



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Thursday, 11th December 2014

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Sir Richard J. Collas, Kt, Bailiff and Presiding Officer

Law Officers

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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, 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, L. S. Trott

The Vale

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

The Castel

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

The West

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

The South-East

Deputies H. J. R. Soulsby, R. W. Sillars, P. A. Luxon,
M. G. O'Hara, 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

S. M. D. Ross, Esq. (H.M. Senior Deputy Greffier)

Absent at the Evocation

Miss M.M.E. Pullum, Q.C. (H.M. Comptroller)
Deputy M. J. Storey (indisposé); Deputy S. A. James, M. B. E., (absent de l'île);
Deputy F. W. Quin, (absent de l'île)

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States of Deliberation

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

[THE BAILIFF *in the Chair*]

PRAYERS

The Senior Deputy Greffier

EVOCATION

CONVOCATION

Billet d'État XXVI

PUBLIC SERVICES DEPARTMENT

XII. Guernsey Airport Terminal Construction Project – Overspend and Post Implementation Review Summary – Propositions carried

Article XII.

The States are asked to decide:

Whether, after consideration of the Report dated 11th August, 2014, of the Public Services Department, and the appended Report of the Public Accounts Committee dated 19th September, 2014, they are of the opinion:

- 1. To note the contents of that Public Services Department's Report.*
- 2. To note the contents of the Public Accounts Committee's report, as appended to that Public Services Department Report.*
- 3. To sanction the overspend of £6,780,880 on the capital vote of £19,529,393 for the construction of a new Terminal Building and associated external works at Guernsey Airport, charged as capital expenditure in the accounts of Guernsey Airport.*

The Senior Deputy Greffier: Billet d'État XXVI, Article XII. Public Services Department – Guernsey Airport Terminal Construction Project – Overspend and Post Implementation Review Summary.

- 5 **The Bailiff:** The Minister for Public Services Department, Deputy Ogier, will open the debate.

Deputy Ogier: Thank you, sir.

- 10 The purpose of this Report is to advise the States of the final costs of the Airport Terminal reconstruction – a project completed in 2004 – and to report formally on the overspend and the findings of a Post Implementation Review of the Project. Due to ongoing legal disputes, this has only just been able to be completed some 10 years after the Terminal was opened.

- 15 This Report also delivers on a States' Resolution from March 2004, which required the Public Accounts Committee to review the process leading to the award, by the States, of the contract to Hochtief, particularly in respect of the adequacy, the financial checks undertaken on Hochtief.

15 This latter requirement was identified following a contractual issue on the project which led to a number of local sub-contractors and suppliers going without full payment.

The headlines of the Report are that the original budget for works was approved by the States of Deliberation in April 2002, at a cost of £19.5 million. The project works commenced in July 2002 and completed in November 2004, which was an overrun of four months on the original programme. Final costs were £26.3 million, which is an overspend of £6.8 million – largely due to contractors' claims.

Following conclusion of the works on site, a protracted legal dispute arose with the project consultants and this resulted in a High Court hearing in London in April of 2011.

Acting on legal advice, the Department asked the Public Accounts Committee in July 2012... that it considered a Post Implementation Review could take place, and this was commenced by the Internal Audit Unit in close liaison with PAC in autumn 2013, and concluded in March 2014.

The total costs of the project were financed by the Ports' Holding Account. The States agreed in January 2001 that the moneys would then be recovered through a specific Airport Development Charge, which has been applied and as at the end of 2013 the Airport Development Charge has generated approximately £10 million in additional income and this charge will need to be continued for another 20-plus years before the costs are recovered.

The findings of the Post Implementation Review make disappointing and regrettable reading. However, we should hear the message that the issues raised here belong to a different time and to a different method of managing States' projects. We should bear in mind that, owing to the experience gained from this project and others of the time, project management procedures have been significantly overhauled, to positive effect – as evidenced by the many projects that have been handled successfully by the States of Guernsey during the last 10 years.

Appendix 1 is an important part of the Post Implementation Review. This deals with the recommended changes along with the response of the States' Property Services. We read there were a number of difficulties which impacted on a level of financial control the Board of Administration was able to exert over the Project, which then led to inadequate and less than fully effective management of the Project and an escalation of costs.

The contract in place with the consultants did not provide the States with the right level of protection and control over delivery. Liability for poor delivery was unclear and apportioning responsibility was complex, resulting in increased costs, claims and eventual litigation. Pre-tender cost estimates were inaccurate and costing assessments at a number of key points in the tender process were also inaccurate.

Whilst a cost reduction and value engineering process was undertaken to reduce the tender price, a number of the cost reductions were not finalised before the contract was signed, which adversely impacted on the overall contract cost.

Contract management was not as effective, as it did not provide the level of authority and control required to enforce timely delivery of the quality and standards necessary for the project. This has now all changed – and has changed years ago. Project managers are now responsible for timely management of the projects, with rapid communication. Project programmes are realistic, updated regularly, agreed and communicated with regular updates to the project team and project boards.

Project boards have now been created with clear, agreed responsibility, authority and accountability, which includes political representation.

On Public Services Department we have recently felt the benefit of this during a capital infrastructure project, with a potential escalation of costs in a particular area, which we were able to deal with at the right time, with a solution found quickly and costs contained. *(Mobile phone ringing)* I will just have a sip of my water. *(Interjection)*

A Member: That will be £5 for autism 365! *(Laughter, applause and interjections)*

A Member: A Minimum of £5! *(Laughter)*

Deputy Ogier: We recently had an issue with one of our capital projects where costs were likely to go awry. We were able to take quick and decisive action and extra costs were averted on that occasion, so that is the way that we now deal with capital projects works. It has worked for a number of years and we see a recent history as States' capital projects are being delivered on time, on budget – from the new court building to the Airport redevelopment project and the Harbour Berths refurbishment – as a result of changes which have been made after we had such a spate of overspends 10 to 15 years ago. It is important to look back to what we have done and make adjustments as required.

I do not wish to spend too long in the past. This is a project we knew had overspent and, along with other projects of the time, led to significant fundamental and wholesale changes in the way the States goes about its capital projects, which has resulted already in years of successful capital projects being delivered on time and on budget.

The Post Implementation Review for the next significant Airport project – the Airport 2040 Pavements Project – is being compiled and I am advised by those who have reviewed an early draft of that document

that the next Project Implementation Review will be a more positive story on the management of that contract by the States.

80 In short, due to the mistakes of the Terminal reconstruction and many other projects of its time, the methods employed in managing projects are now very much improved, with very positive outcomes. The situations leading to this Report and others of its time have been resolved and have not recurred.

I am happy to take questions.

85 **The Bailiff:** Deputy De Lisle and Deputy Kuttelwascher and Deputy Dave Jones.

Deputy De Lisle: Sir, I was pleased that you insisted that time should be given for debate over the overspend and not rushed through last evening. (**A Member:** Hear, hear.)

90 The final costs and findings and review appear to cover up details of responsibility, which appears very diffused, I think, in reading the two assessments here, from the Department of Public Services and also the PAC.

95 Sir, the overspend is quite frightening, actually – almost £7 million – and I would like to question whether, in fact, the sub-contractors were paid money owed at any level. It is a crying shame if the States have paid this, or pay it – this overspend – to the main contractor, or whoever, but leave the sub-contractors unpaid for the work that they have carried out.

Sub-contractors continue to be vulnerable to financial failure, as I understand it, of the main contractor or subs. There is need for protections. Do we have a fool proof system of protection to sub or sub-contractors in place today? That is a question that I would like to put to the Minister, in his reply.

100 Sir, on the scandalous overspend of £7 million of public money, the Policy Council's concern – as it is put – is not good enough, nor are those of the T&R with regard to learned discipline.

What do the people get for this overspend? Where is the accountability? All we learn is a sort of expensive learning experience, and perhaps a more disciplined approach in the future. But what is that to do, really, with the £6.8 million overspend?

105 No responsibility seems to be laid on anyone. How can this be? Companies broken, others left unpaid and the public £7 million in the red. How can no one be accountable? (**A Member:** Hear, hear.) The Public Services Department has surely got to take responsibility for the overspend.

Some of the workmanship, too, is questionable. The walkway is disintegrating and rusting away, and no-one is doing anything about it – a disgrace to visitors coming to the Island. Who is responsible for doing something about that?

110 Sir, while I can note the PSD Report and the Public Accounts Committee Report, I cannot sanction the overspend of £6.78 million for construction of the Terminal building, especially when there are parts already in decay. There appears to be no accountability and no-one or nobody has taken responsibility.

Thank you, sir.

115 **The Bailiff:** Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

What a sad story! And it is history. Unfortunately, during that era there were other similar overspends – the new jetty at the Harbour, St Sampson's Fire Main; and that is not the end of the story.

120 So have we learned from this? I would say, oh, yes, most definitely. The Airport Project, the rehabilitation of the pavements, I believe, will turn out to be a successful project, although it is not quite closed yet.

125 In the end we have the ultimate control, through the States' Capital Investment Portfolio, and I think that is a great achievement because this States has accepted it. It provided rigours and discipline which should make the risk of such a thing ever happening again minimal, if not non-existent, and I think that is a great achievement of, in part, the last States and this States.

130 I am quite happy to say at this stage I get a little irritated by some of yesterday's politicians continually attacking this Assembly – and indeed the previous one – as the worst States ever, when we are actually beginning to put right the errors of the past. (**Several Members:** Hear, hear.) I think we should be, in a way, commended for that – self-gratification, if you like, but we have done it so far and my view is that – (*Interjection*) No, and it is the whole Assembly I am going to on their behalf.

So long as Departments accept the process we have in place and accept its rigours and disciplines, I think we will achieve a lot in terms of delivering projects at a reasonable cost and on time.

I really have no more to say on the matter.

135 Thank you, sir.

The Bailiff: Deputy Dave Jones and Deputy Soulsby and Deputy Gollop.

Deputy David Jones: Thank you, Mr Bailiff.

