, a rather unsatisfactory situation today.

3335 **The Deputy Bailiff:** Deputy De Lisle.

Deputy De Lisle: Sir, I believe that A&E of course is a very important service to our community, and I would like to ask the Minister what proportion of the consultant's costs and salary will be covered by the fees charged out, and also whether this element of charging may reduce the numbers that will use the facility of A&E – and that might be a concern perhaps to the Department as well.

Thank you, sir.

The Deputy Bailiff: Deputy Adam.

3345 **Deputy Adam:** Thank you, sir.

After what Deputy Gollop said about the whole medical system needing reviewing, I have to agree with that and I have been suggesting this for the last four years. But on this occasion, to me, this is what is termed a 'no-brainer'. Nevertheless, HSSD have no choice: you cannot have one doctor in A&E not charging and all the rest charging – it does not work out that way. As the Minister has said... Well, actually, in my opinion, this consultant should be employed either by the MSG – which, as you know, provides most of the consultants in the Hospital – or by the PCCL, which is the company that runs the A&E department. But both of these organisations are having negotiations – supposedly now, but probably not yet – on a new contract, and obviously maybe they do not want to take on a new consultant who is outwith the area that provides specialist consultations.

How much the consultant will earn will depend what the contract is, because nowadays consultants, especially NHS consultants, actually are – well, compared with how much I was paid when I worked there – fairly well-paid now. But the new contract with the UK government was fairly generous to the consultants and also to GPs, and that is one problem that we have to live with in Guernsey because that means that our consultants expect a better pay amount both in the Hospital and in the MSG – plus the consultants, and the GPs likewise, keep up with those in the UK.

As far as the service being charged for, the service has been charged for a good number of years; it is not just in the last year or two years. The contract that is held between HSSD and PCCL is not for management and treatment of patients in A&E; it is to provide 24/7 cover by a doctor for all of PEH. So, during the night time, if something occurs – a cardiac arrest, or drip issues or whatever, there is a doctor in the Hospital who can provide that service.

You may think that £800,000 is quite a lot, but if you are employing a professional person 24 hours a day, seven days a week and bank holidays etc, also covering to ensure that they are up to date with various qualifications – such as ATRS, which is advanced life support system; advanced trauma life support as well, plus paediatric life support – then you are going to have to help them to re-educate themselves etc. as well. So that is what the contract is for.

PCCL, as Deputy Dorey said, is providing probably, I would say, 80% if not more of the cost of consultants, and the only solution that is left is bringing a States' Report, because a previous report some 15 years ago stated that all services provided in the Hospital will be free at the point of contact – that is all doctors, etc – *except* for those attending the A&E department. So it has been in place for a long time, and this doctor soon to be working in A&E must be charged out at the same rate as the doctors working in A&E, so although this is a consultant who might expect higher, arguably, than the GP, because of specialism, they will be charged at... at least I *assume* they will be charged at the GP rate. Therefore, I suggest we accept this and move on to the next Article, sir. Thank you.

3380 **The Deputy Bailiff:** Deputy Hadley.

Deputy Hadley: I am sure Deputy Adam did not mean to mislead this Assembly, but I feel I must rise to correct the impression that he has given.

Most of the cost of the A&E service is met by the patient, who pays a fee of between £50 and £150 to see a doctor in the Accident & Emergency department. This means that while the States of Guernsey, the

Health & Social Services Department, pays about £870,000 a year, the patient probably pays round about £2 million a year. It is a service where the finances desperately need looking at.

3390 I do agree with him that it would be totally illogical for HSSD, or at least whoever employs the consultant, not to charge for the services of the consultant. That just would not work, because as he said, we might have a situation where one patient is treated and charged, and another treated in an identical way is not charged. I can see the logic for that.

3395 I think it is a pity that it is taking so long to appoint a consultant, because the money was going to come out of the profits of Primary Care Company Ltd, who are the recipients of the £2 million patient fees, probably, and the £870,000 from HSSD.

The Deputy Bailiff: Well, there is no-one else rising.

I will turn to Deputy Dorey, the Minister, to reply to the debate.

