



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Wednesday, 26th November 2015

*All published Official Reports can be found on the
official States of Guernsey website www.gov.gg*

Volume 4, No. 36

ISSN 2049-8284

*Published by Her Majesty's Greffier, The Royal Court House,
St Peter Port, GY1 2NZ. © States of Guernsey, 2015*

Present:

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

Law Officers

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

People's Deputies

St Peter Port South

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

St Peter Port North

Deputies M. K. Le Clerc, J. P. A. Sherbourne,
R. Conder, C. N. K. Parkinson, 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, 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, S. A. James, M. B. E., A. H. Adam

The West

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

The South-East

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

Representatives of the Island of Alderney

Alderney Representatives L. E. Jean and S. D. G. McKinley, O. B. E.

The Clerk to the States of Deliberation

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

Absent at the Evocation

M. M. E. Pullum, Q.C., H.M. Comptroller; Deputy D. B. Jones (*indisposé*);
Deputy J. A. B. Gollop (*relevé à 9h 34*); Deputy E. G. Bebb (*relevé à 10h 31*);
Deputy A. H. Brouard (*relevé à 9h 43*).

Business transacted

Evocation	2817
Billet d'État XX.....	2817
XII. Cabernet Ltd – Recapitalisation – Debate continued – Amended Propositions 1 to 5 carried.....	2817
Billet d'État XXI.....	2843
I. The Organisation of States Affairs – Third Policy Letter – Debate commenced	2843
<i>The Assembly adjourned at 12.34 p.m. and resumed its sitting at 2.30 p.m.</i>	2856
I. States' Review Committee – The Organisation of States' Affairs – Debate continued.....	2856
<i>The Assembly adjourned at 5.29 p.m.</i>	2897

PAGE LEFT DELIBERATELY BLANK

States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Greffier

EVOCATION

The Bailiff: Deputy Gollop has now entered the Chamber. Do you wish to be *relevé*?

Deputy Gollop: Thank you, sir. And Deputy Perrot is here somewhere.

5 **The Bailiff:** He is not here. (*Laughter*)

Billet d'État XX

TREASURY & RESOURCES DEPARTMENT

XII. Cabernet Ltd – Recapitalisation – Debate continued – Amended Propositions 1 to 5 carried

The Greffier: Article XII, continuation, Cabernet Ltd – Recapitalisation.

10 **The Bailiff:** We move on to the next amendment, which will be proposed by Deputy Duquemin and seconded by Deputy Trott, in the absence of Deputy Stewart, who is away on States' business.

Deputy Duquemin.

Amendment:

To add a new Proposition 5 as follows:

'5. That in order fully to realise its potential as the Bailiwick of Guernsey's airline and in accordance with two of the aims in the States' Strategic Plan agreed by the States in 2013 – namely 'to protect and improve the quality of life of islanders and the Island's economic future' – the States should clearly understand and approve Aurigny Air Services' raison d'être; and therefore to agree that by no later than February 2017 the Policy and Resources Committee, after consultation with other relevant States' committees and the airline, shall lay before the States a policy letter setting out recommendations to enable the States to agree the long-term strategic objectives for Aurigny Air Services, including but not limited to the establishment of criteria for maintaining and selecting routes, capacity and frequency and also including the adoption by the

States and the airline of a revised approach which acknowledges that its success should be measured not just on its balance sheet but also on its social and economic contribution.'

Deputy Duquemin: Mr Bailiff, this amendment should not come as any surprise to Members, because it is totally consistent with part of my contribution to the debate on the States' Review Committee second policy letter. More than that, *Hansard* reveals that one strand of my speech
15 literally served as the first draft of this amendment.

My speech included the following:

'At the moment Treasury & Resources carries out the shareholder function of Aurigny, aka Cabernet, on behalf of the States of Guernsey. I am sure T&R will protest otherwise, but while the airline is a strategic asset, I can see that it is perhaps quite natural, because of their own fairly narrow mandate, that T&R's seemingly default focus is to concentrate on the financials, the balance sheet, the headline profitability or otherwise and, arguably, this leads a policy vacuum.

In the future, post May 2016, I would like the more expansive Policy & Resources Committee, after consulting with the principal committees, to create a clear purpose, a *raison d'être* for Aurigny, that will be presented to the States Trading Supervisory Board as its benchmark, and its framework perhaps bearing in mind the extant resolutions of the current three-pronged States Strategic Plan.'

Mr Bailiff, replying to my comments in that debate, the T&R Minister did not protest and he agreed with and accepted my observations. Deputy St Pier said 'I think that it is a fair comment to make' and he told the Assembly the supervisory role of Treasury & Resources, as shareholder, was
20 very much driven with a financial focus.

Indeed, yesterday, in the debate on Deputy Dorey's amendment, very similar comments were made.