Members of the States, there are a few of us left in here of the old guard, who sat through this sorry state of affairs. I worked very closely with the former Deputy Eric Walters on the Requête, to try and get an investigation into what happened.

Deputy De Lisle asked why wasn't anybody brought to book at the time. It was a question many of us were asking at the time, I can assure you, but we did not get any answers that we wanted.

What saddens me more about this is the fact that the public of Guernsey are going to have to carry on paying this through the Airport Development Charge for another 20 years, because of the inept way that this contract was handled.

On the issue of sub-contractors – because I worked in this industry for 37 years – the sub-contractors would have been given a piece of that contract and it is up to them to do the site investigations before they give the main contractor a price, to see what they can do that part of the contract for.

Now, we have seen on several contracts that the site investigations have not been adequate; they have been pretty poor. If you go back to St Sampson's Harbour and the row over hitting granite, it was because they did not do enough core drilling across that Marina to find out how deep that blue granite was and how much there was of it. And the same with the Airport contract. The hard standing areas are exactly as they are described. The sub-contractor could not find a decent stone bottom on that occasion and kept pouring hard-core down this massive hole that he was never going to get paid for, because he had not done a site investigation to find out why the ground conditions were like they were. Had he done so, he would have priced a much higher price, and so it goes on.

But, of course, the knock-on effect for this is that it is passed down the line, and who took the can for it? A local plant hire contractor who did not get paid, and it damn near drove him to bankruptcy. I was incensed at the time because it was always the guy at the bottom of the heap – usually a local contractor – who picked up the can, and all the others waltzed off the Island taking the money with them.

It is true what Deputy Kuttelwascher says: since 2004, apart from the legacy of the Fire Main and the Jetty, which were started before the new systems came in, there has not been an overspend since the Policy Council was formed and the new – and it is one of those very...

We always say lessons have been learned, but I think the lessons have been learned! We know through the numerous housing projects that have taken place over the last 12 years. Treasury & Resources are all over it. They want to know is the money being spent correctly. There has not been a single overspend on any of those housing projects at all and we have done many of them, as I say, in the last 10 or 12 years. So lessons have been learned.

Deputy De Lisle also asked why PC are not raging against the storm, that this might happen again. Because PC – there was quite a lengthy discussion at PC over this particular item, as there should be – is confident. Policy Council is confident that these mistakes will not be repeated.

We have just had one of the most successful Airport contracts in Guernsey's history take place and I was one of the biggest naysayers at the beginning of that process, because I did not think that we should have gone to an outside contract; but you cannot argue that Lagan's have done a superb job for us. It was pricey but it seems to be the case with airports. But they have done a good job for us and we have got what we paid for, pretty much. There are some questions that will be asked, of course. I think, in talking to the PSD Minister, half of the Contingency Reserve on that has been spent, but there will be a full report on the costings of that at a later date, so we will talk about that then.

It is a catalogue of woe when you read it. It is a very well-written Report. Deputy De Lisle says, 'Oh, things are being covered up.' I did not read that. I read this Report. I thought it was very well written. It was very open palmed. It told you what the problems were. It told you who was responsible for them.

There was only question I had to ask when reading it, is I could not understand why the High Court case... Sorry, the court case against suing Babbie and others took place in London, but I have since been informed that wherever the contracts are signed, the contract people decide who will have legal jurisdiction over those contracts. In this case I think it was probably in London. But, apart from that, it does make sorry reading – this Report.

I believe that we have learned a lot of lessons from those days. We would never, ever enter into a contract like this again and we certainly would do much more due diligence. In fact one of the major complaints about local contractors is the over due diligence now about which makes it hard for them to compete, because there has to be solid financial backing and all the rest of it. Now you are damned if you do and damned if you don't, because Treasury insist on that now, and it was because it was not done in this case that this contract found it was in the mess it was come the end of it.

So Deputy De Lisle says also that we should not sanction this right off. Well, I do not know what you are going to do then, because the money is gone. The contract was 10 years ago. This is history. And this Report really is saying... I am glad it came to the States and actually glad the Bailiff insisted that we took some time over it, because it actually shows us, reading this Report – the catalogue of events that took place – that we should definitely make sure it never, ever happens again.

200 Thank you.

The Bailiff: Deputy Soulsby.

205 **Deputy Soulsby:** Sir, I will speak specifically in relation to the Public Accounts Committee's involvement in this Report.

Those Members who were around during the last States would be aware that in February 2012 the previous Public Accounts Committee sought to rescind the Requête of 2004 instructing it to report on a specific aspect of this Project – namely the process which led to the award of the contract, to ensure it was robust and well managed and, in particular, the financial checks carried out on Hochtief. However, I think
210 the States then made the right decision not to support that proposal.

It is probably true to say that project management has improved greatly in a number of areas since then. There are contract administration processes, standard procurement policy, pre-qualification questionnaires and risk registers. However, the current PAC does not think the picture is a rosy as made out by the PSD Minister, or by T&R and Policy Council, in their comments attached to this Report.

215 It is, therefore, important for Members here, and those involved in large scale projects, are made aware of the issues that still exist.

Then, as now, work commenced before contracts were signed. PAC has been made aware of issues that have arisen on other projects since the Airport Terminal build in 2004, where this has created problems and additional costs. We are also aware that contingencies are still not used for the purpose for which they were
220 intended, but as additional project funding. And, whilst it is true that in the last five or more years projects have not gone over budget, it is also true to say that projects have had sizeable contingencies which in several cases have been fully spent.

As I mentioned two weeks ago, post implementation reviews are still not fully disseminated so it is harder for lessons to be learned across the States.

225 Now, specifically in relation to financial assurances, checks were done on Hochtief and parental company guarantees were put in place. However, again, then as now, the financial situation of sub-contractors was not looked at as there was no contractual relationship with them.

In answer to Deputy De Lisle and as stated in PAC's Report, which is attached to the PSD Report, recent capital projects have introduced the concept of a project bank – a bit like an escrow account where
230 moneys paid into a bank account at each stage of the project are only paid out on the joint signature of the main contractor and the States, and this was trialled successfully at the Belle Greve Phase 5 Waste Water Project.

However, in large contracts where there may be several sub-sub-contractors, they will continue to be vulnerable. Such contractors need to ensure that, in accordance with commercial best practice, they have
235 their own contractual protections in place.

Finally, we must comment on the legal proceedings that were undertaken, and lasted eight years at substantial cost and without a satisfactory conclusion, so far as the States of Guernsey was concerned. The PAC would recommend that responsibilities in the legal decision-making process are fully understood and consideration is given as to the costs and risk associated with each course of action, to minimise the
240 likelihood of similar costly and protracted proceedings occurring in the future.

The Bailiff: Deputy Gollop.

Deputy Gollop: Sir, I think there are both positive and negative lessons to be learned from this.

245 I too am grateful that we were given the opportunity to come back today, although I was frustrated yesterday because one of the Departments had scheduled a meeting and it can be difficult when Departments schedule meetings on States' days, but never mind.

I remember an anecdote that I almost got into political trouble over, because I was interviewed by *The Guernsey Press* and I said I was convinced that the then Board of Administration had overspent on a project
250 because it was a growing issue. I said they spent £23 million and I thought, 'Mmm, I could be up. 'There was not a code of conduct then but I could have been reprimanded in one way or another, but in a way I was let off the hook because it was £26 million in the ultimate.

But it was a difficult time. It was a time of transition in Government. I think Deputy Trott and other Members learned the lessons from this, which is why we have had a culture of being on time and on budget
255 ever since, as well as looking at the economic model in terms of putting the building and larger construction sector within the context of a best price framework, and I think lawyers, officers, politicians, consultants, are all much more advanced, as the extensive appendix shows.

It is really pointless having an inquisition now 11 or 12 years after the fact, and I think the mood of the day that Deputy Dave Jones has captured was the much-respected and extremely popular Deputy Eric

260 Walters... led this Requête and he was renowned for the tenacity in which he spoke up for the ordinary working man and smaller contractor – and they felt that they were losing out.

The problem then, as now, has been the chain of command in relation to these projects. And, whereas Deputy Jones is absolutely right to say that the overspends do not occur any more and the contingency plan aspect of tenders has contributed to that, I suppose a cynic like me perhaps could argue that one reason why we do not get overspends anymore, is precisely because some of these projects in the good old days were politically under budgeted. Therefore the tendency for them to go over budget was always there; whereas now, if anything, we go over budget and build in a contingency which, of course, with effective management can be contained.

270 There are, I think, three or four unsatisfactory elements to this saga and I note what Deputy Kuttelwascher said. He has got an airplane tie on just to make us think about the Airport, and flying by the seat of our pants maybe!

But one aspect that one learns is the role of machinery of governance and scrutiny in the Chamber. This issue occurred in the system before the current one. It is actually four Assemblies ago. A long time back! The Requête, which was almost the dying Resolution of that Assembly, put the responsibility to the Public Accounts Committee, even though it was a Commission at the time. And the first Chairman of that, of course, was Douzenier, and then, Deputy Roderick Matthews, who some of us met the other day at a recent Douzaine meeting. He pointed out to us that his Committee was initially entrusted with this, and were unable to deliver because of the pressure brought to bear on them, by the then Public Services Department, not to conflict with any litigation that was going on. And there was a real tension there between openness and transparency and the need for the States to protect its interests when going to the Royal Court or the High Court.

The fact that this process lasted eight years is quite astonishing really and it was only a few months after the March 2012 debate, when Deputy Leon Gallienne put a Proposition that lost, that there was then permission, if you like, for the new Public Accounts Committee to finally complete the job, and even then although it is a good report, it is a very brief report, and it seemed to take six months for a three-page item.

I think the mood music when the Requête that Dave Jones and Mr Eric Walters laid was that there would be blood on the carpet, there would be names named, there would be the kind of thing Deputy De Lisle has hinted at. But that did not happen, but again, in that era, Deputy Harwood was very much making a case that scrutiny would deliver through Public Accounts and scrutiny openness, transparency and accountability. We never quite knew whether that meant political accountability or accountability of sub-contractors or civil servants but, whatever it did or did not mean, we have not actually seen that. That is the reality. What we have got now is a lesson to be learned, 11 years later.