Deputy Dorey: Thank you. I will be very short, sir.

3400 Deputy Gollop talked about it being free at the point of use. We could not have it free at the point of use if there are primary care charges, as we have in Guernsey; otherwise, you would end up with the situation that you have in Jersey, where people will go to A&E rather than to their primary care surgery, and I do not think that is in anybody's interest to just clog up A&E with people who are avoiding going to their primary care doctor.

3405 Deputy De Lisle asked about what portion of the income: paragraph 19 on page 2179 says that the Department anticipates it would raise it up to £100,000 per annum. So we would have saved £210,000 and raised up to £100,000 per annum.

He asked: 'will charging reduce use?'. Well, it should have no effect, because we do not intend to charge any more or less than the Primary Care Company charges now.

3410 I thank Deputy Adam for his support, and Deputy Hadley, and all I say is that we are, as I said, bringing forward the renegotiation of the contract and we hope that we will have a new contract which will be beneficial to the people of Guernsey and HSSD.

Thank you.

3415 **The Deputy Bailiff:** Well, Members of the States, there is a single Proposition. It is on page 2182 in the Billet. All those in favour; those against.

Members voted Pour.

3420 **The Deputy Bailiff:** I declare the Proposition duly carried.

It is my estimation that the next Article, with an amendment, is unlikely to finish within three and a half minutes. Do you agree with that, Deputy Stewart?

3425 **Deputy Stewart:** I do not think it is particularly contentious, looking round the Assembly, sir.

The Deputy Bailiff: Let's take the next article then, Greffier.

COMMERCE & EMPLOYMENT DEPARTMENT

XII. Cull Cattle Compensation Scheme – Amended Proposition carried

Article XII.

The States are asked to decide:

Whether, after consideration of the Report dated 1st July, 2014, of the Commerce and Employment Department, they are of the opinion to agree that that the Cull Cattle Compensation Scheme, approved on 29th May 1996, shall end on 1st October 2014.

The Greffier: Article XII. Commerce & Employment Department – Cull Cattle Compensation Scheme.

The Deputy Bailiff: Deputy Stewart.

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Deputy Stewart: Mr Deputy Bailiff, fellow Members, I do not really have a speech on this. I think the report speaks to itself. Would you at this time like me to lay this amendment as well, sir?

The Deputy Bailiff: Yes, please.

Amendment:

To amend the proposition as follows:

Delete the words "... 1st October 2014" and replace with the words "... 1st January 2015"

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Deputy Stewart: The amendment is to delete the words in the Proposition '1st October 2014' and replace them with the words '1st January 2015'.

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This is because of one or two delays in the final... and we are into the *final* bits of snagging at the slaughterhouse. It is up and running, and running quite well, but to meet with all the EU propositions, and working with the Environmental Health Officer, we felt it was right just to delay the revoking of this Culled Cattle Compensation Scheme until the end of the year, which will give the farmers not only the ability to sell within the Bailiwick, but hopefully, by the New Year, into Europe and wider, should they so wish.

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The Deputy Bailiff: Deputy Brouard, do you formally second the amendment?

Deputy Brouard: Yes, sir.

The Deputy Bailiff: Is there any debate on the amendment?

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In that case, Members of the States, I will put the amendment to you, which is to substitute some words in the Proposition, proposed by the Minister, Deputy Stewart, and seconded by Deputy Brouard. Those in favour; those against.

Members voted Pour.

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The Deputy Bailiff: I declare the amendment duly carried.

Is there any debate on this Proposition as now amended?

On that basis, I will put to you the Proposition, which is on page 2188 in the Billet, subject to the amendment of the date at the end of the Proposition. Those in favour; those against.

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Members voted Pour.

The Deputy Bailiff: I declare the Proposition duly carried. Thank you.

Now I do genuinely estimate that the next matter is going to take longer than a few minutes. Do you agree, Deputy O'Hara?

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Deputy O'Hara: I do.

The Deputy Bailiff: Thank you very much. Then we will close for today and adjourn to 9.30 in the morning.

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The Assembly adjourned at 5.29 p.m.