In a way, the £26 million, which seemed such a scandal at the time, has got smaller with perspective, given the many big projects we have had and the inevitable fiscal restraint after Zero-10 and so on. But it is still salutary to think that we will have an extra nine years of paying back the Project, as Deputy Ogier reminded us, because of this and that will have a knock-on effect upon people's lifestyles and on tourism and business development; and also raises questions about how best to fund the Airport.

As I say, there is a lesson to be learned here, in working out the best system of scrutiny and public accounts methodology when you have projects like this, which will almost inevitably have a degree of legal arbitration afterwards if they go wrong.

The second point was that the Public Services Department were advised that they might have got £2 million or even £5 million back from litigation, and they ended up paying at least another half a million. So one questions why they continued so long with this London firm of solicitors, when it was obvious that they were not getting very far – in fact it was adding to the cost problems rather than acting as a solution.

305 So I feel there are lessons to be learned about the States' appreciation of the risks of litigation, and lessons to be learned about the correct format of scrutinising overspends. Whether it be done by Public Accounts or some other body; and there are also lessons to be learned about project management. Paradoxically, I think the project management improvements have been stronger than in the other fields.

310 There is one other point that I would wish to raise on the Public Accounts Report, which is quite clear in many ways, on page 2897 – top of – paragraph 2.5 it says:

'It is important to note that this scenario could occur again. Sub-contractors continue to be vulnerable to the financial failure of the companies with which they are contracting and need to ensure they put their own contractual protections in place.'

Now, the project bank of course partly alleviates that concern, but does not totally, and I would say that the States should consider carefully. They not only have a duty of care to the taxpayer to underwrite risk, they also have a duty to local sub-contractors, their employees and families; and I suspect at least one of the Deputy Queripel brothers would endorse that view.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

320 I am sure that colleagues among us who were connected with the Board of Admin at the time will wish to speak in this debate in due course, but before they do I think, in their defence – (*Interjection*) which is not, probably, a terribly popular stance to take this morning – the kind of projects which were undertaken at the turn of the century and of which this was one, and where there were overspends – and I will return to that word ‘overspend’ in a moment – were new types of project which the States had not really undertaken before, and they were, in some respects, in difficult environments. For example, the new Jetty. It has been 325 decades and decades since the States had undertaken a project of that nature.

I think it has to be recorded that the Board of Administration, though it clearly did not have project management skills or experience that were capable of managing these particular projects adequately, did do a great deal of good work for the States and for the Island.

330 What happened, I think, is that the States were quite suddenly awash with surpluses in the 1990’s and were able to pump much more investment into capital projects than they had been previously. But they came along too quickly and the project management processes, in a sense, had not caught up and I think, in a way, the outcome of the series of projects which Deputy Kuttelwascher listed earlier was probably inevitable.

335 Deputy Jones mentioned paying off the overspend for 20 years but, as Deputy Gollop has pointed out, I think it is nine years, because we would still be paying off the actual costs of developing the Airport Terminal now, and we would have to be, for several more years, even without the identified overspend. So I think it is important to put that into context.

340 The word ‘overspend’ is inflammatory because of the historical context. These have been huge election issues. Overspends have greatly influenced the whole dynamic, and the whole tenor of debate in the States now for many, many years; and I am not sure that we should be competing with our predecessors in terms of self-congratulation.

What is meant by an overspend is that the actual expenditure exceeded the budget – the original budget. Now, what we do not know is whether the original budget was ever plausible. I am not sure that this 345 overspend is necessarily the word that we should use to describe these incidents of 10 or 15 years ago. What it basically shows is that there was pretty abject project management undertaken.

It may well have been that they were under budgeted in the first place. In which case, it was not a true overspend. The problem was at a different stage of the project. And, as Deputy Soulsby has said, it is very easy not to have an overspend when you have huge contingencies on projects and when we now have 350 contingency funds which are designed in a different way and are much larger. Some projects have a Guernsey bias added to them. There are all sorts of contingencies added which were not 10, 15, 20 years ago.

So I think it is slightly distorting the truth to parade our successes and say that we have had no overspends for 10 years. We all do it because it is a good thing to say, and it sounds plausible – and it is 355 true in one sense, but I do think that part of the issue is because of the way that contingencies for projects are now organised.

But clearly a great deal has been done to improve project management, and though their processes are frustrating at times, the Department which really needs to be congratulated for all of that is Treasury & Resources, (**A Member:** Hear, hear.) because successive... (*Laughter*) Deputy Jones will not mind me 360 saying this: Deputy Jones always makes me chuckle when he says there has been no overspend since the inception of the Policy Council, when actually the Policy Council has got nothing at all to do with managing capital projects. It is done between the Treasury & Resources Department and all the other States’ Departments. If there is one part of the States which is not involved, it is the Policy Council.

It is actually true to say that since the Treasury & Resources Department – the inception of that 365 Department – there have not been any of the sorts of overspends that were experienced 10 or 15 years earlier, and it is down to their processes and their project management. And I think successive Treasury & Resources Departments, starting with Deputy Trott and then Deputy Parkinson and now Deputy St Pier, should be commended for the way that they have improved the management of projects.

Deputy Trott of course knew they had to be improved because of his experiences on the Board of 370 Admin. (*Laughter and interjection*) Oh, no, it is still quite funny.

But I do think that pride comes before a fall and I do not really like the self-congratulatory tone of some of the speakers.

For Deputy Kuttelwascher to say... I cannot remember the exact words, but he gave us the impression that it was almost impossible that this could ever happen again. And I just think that is an absurd thing to 375 say – Oh, I will happily give way.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Yes, because I can pick up on two points now.

The first one was I said it would reduce or minimise the risk and it is unlikely to happen again. So ‘minimising the risk’ I think is the correct term.

Secondly, Deputy Fallaize did mention the issue of contingencies, and I think there was an implication that they might be unreasonably high so that projects come in on budget. Well, States’ Property Services do publish a list of recommended contingencies as a percentage of project costs, which vary according to the risks to particular projects of different types. So there is some discipline involved in that. You cannot add any contingency you want and if a project was to come back with an unusually large contingency it would be challenged.

Thank you, sir.

Deputy Fallaize: Yes, I accept both of those points.

I think ‘unlikely’ is a fair assessment, but we certainly should not give the impression that it is impossible that this could happen again. And the point that I was making was that had the sort of discipline around contingencies that is applied now been applied then we probably would not be talking about overspends.

But the point I am making about not being too self-congratulatory is that the States in the post War period did go through a period of overspends and they corrected some of the problems that had been identified and went through a long period where there were no overspends, and then the overspends returned and now we are in this period where project management is improved and we are not recording overspends. But to suggest that we could never again experience these sorts of problems I think would be complacent.

It is a good Report from the Public Services Department but, in a way, the most important contribution is from the Public Accounts Committee and Deputy Soulsby’s speech this morning, where she says and her Committee says, that we should not be too self-congratulatory and that some of these problems could happen again.

For me, the most important paragraph is the one which highlights the on-going risks to sub-contractors because, yes, the overspend was concerning and alarming and now looks like a tail of misery, but at the time the most controversial issue, politically and publicly, was that sub-contractors were not paid, whereas the main contractor was paid. And actually nothing has changed, or very little has changed, to change or affect the likelihood of that happening again in the future.

So, while it is true that the project management processes have been improved and the overspends – as we tend to refer to them – are unlikely to arise at the moment, it is certainly the case that we should not send out the message that all of the concerns that were raised at the time of this project have suddenly gone away, because the number one public concern was that sub-contractors were out of pocket and the report of Deputy Soulsby’s Committee and her speech this morning makes it clear that that could happen today, every bit as much as it did 10 or 15 years ago.

Finally, sir, on the question of accountability, I must say I am not convinced that we have got the accountability through Project Boards absolutely right today. There has been some controversy most recently because of the preparation of the La Mare Project about whether Members of T&R should be sitting on Project Boards.

I do take the point of T&R that they have withdrawn their Members because they want to be able to analyse the proposals for reports in a more detached way than if they are heavily involved in Project Boards. I take that point, but I do not believe that it is absolutely clear who is accountable today. If this sort of thing were to happen again – an overspend of this nature – who politically, which Committee would be responsible? I still think there would be a great deal of blame apportioned by the sponsoring Committee to T&R and from T&R to the sponsoring Committee, and I am just not sure that we have got that absolutely right.

Thank you, sir.

The Bailiff: Deputy Hadley and then Deputy Domaille.

Deputy Hadley: I think I will start by agreeing with the last statement that Deputy Fallaize made. I do not know that we ever will get it right, and the complexity of building large projects is something that I think people do not think about too deeply.

Deputy Gollop referred to the St Sampson’s Harbour. Now, I was told by one of the people very closely involved in this that the States at that time decided to accept the lowest tender. However, having decided to accept the lowest tender, they then changed their mind and went back to the lowest tenderer and said, ‘Your price is a bit high. Try and get it a bit lower,’ despite the fact that the tender was known to be far too low in the first place. The result of this was that the contractor went bankrupt.

Now, as far as the Airport is concerned, somebody intimately involved in that said to me, ‘Well, actually the States got good value for what was produced.’ It is a really good Airport. Most of us believe

that it is the face of Guernsey to many people flying into our finance industry, and we need to have a smart looking Airport.

Now, over my life I have had to build a number of fairly substantial projects – of course, nothing the size of the States, but my company in the UK built a new headquarters which at today's value would be £3 million or £4 million, and we chose to do it on a design and build concept, so there was the certainty of what it was going to cost. But whether we paid over the odds or not was very much a finger in the air job. You look at the design and you think, 'Well, that seems reasonable value for it.'

On other projects, I have tried a different option of doing it on a fixed quote and then you know people are likely to put in a quote that is too high, to cover themselves. You could do it and you are paying an hourly rate and then you have got to worry about whether they are actually putting in the hours that they think they should.

Over here we have built a substantial house and I used a firm of quantity surveyors. Mind you, the bill from the quantity surveyors may well have been more than the money I would have saved. I mean, I will never know.

Again, I used experienced local architects in the belief that I would end up with a job which would work – and it did not work! (*Laughter*) And six or seven years later, after starting building a house, we are still trying to sort the basement out so it does not leak. So it is not an easy thing building a project, (*Interjections*) and whatever project we take on, whether it is design or build or whether it is paying for a perceived number of hours put into the project, there is not an easy way. And, while the public quite rightly want us to give value for money and to make sure the money of the States is not wasted, I think we would be fooling ourselves if we think we are necessarily going to get good value in the future.

The Bailiff: Deputy Domaille.

Deputy Domaille: Thank you, sir.

Actually I caught your eye half way through Deputy Fallaize's speech and he then went on to say some of the things I was going to say – better than I would, so there we go. I just endorse everything Deputy Fallaize has said, everything PSD has said and actually Deputy Hadley has just really highlighted the complex nature of building projects.

Construction projects are not simple and, quite bluntly, this Assembly is not really the body to start analysing and dissecting a construction project. And it has to be left to the professionals.

I would just like to put a few cautions in. I absolutely agree the way that the States approaches contracts now is chalk and cheese to the way it used to be done 20 or 30 years ago. When I started with the States – it must be, oh, I do not know, 45, 50, 45 years ago – the way that contracts were done was the senior architects decided which they were going to build, a school or a hospital – that was it. So to be analysing what has happened in the past is useful but does not really reflect on what we should be doing now.

Sub-contractors have been mentioned. Now, I feel for anyone who has done a job and has not been paid – I mean that is clearly the way it should be – but I have to caution, if you get involved in contracts between contractors and sub-contractors, sub-contractors and suppliers, sub-contractors and their sub-contractors, you are entering a real den and you can end up in an awful mess, and actually doing more harm than good. So be very, very careful if you decide to go down that route. That said, I do believe in looking after the sub-contractors. So I accept that.

Deputy Gollop has already made this point, as have others. It is easy to avoid overspending. Very easy. All you do is you inflate the risk register. You put in a sum against a risk for earthquake. You say, 'Oh, we never have an earthquake.' Guernsey had one. Well, you suddenly find there is £10,000 in for that. So that is the first thing you do.

The second thing you do is you inflate the need. You ask for something that is more than you actually need. So if you run into trouble you can cut it. That is the next thing you do. And then, finally, of course, you then inflate the contingencies. So you have added all this and then you add some more.

While we are being self-congratulatory, I have to say that the fact that you have avoided an overspending does not show you have had good value for money.

Now, in this – and we only have to go back to the last States' Meeting when we talked about a major school project – T&R have got an essential role to play here. They require our support. When they do their work early evaluation, evaluation of needs, of specification, the cost, early appointment of project managers, it is absolutely essential – and that all takes time. And when States' Members come along and say, 'We must have it now. This is urgent.' They have to draw breath and say, 'Wait a minute. Act in haste, repent at leisure.' So I am just saying that we need to make sure that T&R does its job. We need to be on their back but at the same time we need to be giving them support in their role.

Thank you, sir.

The Bailiff: Chief Minister, Deputy Le Tocq.

The Chief Minister (Deputy Le Tocq): I am glad to get up to speak at this juncture, because I saw Deputy Trott rising and I want to make a few comments before he does – actually to commend him, because I can give a little bit of a view from the bridge of that period in 2004 to 2008 because I was on Treasury & Resources at that time.

But, first of all, there have been some very good speeches and comments made, I think, that are relevant and need to be made regarding these issues but, as Deputy Domaille and perhaps others have alluded to, this is not the sort of thing that we can effectively do 10 years-plus after the issues were arising in this sort of Chamber.

We have a big problem being the public sector – being the Government – and doing projects such as these which no other organisation in Guernsey is going to undertake. We are also doing it right the way through under the public eye, from tender process right the way through to completion, and so it is always going to be difficult. And I pick up on Deputy Hadley's comments, that if private individuals and other businesses find it difficult to do projects and to manage the costs of projects then it is absolutely certain that we will as well.

But we need to improve and so I am not ashamed of the 'lessons must be learned' phrase because, unless we are willing to do that, then we will get nowhere. But there will no doubt be future lessons to learn as well – not least because, for all the reasons mentioned – and I will not rehearse them again – this was a difficult project at the end of an era of doing projects in a particular manner, that clearly changed and had to change, and Deputy Trott as the first Minister of T&R was ably placed to deal with those things. Having experienced the Board of Administration, and I will leave him to say what it was like there.

I think they did their best possibly, but there were all sorts of things – contractual agreements... The sort of types of contract and the sort of due diligence that was done all needed to change, and the formation of States' Property Services and the focus at the beginning of that period on ensuring that we did not continue to have huge overspends was a big part of that initial stage in T&R.

I found myself in the early days as a Member of the Construction Group... and also what was part of that, because let's remember there was an overheating of the construction industry as well, which caused all sorts of problems with sub-contractors as well – and expectations were high. All of that has changed as well and that is part of the economic cycle that, whilst we have some control over... and we did, by bringing in an economic model at the time which helped us to plan timings of major construction work which then helped the industry as well.

All of that was done as a result of the changes in 2014 and then subsequently other changes occurred afterwards, but I would commend Deputy Trott and his very able team at the T&R at the time, for focussing on those things and ensuring that some changes were put in place.

Now further change needs to happen because clearly at the time, to begin with, even after the changes, Technical Services, which existed under the PSD, were not used, clearly, to managing these sorts of projects. And that had to be reshaped and refocused, and a different way of obtaining those services rather than expecting them to be done in-house for all projects needed to occur. So further changes have occurred, as a result of that as well.

To pick up on something that Deputy De Lisle said right at the beginning, he criticised some of the wording in Policy Council's comments on this, and I do not disagree with him, but he only picked up the beginning comments and considerable concern. It does sound weak in the light of everything but further on I would point out Policy Council does use phraseology like 'severe failings', and there clearly were severe failings here, not just in terms of the so-called overspend – and I will touch on that for a moment.

I sort of agree with Deputy Matt Fallaize but the comments he made, in my mind, paint a bleaker picture because basically what he was saying is there were not overspends; we under budgeted in the first place because we did not really know what the costs were. Well, that is terrible. We do not know what the costs are. Now that is something that we will constantly grapple with and we need to get better, and this is a plea really for all ideas because we need to get better at finding out what real costs are, what the real costs are of doing any particular sorts of project. And we know, certainly, that we cannot just pluck figures from elsewhere and it depends where we get those figures from – from the UK or from other places similar to Guernsey – and say let's make a comparison and see where we are going.

There is some merit in that, but very little ultimate merit. It certainly is not the only way of dealing with it. I recently came across a primary school rebuild in the Isle of Man. I passed it on to the Education and Treasury Ministers and that is where I do think Policy Council has a part to play, because they were building a two-form entry primary school for £9 million. Now that is the message they got out, and I think the Education Minister was very quick to point out to me that that is the sort of prices we will pay here.

But because of the way in which do our tendering process, we include everything that goes out to the media like that and now we are in danger, as somebody said before – I think it was Deputy Gollop – of over budgeting for the sake of the problems we have had in the past.

Deputy Heidi Soulsby pointed out the issues of the contingency elements being used for the wrong purposes and I think that is certainly something that needs to be looked at properly, and we need to have better controls over that.

565 But I would encourage us to swallow hard and to look at ways in which we can do the process, the process we have got now is certainly a major improvement and will certainly ameliorate the sorts of challenges that we have had in the past, but I would look at further improvements and they will have to do with process because it is impossible to do the sorts of things that we looked to do in the past in the sort of public arena like this and to do them cost effectively.

570 We want transparency we need that sort of ability to do that but there will need to be a better means of doing things and sometimes just even learning from these things, to be able to report back quicker than we have in the past.

So, thank you, sir.

The Bailiff: Deputy Lowe.

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Deputy Lowe: Thank you, sir.

I really do not want to go back too far because I think we really are where we are, as they say, and hindsight is a wonderful thing. Suffice to say that some of the things that have been said this morning, where previously the States have managed to get things on time and on budget... but, of course, part of that wonderful saying 'on time and on budget' actually excludes the fact that, at times, things were stripped out of the contract to keep it within budget.

580 Take the court next door and take Beau Séjour, all of these things did not finish up as the States originally expected when they approved it in this Assembly. So there was a little bit of manipulation before you actually had the good pat on the back job to say we were on time and on budget.

585 And, of course, back in Deputy Trott's day the Board of Administration – I think he was Vice President at the time. No, he was not Vice President just a Member... but certainly the contingency has changed incredibly over the years.

If I remember rightly it used to be 5%. It has crept up to 7.5% and the report that the States made the wrong decision on for simultaneous electronic voting from my friend here behind me, actually had 15% contingency. I mean it is just getting crazy amounts and it should be standard, right across the States, of a contingency rather than just heavy load things to put States Members off certain things or, indeed, give the wrong impression to those out there that it will be putting in a tender because we have, suddenly, this large amount of money available when we have loaded it in the first place.

595 Nobody has actually mentioned the Airport Terminal at all. It is a good building. It is an excellent building. The only downside is you have to wait as long now to get your luggage as what it does take to fly in the jet from London to Guernsey and that is a downside of sitting and waiting at the Airport for 30 minutes for your bags to come along. So I think we have been let down on that side of it.

600 But the project teams and this is my main thrust of where I have concerns... because I was listening to Deputy Ogier very carefully on that and we was sort of promoting – and rightly so – that this will not happen again because we have project teams with Political Boards on them now. Well, going back to some of those – I am talking about before 2000 and 2004 – it was always the Political Members from Advisory & Finance and indeed the Committees involved that were on the Project Teams and indeed that has happened post 2004.

605 The La Mare de Carteret one, which we are all pretty sore about that happened last month. Perhaps if T&R had stayed on we would not have actually had the nonsense we have got now, where it has gone back. It is going to cost more money, I would suggest, and as things are stripped out and that we should still have, I believe, project boards that have T&R on board and indeed the Department concerned with that project.

610 The safeguard that you are looking for, because you do not want to be involved, you want to step back... You should be involved then at the beginning with the Department but it should go to PAC. It should go to PAC before it comes to the States. They are the ones that actually scrutinise it – the financial side of it.

615 So there is a way that we can get around this, so that when it actually comes to the States there has been another body look at that, and so we do not have all this squabbling like we had a fortnight ago and then a report is thrown out, after staff spending an enormous amount of time, that they have gone back to the drawing board to review it. That is not good use of staff time, it is not good use of resources and it is not a good use for the final net cost because I have no doubt at all in my mind that it will be more expensive, if we have exactly the same as actually came to the States.

620 So I would actually ask Policy Council to put that on their agenda, to decide how we are going to deal with these project teams, and it should be consistent right across the States that you have that political accountability and you have it from both sides – you have it from T&R and indeed from the Department concerned.

Thank you, sir.

The Bailiff: Deputy Trott, and then Deputy Wilkie and Deputy Brouard.

Deputy Trott: Thank you, sir.

Sir, as several Members have alluded, I was a Member of the Board of Administration at the time and its sole surviving Member, although Deputy Domaille was one of our advisors at the time.

So it was an absolutely extraordinary time. I could write a book about those first four years in my political career and genuinely believe that we learned more which the public sector has benefited from during that period of time than at any other time since. And I think some of the reasons for that were highlighted by the Chief Minister.

So, rather unusually, I am going to start by asking the Minister of the Public Services Department three questions. I am going to hand him my notes, so he need not scribble down too furiously.

Question number one is: with the benefit of hindsight and in the knowledge of how Members of this Assembly were advised at the time, was there any political impropriety or negligence in this matter?

The second question is: despite the cost overrun, did the Project outturn cost represent value for money?

And, thirdly, does it remain appropriate today for the relationship to continue to be between the main contractors and the sub-contractors rather than with the client directly – the client in this case being the States?

Now, sir, I mention that period – 2000 to 2004 – but in many respects the period that followed was equally interesting because I was, at the time, as Members will know, the Treasury Minister. I was also sitting on the Board of the Channel Island's largest firm of chartered architects and chartered surveyors, so I was witnessing, at first hand, the consequences of the tender price inflation that the Chief Minister referred to, and indeed just how overheated the construction industry in the Island was becoming and the consequences that followed on.

Deputy Ogier's introduction speech covered all the matters with real brevity, but there are three paragraphs in the Billet in front of us that I think address the difficulties as concisely as I could if I was writing the words myself.

I will start with paragraph 8.3:

'Throughout the Project there were a number of difficulties that impacted on the level of financial control the Board of Administration was able to exert over the project and this led to inadequate and less than fully effective management of the project and significant escalation of costs.'

In other words, the type of contract that was being used at the time meant that the Board of Administration's hands were somewhat tied. We rarely use that type of contract any more. We have matured and we use more sophisticated models that more appropriately allocate the risk where the risk can be best addressed.

The principle reason for this was that the contracts in place between the States and the consultants and the contractor did not provide the States with the right level of protection and control over delivery. Another significant factor was inaccuracy in the costing assessments at a number of key points in the tender process. The pre-tender estimate was inaccurate, which meant that there was a significant disparity between that and the tenders received.

So just imagine you are sat on a Department and you are surrounded by professional advisors, you have a tender specification and the pre-tender estimate comes back and it tells you that you can build this Airport for £16 million or £17 million. And then you go out to tender and the price that comes back is significantly inflated. Why? Because the advisors at the time had not fully understood just what was happening, the dynamics that were happening, in the industry here at the time, and that was a very material factor indeed. In fact, some people were suggesting that tender price inflation was rising at an annual rate of some 40-plus percent. Whether it ever got to those lofty heights, I know not, but it was certainly very significant.

Now, sir, we did experience an absolute perfect storm. The failure of the main sub-contractor was a key factor in that – a company called Concept Developments – and that was partly because of the manner in which we, as the client, scrutinised the financial records of sub-contractors. I think it is fair to say that had we appreciated Concepts', if you like, lack of developments, lack of financial depth, we may have used the one influence we had over the main contractor to not allow them to use them. I say 'we may have', because I am not sure whether we actually could have because that was, as I said, a matter for the main contractor.

Now, with regards changing risks profile, many Members have talked about whether if you have a bigger contingency you cover yourselves better. Whether you have a big contingency or not you still have to prove at the end of the contract that the contingency use was justified. So it is not a complete get out of jail card, but what is an absolute given – and I think the Chairman of the Public Accounts Committee addressed this – is you cannot avoid paying for risk. If you want to transfer the risk of a contract away to

680 someone else, it comes at a cost and that risk can often be hidden, masked within the overall cost of the project.

So, sir, I suspect that when the Minister of the Public Services Department answers those three questions, Members will be left in no doubt that, yes, lessons have been learned, but at the time there was certainly no funny business going on at the Board of Administration. It was doing its best following the
685 advice that it received at the time. And I hope Members will share that view once we hear the comments of the Public Services Minister.

Thank you, sir.

The Bailiff: Deputy Wilkie.

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Deputy Wilkie: Thank you, sir.

I would like to make a declaration of interest that I was a partner in a local business which was a sub-contractor to Hochtief on the Airport contract. Monies received were no more than £5,000 so we were not a big player in that contract.

695 While I am on my feet, I would just like to – Well, actually, in fact, we were fully paid for that contract of £5,000 but that was the only time from memory that I can remember being involved in a States project with an outside, non-local contractor that we got paid in full.

It would often be the case that towards the end of the contract we would look for the final payment, that would not be forthcoming and there would be excuses that they had queries on our bills. That delayed things and when you went to find out further information you would get a letter back saying that the company had gone into liquidation and you had to apply for your money and you would be lucky to get pennies or pounds out of... pennies or nothing out of that contract, basically.

700 So where you are talking about sub-contractors putting in contracts to give them that sort of safety, it is very difficult for you to do that when the company you are working for goes into liquidation and you will not get any money for it. And this back then was – I think it has improved somewhat now – but it was endemic that it would happen on every project. And we got to the stage as a company of saying that we simply could not carry out any more works for off-Island contractors because of the risk, the financial risk, we had in doing that.

710 I would very much like the Treasury Minister, if he is going to speak, to talk about some of the measures they have put in place for sub-contractors going forward. However, I think there is a risk now on smaller States' projects, under £1 million or so, to see what sub-contractor sort of risks are on that size contract because we seem to have sorted out the bigger contracts but there are still smaller contracts with outside, non-local firms which are paying local firms, which sometimes is not happening.

I would just like the Treasury Minister to be able to comment on that if he could, sir.

715 Thank you.

The Bailiff: Deputy Brouard and then Deputy Lester Queripel.

Deputy Brouard: Thank you, sir, Members.

720 I am just going to touch on three points really, just to remind people that when you start a project – and I think we all do it at home – we start off with the best intentions of decorating the bathroom but by the time we have finished the wife has also got us to do the hall as well! (*Laughter*)

725 The same thing happens sometimes with States' projects. With the best of intentions, when you start the work you think actually, while we are here doing that, there is an opportunity to upgrade another part, or we think when we start to see the building coming out of the ground, actually if we move that wall there or made that a little bit bigger, wouldn't it be so much better – so the reason some of these projects benefiting with regard to the actual contracts themselves.

Also I think Deputy Hadley's point is very well made. If you have a fixed price contract – if you could get one, because I have asked a few times and it is very difficult to get a fixed price contract – a contractor
730 will actually say, 'I will do it no matter what'. There will always be some sort of contingency that something else may happen. But when you do have a fixed price contract, the contractor will price everything in and you will pay extra for that. (*Interjection*) And of course there is nothing to stop a contractor at the end of the project to claim more. If he does, or she does, you are going to have to pay money. You are either going to have to pay a legal bill to fight that claim, or you are going to pay the contractor. Or probably what happens is you are going to end up doing both. You are going to have legal
735 advice and you are going to have to pay the contract something. So when it goes wrong at the end there is always that chance that if the contractor claims more, what are you going to do? You are going to have to either defend it or you are going to have to pay up.

740 Finally, I just want to touch on something Deputy Fallaize said which is an unresolved issue for me, which is with regard to responsibility.

T&R, I believe, want to be advisors but do not take control, so that the risk is always left with the sponsoring Department. I have had an issue with this over the years. If you have a situation, say hypothetically, you might say, 'Right we want to build a new museum,' suddenly we have to find, in Culture & Leisure, somebody who is going to be the 'building of a museum expert' and that has been very difficult and I take my hat off to PSD.

We have had situations where you may have somebody who is the Airport Director quite happily managing the operations of an Airport, suddenly to find they are head of an £80 million re-build project, and that takes a lot of resources and we are missing a trick here.

We have got centres of excellence in different places now. We have got excellence at the Airport in building airports. We have got centres of excellence in the Hospital where we are building new wings, and there is continuous improvement. Why don't we have a one-stop shop – and I think it should be in T&R – where you actually say the sponsoring Department says, 'This is what I want. This is the size of museum that we should have. This is the size of school we want. T&R go and build it. Let me know when you have finished and give me the keys,' because this faff of having it between two different Departments will always be difficult and I think it is something where we could make some considerable savings, having the expertise in one place and taking the pressure off some of the Departments who are trying to do the day job and suddenly find, on occasions, that they have got a multi-million pound project to do.

So Deputy Fallaize makes a very good point and I think it is one that perhaps this States might like to look out and bottom out, one way or the other.

Thank you, sir.

The Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

I would just like to start by asking the question why so many overseas firms are involved in the first place?

In paragraph 4.1 we are given a whole list of overseas firms. Kensington Taylor were lead consultants and project architects, Davis Langdon Everest were quantity surveyors, and Babbie were civil mechanical and electronic engineers and the BAE Systems provided the project manager.

Well, we have got local firms here, sir, who could have undertaken all those roles. (*Interjection*) Sorry, sir, I will give way to Deputy Trott.

The Bailiff: Deputy Trott:

Deputy Trott: I am grateful to my friend for giving way, sir, because I am able to answer that question. Kensington Taylor, the architect of 1A Beauty Parade and under this sort of contract – it is a JCT form of contract – the lead architect was responsible for putting his team together, so the Board of Administration had little control over who Kensington Taylor wished to use as cost consultants, once they had been appointed as lead consultants.

Deputy Lester Queripel: I thank Deputy Trott for that, sir. Perhaps I should speak to Deputy Trott more often before I write my speeches because he always knows a lot more! (*Interjection*)

The reason I am focusing on that, sir... because it does concern me that we always seem to look off-Island for so-called expertise, yet we do have that expertise here on the Island, sir. In the future, I would like to see a lot more focus and preference given to local, rather than off-Island, sir.

Also picking up the point that local suppliers are left unpaid, that is extremely regrettable. In paragraph 5.2 we are told that '...a number of local suppliers were left without full payment...' and I think it was Deputy De Lisle who asked if there is any possibility that they are going to get paid. But it says that they are 'left without full payment' so I presume that means they will not, which is rather regrettable, to say the least.

I am rather shocked by the bottom of paragraph 8.4 which tells us 'contract administration was inadequate and key contracts remained unsigned until the project was finished.' I found myself asking the question why that was allowed to happen. But, of course, it is all too late now, in a sense.

Another thing that surprises me, sir, is the lack of business practice. Basic business practice seems to have been ignored. On page 2887 we are told:

'Projects should be supported by a clear comprehensive and documented project brief... outlining the project's objectives.'

– this is under the 'lesson learned' column –

The project brief and scope should be sufficiently detailed to ensure that all key stakeholders are aware of the full extent of the project including its objective and constraints.’

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And finally:

‘The project brief and scope should be appropriately authorised and should be revised and recirculated at regular intervals to take account of any changes on the project.’

805 Well, sir, I ran a business for 28 years and basic business practice was absolutely crucial for survival. So I just wonder why those basic business practices were not applied.

And picking up on Deputy Kuttelwascher’s point – ‘it is unlikely this will happen again’ – paragraph 2.5 tells us, at the top:

‘It is important to note that this scenario could occur again.’

810 Deputy Fallaize has already told us that he thinks it could easily happen again. And, having worked as a sub-contractor for many years, sir, it is not always possible to pursue contractual protections, as advised in that paragraph because, as Deputy Jones has already said, how can the little guy at the bottom of the pile even afford to take the issue to Court? On most occasions, sir, they cannot.

815 One thing I would say about this lack of checks that seem to have been in place and basic business practice is it is vital that checks are made on the standard of workmanship at every stage of a development, to ensure that we do not end up with roofs that leak or windows that do not close properly etc.

I am not talking about weekly site meetings between supervisors and project managers and architects. I am talking about a project manager who is absolutely ruthless in ensuring that everything that should be done does get done. And I have worked on sites where plans stipulate that three layers of plasterboard have to be used, one of them being insulated, and have discovered that only two layers have been used. That is the level of checks on standard of workmanship we need to ensure take place on our future contracts.

820 Finally, sir, basically, we are told at the bottom of page 2899 by T&R and Policy Council that lessons have been learned, new procedures are in place, and everything is fine. And I believe that will be the case and I can understand why Deputy De Lisle is adopting his approach, saying no one is accountable, but I feel we have to support these Propositions, sir, and move on.

825 Thank you, sir.

The Bailiff: Deputy Sherbourne.

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

As a Member of PAC in the early stages when PAC looked at the extant Resolutions of the States, I was very pleased to be part of a group that wanted that to proceed, because there had been talk of the thing being buried and we, today, now are discussing the outcome of that.

835 I want, just for a few moments, to pick up on one or two things that Deputy Dave Jones and Deputy Fallaize and Deputy Gollop mentioned in their speeches. I think what we must remember that the man that laid the Requête – wherever he is now – is probably smiling today because it has taken a long time to get here – because of legal reasons, one understands that – but I think we must always remember that the former Member Deputy Eric Walters, who was always dubbed the man of the people, had individual people in mind and we at the moment have talked about contractors, big and small.

840 I thank Deputies for raising that matter, but the bottom line is that the knock on effect is that it affects people at the bottom of the heap, as it were. Okay, the people that actually enable small contractors to survive are the people that are affected and if, through a mistake with regard to contracts, small contractors go out of business it means that people lose their livelihood – ordinary workers – that in turn impinges on us because as a States we have support mechanisms, through Social Security, which would be called upon to come into play, should that happen.

845 So, although I understand Deputy Domaille’s caution that we should not get involved in those relationships, I feel that we have a real responsibility to ensure that the risk to individual workers is minimised. It should be very high on our list of priorities. Therefore, I think we should be providing safeguards for those who are unable, really, to protect themselves. The knock on effect on the individual is quite an important factor.

850 I think that a lot of very good speeches have been made today, painting a picture that lessons will be learned, but I am also conscious that there are current projects underway which, when we get to PIR stage, could well raise similar issues. So we must not be complacent or congratulatory. And to be vigilant in the future.

855 Thank you.

The Bailiff: Does anyone else wish to speak in this debate? Deputy Inglis.

Deputy Inglis: Thank you, sir.

860 I will try and choose my words carefully this morning, but I would like Members to be drawn to page 2884, in particular 8.2, and it reads:

‘The objective of the Airport Terminal re-development project was to construct a high specification statement building full of architectural merit that would last for at least 25 years.’

865 I would like the Minister to advise the Assembly and reassure the Assembly in his summing up, that we are now half way through the expected life of this building, and I would like reassurance that there is a strategic implementation plan for maintenance.

870 One of the things we constantly hear in this Assembly is that when buildings suddenly are no longer fit for purpose it is because they have not been maintained. I think, as Deputy De Lisle highlighted, the walkways – which is your first impression of Guernsey when coming through the Airport – are woefully in a bad state of repair. In fact they have been like that since day one. They have never been properly completed, for whatever reason, and I would like reassurance that efforts are being made to maintain them.

Thank you, sir.

The Bailiff: Deputy St Pier.

875

Deputy St Pier: Sir, I think perhaps I would like to begin with Deputy Domaille’s comments. And I think in particular to note, as has been said several times by Treasury & Resources during debates on the Capital Investment Programme, not least during the debate in July on the SCIP process, that just because projects have been delivered on budget and on time it does not mean that they have delivered value for money. That was precisely the point which Deputy Domaille was making and I absolutely endorse that. That is, of course, precisely why we have recommended further changes to the Capital Investment Process and will be grateful to receive this Assembly’s endorsement of that.

880 Quite a number of Deputies, sir – Deputies De Lisle, Wilkie and Sherbourne and others – have given the experience on this project expressed concern about the position of sub-contractors in such projects. And again I think Deputy Soulsby and Deputy Lowe also referred to that. I think Deputy Soulsby, quite correctly, made the observation that the use of project bank accounts has been one of the responses to help manage that risk for sub-contractors. That process has now been adopted and is now effectively a standard part of most big contracts of this nature, and I would suggest, sir, that will make a substantial difference to sub-contractors.

890 But, as has been observed, of course, there are sub-sub-contractors and I think, much as we may wish to do everything we possibly can to protect everybody involved in such projects, we must be realistic about what we can actually do. Indeed sub-contractors and sub-sub-contractors do, of course, have responsibility themselves to manage their own risks. Just because this is a Government – ultimately a Government contract, and ultimately Government is the client – if they are not contracting directly with the States then they should and my advice to them, sir, would be that they should take all precautions that they would with any other contract. They should seek to understand the credit risks around the individuals with whom, they are actually contracting. They cannot simply rely on the States to step in and pick up the responsibility of the party that they are contracting with.

900 So steps have been made to change the process through the use of project bank accounts. That will assist, but – to answer Deputy De Lisle’s question – there is, I would suggest, sir, no fool proof system. In the absence of us being a command economy and directing all contractual relationships, which I would suggest is not viable or practical, there is no fool proof system and all contractors in a relationship should be taking great care on behalf of their own positions.

905 Deputy Brouard made the point that Treasury & Resources essentially seeks to act as advisors and not take control, and I think that is exactly the position that we do take. We do not regard ourselves as taking control of projects; the project must be owned by the sponsoring Department. And again the project management process is very clear now – to answer Deputy Fallaize’s question – in terms of seeking to allocate named responsibility around who are the senior officers responsible for leading individual projects.

910 So though Treasury & Resources’ responsibility, sir, I would suggest to Deputy Brouard, is to ensure – and again this was reflected through the SCIP debate in July... our responsibility is to ensure that we do give those individuals the skills that they need to help discharge that role because I think the point he makes is a very good one. That those individuals... that this may be the only capital project that they have to have any involvement with or oversight during their career and it is unreasonable to move from a day job to managing a multi-million pound contract if they have not been given the skills to do so.

915 But the key point is that the sponsoring Department is the one who understands what the users' needs are. Treasury & Resources cannot possibly be expected to have that level of understanding. So I think the idea of a one-stop shop and Treasury & Resources, in essence, bringing this all within their name – which I think was Deputy Brouard's suggestion – I think is perhaps unrealistic.

920 Again, you have to recognise that many of the projects are unique and I think, I cannot remember, sir, but one speaker has referred to the fact that, for example, the work in the Harbour was a unique project, but equally, whether it is a school or a hospital development or anything else, these are in themselves unique developments. And, sir, we will almost certainly not have all the skills that we need in-house – anywhere in-house, within Treasury & Resources or anywhere else. And the whole purpose of the project management process is to ensure that we bring in the right skills at the right time to help manage the project overall. And I would suggest that, as has been noted elsewhere, that that process is largely working, in that 925 it has delivered most projects effectively in the period that it has been working.

But again, to repeat what I have said several times, we have not reached the end of the road in terms of our capital process. It is an iterative process of improvement. I would expect there to be further changes. That is what the Assembly voted for this year. This is not remotely complacent that further improvements can be made, in particular – finishing where I started and echoing, repeating Deputy Domaille's critical 930 absolutely essential point – that just because a project is on time and on budget that does not mean it is value for money. That is absolutely where we now need to take our capital process and that, of course, is precisely the issue that we had when debating the La Mare Project a couple of weeks ago.

We have to ensure that all our projects are not only on time and on budget but also do deliver value for money and I would suggest, sir, those are some of the critical changes which have taken place since this 935 particular project and the problems that it encountered.

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

I will, then, call on the Minister, Deputy Ogier, to reply.

940 **Deputy Ogier:** Thank you, sir.

I would like to thank Members for the standard of debate today, the good standard of debate, and there have been a high number of excellent speeches on a very regrettable subject – one, thankfully, which is in the past and has not recurred in the last 10 years, due to the changes the States of Guernsey has put in place 945 and which have been discussed today.

There were a number of questions, which I will deal with.

Deputy De Lisle, much talk today has been made of the sub-contractors not being paid by the States of Guernsey as sub-contractors were not paid by the States of Guernsey. Now, as we have heard, this is a project bank with which the contractor and the contractor's main sub-contractors are involved, but the sub- 950 contractors of sub-contractors still have to ensure that they take commercial responsibility for their relationships with the companies with whom they are engaged.

The walkways are being maintained, work is underway this winter on repainting and works to do with the roof leaks are underway – over the next few years, but I will get on to that when I reach Deputy Inglis' part.

955 The Airport Development Charge is £1 per passenger journey to and from the UK and 50p for inter-Island passengers and, as such, it will take a further 20-odd years in order to repay the charge. We could decrease the period over which this charge is regained but we do not feel at any stage there is a requirement to do so. Neither is it RPI or RPIX-linked, so the effect of this charge over time decreases and will become insignificant over time.

960 There are 22 more years to go; 13 of those years would have been the original charge, and another nine years of this £1 Airport Development Charge, will go for another nine years to cover the overspend. This is the length of time it takes us, due to the very low nature of the charge being applied.

In response to Deputy Dave Jones, extensive additional ground investigation surveys were undertaken on the pavements project and the radar project, as a direct result of the issues of the Terminal foundations, 965 which shows another occasion where lessons have been learned.

The Chair of PAC, Deputy Soulsby, does not think things are as rosy as have been painted, and she has – or the PAC Committee have – some concerns and we would be delighted to sit down and talk over those concerns with her at a mutually convenient time.

970 The risk register has been referred to on many occasions. Now, the risk register is a series of risks that the project team and project board think could happen on a particular project. There are two ways that you add a financial sum to this: you take what you think the overall effect of the risk coming into being would be, and you take the likelihood of that risk occurring and you add a financial sum, and in that balance you can find out the likelihood of the cost of the risk occurring and come up with a value which you cover in your contingency. So the contingency sum is there to deal with the risks that you can foresee, and the 975 likelihood of the risks occurring.

Of course, the risks do not all occur. Some risks which occur may cost more, some risks may cost less, so within your risk contingency there can be a bit of a balance. If you discover that more concrete needs to be poured but that some work does not need to be done, then the risk within the contingency can be transferred. So it is not set sums for each risk completely discretely; you have a contingency for a project to deal with the risks.

The new Airport pavements project, I can inform Deputy Soulsby, did undertake financial checks on the main sub-contractors and, as Deputy St Pier outlined, the sub-contractors and the sub-contractors of sub-contractors may not be covered by the Project Bank mechanism which, as I have said, means they need to take due precaution.

Deputy Gollop talks of pressure being brought to bear on PAC by the Public Services Department. I was there on Public Accounts Committee at the time, along with Deputy Leon Gallienne, and, for those of you who know Deputy Leon Gallienne, you will remember how resistant he is to pressure. I cannot see PAC bowing to pressure as they just do not work that way. What I recall is that PAC were informed that, due to being in the middle of a legal dispute, to attempt to conduct reviews to apportion responsibility at that state would not have been in the best interests of the States or the people of Guernsey at that time. I would not call that pressure being brought to bear on PAC because, as all Members of PAC know, they go where they want to go.

I do not disagree with Deputy Gollop's views on potential under budgeting on past projects. Irrespective of how current projects are formulated, project management will now ensure better control and less risk of an overspend in future.

Project management is all about managing risk and good project management must be minimising the risk of many things, including project overruns, disruptions to the works and variations on the original spec by the contractor, and if these are managed well then the risk of an overspend reduces.

Deputy Fallaize says that some of these overspends may not actually be overspends at all and there is some validity in that. It does speak to other overspends we have seen, which were, on occasion, failure to set an original budget correctly, as the work which was conducted on those overspends, which led to the overspend, would have to have been conducted had the original scopes of works been correct anyway.

Current projects have much better risk registers and have much better and more appropriate contingency sums set aside to deal with these risks, and Deputy Domaille had a view on this. And I would say that we employ professional people to formulate these registers and any contingencies unspent are returned to central funds and the project boards work very hard, as do the project teams and the project managers, to ensure risks are managed, contingencies hoarded and returned to T&R at the end of a project, wherever possible.

Deputy Mary Lowe talks about contingencies having crept up over the years and calls for a standard contingency, but, of course, capital projects and the risk associated with capital projects vary differently from project to project. The risks associated with building a school are not the same as the risks associated with refurbishing a new jetty or building a new pier, or putting a long sea outfall out. With regard to marine projects, they have a totally different quantum of risk attached and the contingences really do need to be different for all these different kinds of capital projects.

She says that T&R have removed their representatives from project boards and she finds this regrettable. I am not totally resistant to change, but I struggle to find a reason to disagree with her, as I know that T&R representatives have added value to, and been welcome on, capital programme project boards, with PAC adding that element of objective financial oversight, but I know that T&R plan to handle this way of giving financial oversight in a different manner through the SCIP process.

Deputy Trott asks: was there any suggestion of political impropriety or negligence? I would say that there is no evidence to suggest this.

He asks: was the Terminal value for money? I would make a few comments on this. It is a gateway portal to Guernsey with which travellers are very well pleased. Many local building firms, with which we have spoken, have advised that it should always have been a £23 million project which perhaps speaks to Deputy Fallaize's view. And, thirdly, in order to add further value to that building, we are considering further layout changes to meet modern commercial expectations and, in our view, this will increase the amounts and percentage of non-aviation revenue at the Airport.

Deputy Queripel asked why so many overseas firms? And I would say because quite often overseas firms have the experience of appropriate, similar projects, such as airport redevelopments and airport terminal constructions – experience which local firms are often unable to match and, as a result, those external firms score very highly in those areas.

Deputy Trott also asks should the relationship rest with the client and main contractor? The States has always been very keen to keep the relationship between the client and the main contractor only. However, we now do, and can, and have done things to understand better the status of main sub-contractors through drilling down the financial checks and, of course, the project bank has now helped to extend that protection further down the sub-contractor chain.

Deputy Inglis talks about maintenance and there is an extensive programme of maintenance under way, using our own staff and using outside contractors. That has been in place since the outset and will continue to ensure the asset lasts as long as the asset can last.

1040 Work on walkways is underway and is underway this winter and, whilst it will be somewhat like painting the Firth of Forth Bridge, improvements will be evidenced and will be seen quite dramatically over this winter to that area.

I think that just about deals with all the questions I have. I would just like to thank Members for a good debate and I hope you support the Report.

1045 Thank you.

The Bailiff: Well, Members, there are three Propositions on page 2900. I think in this instance it might be appropriate to take them separately. So I put to you first Proposition 1, to note the contents of the PSD Report. Those in favour; those against.

1050 *Members voted Pour.*

The Bailiff: I declare that carried.

Secondly, to note the contents of the PAC's Report appended to it. Those in favour; those against.

1055 *Members voted Pour.*

The Bailiff: I declare it carried. And, thirdly, to sanction the overspend of £6,780,880 on the capital vote. Those in favour; those against.

1060 *Members voted Pour.*

The Bailiff: I declare that carried.

PUBLIC SERVICES DEPARTMENT

XIV. Merchant Shipping Legislation – Propositions carried

Article XIV.

The States are asked to decide:

Whether, after consideration of the Report dated 17th September, 2014, of the Public Services Department, they are of the opinion:

1. To approve, in regard to requirements placed on applicants for a general pilotage licence or a special pilotage licence under section 12 of the Pilotage Ordinance, 1967,:

a) to repeal the requirement relating to nationality at paragraph (a)(i);

b) to repeal the requirement relating to age at paragraph 12(a)(ii);

c) to amend the requirement relating to qualifications at paragraph (a)(iv), by replacing the current requirement with a requirement that the applicant be the holder of a certificate of competence as master of a ship of 500 Gross Tons or more, granted in any member State of the European Economic Area.

2. To approve, in regard to other provisions of the Pilotage Ordinance, 1967,:

a) to replace the reference to the Deputy States Harbourmaster at section 4(3) with a reference to the Chief Officer of the Department;

b) to replace the description of a pilot signal at section 35 with a reference to the appropriate modern signal, flag GOLF, in accordance with the International Code of Signals, being a flag consisting of blue and yellow vertical stripes;

c) to repeal the First Schedule, relating to the forms of Pilot Boarding Notes, and to amend section 37 so that provision is made instead for such Notes to be in the form required by the Pilotage Board from time to time;

d) to correct the typographic error at section 24(5)(c), by substituting 'efficiently' for 'efficiency'.

3. To agree that the Public Services Department perform all functions and duties under the Boats and Vessels (Registration, Speed Limits and Abatement of Noise) Ordinance, 1970, with the exception of the function of granting permission under section 8(1) for a vessel to exceed a speed of six knots in the coastal restricted zones, which should be a function of the Environment Department.

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

The Senior Deputy Greffier: Article XIV. Public Services Department – Merchant Shipping Legislation.

The Bailiff: Deputy Ogier, again, will open the debate. (*Interjections*)

Deputy Ogier: I am sure it is all deliberately planned this way.

Merchant Shipping – this is a short and straightforward Report. There are some technical amendments, mainly on legislative housekeeping. The pilotage amendments have all been approved by the Pilotage Board which includes marine pilots and the Harbour Master, and I have had no advance warning on any technical questions which require an answer.

The Bailiff: I call Deputy Paint.

Deputy Paint: In the Assembly, I have also spoken to my former colleagues and they seem reasonably happy about what is being proposed today.

I feel it is quite a great pity that other anomalies in the Pilotage Ordinance have not been addressed at this time. I am also quite sorry, I think it is a great pity that, as far as I am aware, there are very few, if no, young people going into the merchant shipping industry as a career.

We are going to find ourselves having to import suitably qualified people within 10 years. There is nobody, as far as I know, at the moment in the process of doing this. So I think this Ordinance actually is part of that.

There is only one anomaly that I have found in here, which I would be only too pleased to speak to PSD and the Harbour Master about at a later stage, in what is being proposed. But there are several other anomalies in the Ordinance that should be addressed as well. It is just a shame that they did not do it. Then it would be over for some years. Again, I am quite happy to speak to PSD and the Harbour Master about it at a later stage. These anomalies have not affected us too much yet, but they may in the future.

There have been several incidences in the past few years regarding pilotage. We cannot go into them obviously at the moment but there has been some, and the Ordinance needs to be altered to reflect that. And it is not done very well at the moment. This is my thinking not the pilots thinking.

An example is that a vessel's first officer can take a pilotage certificate for local special pilotage. There are two different sorts of pilotage, one is general, which means within a pilotage area that actually extends outside some of the time. And there is a special pilotage certificate which is issued to masters in shipping companies so they can do their own piloting. There is about a three-month training course for that one but it is not as extensive as the general pilotage one. The general pilotage one is all round Herm, Jethou and Guernsey, where the pilotage zone is from Lower Heads to St Martin's Point and Amfroue to Platte Fougere.

Within this, as I said, the Chief Officer can take it but he might have no command experience, so you find yourself a man with a valid Master's Certificate taking a ship in towards St Peter Port, with no experience of doing it whatsoever. So that is one of the anomalies that should be addressed.

So I think that is all I will say for now but there are other anomalies that perhaps should be looked at.

Thank you.

The Bailiff: Deputy Dave Jones.

Deputy David Jones: Sir, I just wanted to pick up on one point that Deputy Paint has raised and that is we seem to be doing nothing whatsoever to find money to send youngsters who want a career at sea, off-Island, to get their necessary certificates.

Now, the idea that we will, in the future, be granting licences to bring in pilots to bring ships into our harbours is just bonkers – to use a word – round here and we really must start to invest in some of our youngsters and get them off the Island – those who want a career at sea – so that in later years they can come back and become local pilots.

How we can import somebody from somewhere else in pilotage... and I know that certainly in Deputy Paint's case is something that you learn over a lifetime of experience and there may be some in here who have hit the odd rock. I am not looking at anybody in particular in their boats, but it takes many, many years for people to learn the marks around the Island and where some of the dangers are. And, even if we grant licences to external pilots who have got some experience, that will not teach them the local knowledge that they need.

So I do not know if it is Commerce & Employment who are responsible for looking into this, but we need to find some money to get some of our youngsters who want to go to sea and allow them to do it.

The Bailiff: I think Deputy Paint was going to ask you to give way.

1125

Deputy Paint: Yes, sorry.

Deputy David Jones: I give way.

1130

Deputy Paint: I forgot to note an interest here. One of my grandsons will be on the Merchant Navy course next week. He is only 17 so it will take him – if he likes the sea – 10 years.

And just one other thing, if I can, sir, we keep talking about boats – they are actually ships (*Laughter*) and the difference is that you can put a boat on a ship but you cannot put a ship on a boat! (*Laughter*)

1135

The Bailiff: Deputy Gollop.

1140

Deputy Gollop: I support all of this as far as I (*Laughter*) understand it. I think some of the legislative changes are dealing with minutiae. I mean, for example, we are changing the applicant to be aged 21 or more, but there is not a licence to reduce the age to enable applicants who are younger than that, because it is stated in the body of the Report the person is more likely, as Deputy Paint has just implied, to be in their mid 20's. And we do protest a lot about being a British subject, but it only goes to show that some of the legislation we are working with is quite ancient – 1894, 1912 and so on.

1145

There was one element I did not fully understand – and I probably should do, being on the Environment Board – but there has been a re-allocation of functions whereby it is made crystal clear that the Public Services Department has general authority but, with transferring to the Environment Department, one function relating to speed of boats. Yes:

‘The Department recommends that the States approve the proposal to provide that the Department...’

– this is Public Services –

1150

‘...perform all functions and duties under the 1970 Boats and Vessels (Registration, Speed Limits and Abatement of Noise) Ordinance, with the exception of granting permission under Section 8(1) for a vessel to exceed a speed of six knots in the coastal restricted zones...’

1155

Well, I was not entirely clear where these coastal restriction zones were. I assume the Environment Department were given expertise here in relation to protecting marine habitat and ecology, but the wider questions on noise abatement would surely be more under Environmental Health Directorate and so I consider this to be a little bit confusing, because surely the Public Services Department has to have a disciplinary role regarding maverick ship captains.

That is the first point. The second point is the Environment Health and Pollution stand-alone function, which is really under HSSD. And the third is Environment's right protection of sensitive marine areas. Now, I can accept provision for the latter, but I do not quite understand why we are there to protect against noisy boats on the beach.

1160

The Bailiff: Does anyone else...? Yes, Alderney Representative Jean, then Deputy De Lisle.

Alderney Representative Jean: It is to take up a point raised by Deputy Dave Jones.

1165

In Alderney we too have a problem and it might be good if the Public Services could combine with us to help us with it. We have a shortage of pilots. We only have one resident pilot on Alderney and I did, when I was Chairman of the Estates & Services for one year, try to start to look at getting some younger pilots trained.

1170

I wonder if perhaps we could combine our approach. It may be very helpful, the information that the PSD accrues, as it looks at this process of trying to encourage younger ones within the Bailiwick to take up pilotage.

Thank you, sir.

The Bailiff: Deputy De Lisle.

1175

Deputy De Lisle: Yes, sir.

I was interested in the fact that the whole issue of succession policy and succession planning was brought up by Deputy Jones, in relation to this issue here, where we want to ensure that there is continuity in local expertise in pilotage, but that is a factor that runs right throughout the States and the Government of Guernsey.

1180

And what Deputy Jones is highlighting is that perhaps there is some work to be done in this area, in order to ensure that we do foster and encourage young people to go into areas that we need to have future

employment in, because I just see that we are bringing in a number of people even at the current time, where we have an unemployment problem here in this Island and we should be looking at succession planning in a lot greater effort, I think.

1185 Sir, I think the point has been made and I think we should encourage all Departments to be looking more at ensuring that there is a successor in some of these key areas locally.

Thank you, sir.

1190 **The Bailiff:** Does anyone else wish to speak? No.
Deputy Ogier will reply.

Deputy Ogier: Thank you, sir.

With regard to Deputy Paint's comments, I have already asked the Harbour Master to set up a meeting to discuss his ideas, thoughts and concerns.

1195 With regard to Deputy Gollop, the legislative changes for Environment mirror what is currently in practice. So in that case it is just a tidying up of the operation to reflect what actually occurs on the ground.

Deputy De Lisle talks about unemployment and also the need for local pilots, and I am sure this will be an issue that the Social Security Department Minister will be pleased to exercise himself upon.

Thank you.

1200 **The Bailiff:** Members, there are four Propositions on pages 2912 and 2913. I put all four of them to you together. Those in favour, those against.

Members voted Pour.

1205 **The Bailiff:** I declare them carried.

Thanks and good wishes to Alderney Representative Harvey

Well, Members, you will be pleased to hear that that brings us to the conclusion of the last meeting for this year, and if you will just bear with me for a few moments, there are a few things I would just like to mention.

1210 First of all, to refer to Alderney Representative Harvey, as has already been mentioned, this will be his final sitting with us and, on behalf of you all, I am sure you would like to join me in thanking him for the contribution that he has made during his time here, and for his fellowship and his friendship and his camaraderie.

1215 I am sure you have made many good friends here, Alderney Representative Harvey, which I am sure will stand the Alderney/Guernsey relationship in good stead as the matters continue to progress in the future and you continue your good work as a public servant in the northern isle.

So thank you very much and on behalf of everybody we wish you well. (*Applause*)

Alderney Representative Harvey: [*Inaudible*]... and I wish you a very Merry Christmas. Thank you.

Best wishes to Deputy Storey

1220 **The Bailiff:** On a very different note, there is one of our Members who has not been with us for the last several meetings. He may well be listening on the radio, and I am sure you would all wish to join with me in sending our very best wishes to Deputy Storey. (**Several Members:** Hear, hear.) (*Applause*)

Season's greetings to Members and staff

1225 May I remind you – those of you who do not already know – there will be a Carol Service in the Town Church for States' Members and States' employees a week today, Thursday 18th December – late night shopping day. The Town Church at 5.30 p.m. – which you are all very welcome to attend.

And, very finally, thank you very much for your work and all your support during 2014, and I wish you, your families, your loved ones, all the very best for Christmas and look forward to seeing you back here next year.

Thank you very much. (*Applause*)

1230

The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

1235 Sir, may I, on behalf of the States' Members, wish you and your family a very Happy Christmas and indeed to His Excellency and Mrs Walker. We hope you have a good time, all of you, with your families.

And could I also add, please, sir, on behalf of the States' Members, that all States' employees who support us and help us right through the year... that a public message is sent to them as well to thank them and wish them a Happy Christmas as well.

1240

The Bailiff: Thank you, Deputy Lowe. (*Applause*)

Well, Greffier, will you please close the meeting?

The Assembly adjourned at 11.37 a.m.