Sir, I was one of the Members who attended the Aurigny briefing for States' Members, in the theatre at Candie Museum, ahead of today's debate. Before the presentation began, Aurigny's
25 chief executive explained that the evening would be split into two parts. One, details on the recapitalisation and, two, a general update on Aurigny.

He told States' Members that he would understand if we wanted to leave after part one, the recapitalisation element, the financials, in other words, assuming perhaps that we would not be, should not be, much interested in the rest.

Sir, even in my short time in the States, all of the States' debates on Aurigny have focused on what we as a government needed to do for the airline. Guarantee loans so they can buy a new aircraft, including a £25 million jet, give the airline a *de facto* monopoly on the Gatwick route to protect its revenues and even the original Propositions of today's policy letter concentrated
30 exclusively on the financials.

Looking back at previous States' terms, it was a similar story. But I think it is mile high time to turn the question around. It is a clichéd paraphrase and I have used it in at least one speech before in this Assembly but it is time to ask not what the Island can do for our airline, but what the airline can do for our Island.

Buying Aurigny and acquiring the Gatwick slots was, in my opinion, one of the best decisions that the States has made in recent years. If we are going to properly capitalise on that historic
40 decision, we must, we need to shift our mind-set from concentrating on the cost of ownership to one that also acknowledges and increases the benefits of ownership of this strategic asset.

In the words of the amendment, 'we must measure the success of the airline on its balance sheet and its social and economic benefit'.

It was interesting to read the Scrutiny Report and I will highlight that supports this argument of looking beyond just the balance sheet. Paragraph 5.9 on page 39 of the Report refers to the submission of Stuart Falla, the former Commerce & Employment Minister. It reads:

'Mr Falla was convinced that, due to government instruction, Aurigny's focus was heavily in favour of financial profitability rather than public service. In order to redress the balance, he thought that the airline needed to concentrate on passenger numbers and growth. Over a period of time, this would boost the Bailiwick's economy and balance the cost of the airline to the taxpayer. The solution lay in the States of Guernsey being more proactive with the shareholder, instructing Aurigny on how it should measure success.'

A direct quote attributed to Stuart Falla was:

'We are looking at pound notes rather than volume. I think it is for the States to decide how best they shape the mandate given to the board of directors of Aurigny.'

Sir, for me, today's amendment is all about the States starting to shape, create, that fit for purpose mandate.

50 The case study on Cayman Airways provided by T&R reveals that, and I am quoting from the bottom of page 3092 in the Billet:

'A series of independent studies found that the economic impact of Cayman Airways to the economy of the islands was almost CI\$200m per annum.'

That is £160 million. Remember, Cayman's population is just under 60,000 people. Pretty similar, comparable to ours. An impact of £160 million.

55 The multiplier effect is that Cayman Airways made more than a tenfold indirect return on the Cayman Government's investment in the airline, which was circa CI\$20 million, £16 million. A tenfold return.

To highlight the airline's role as an economic enabler, I was grateful that Deputy Stewart, the Commerce & Employment Minister, and one of my colleagues on the External Transport Group was to second the amendment. Unfortunately, he is away on States' business but I am equally
60 delighted that in his stead Deputy Trott will be seconding this amendment for the same reasons.

I would like to end by putting the spotlight on words from the 2003 Billet, when the States bought Aurigny. Back then, Advisory and Finance told us this:

'There are commercial risks associated with an airline and the airline business is notoriously volatile. But A&F concluded that despite these risks the acquisition of Aurigny will be of considerable value in protecting the Island's long-term social and economic sustainability.'

65 Fifteen years later, sir, my conclusion and my amendment is exactly the same. It is all about the long-term and it is all about Aurigny playing a valuable part in the social and economic sustainability of the Bailiwick of Guernsey.

Once again, I am also grateful that T&R will be supporting this amendment and I urge all Members to do the same. Thank you, sir.

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

70

Deputy Trott: I do, sir, and reserve my right to speak.

The Bailiff: Before we open debate, Deputy Brouard do you wish to be *relevé*?

75

Deputy Brouard: Yes, sir, thank you.

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

Deputy St Pier: Thank you, sir.

80

The Treasury & Resources board welcomes this amendment and will support it. I would hope that debate on this amendment could be relatively short given that in many ways, it is a flip side of the amendment that we discussed yesterday.

85 As I indicated in my opening speech, the airline has been operating in a policy guidance void which we have attempted to fill. It does seem to me that, under the new system of government, the Policy & Resources Committee is entirely the right committee, obviously after consultation with many other interested parties and committees to review what we have done so far through the Treasury & Resources supervisory subcommittee, then prepare a policy letter for approval by

this Assembly and then to direct the States' Trading Supervisory Board to apply that policy in its oversight of the airline.

90 So this does seem to be an entirely appropriate amendment, given the journey we have been on so far, as I have said in my opening speech and we will be pleased to support it.

The Bailiff: Deputy Robert Jones.

95 **Deputy Robert Jones:** Thank you, sir.

I thank Deputy Duquemin for bringing the Assembly's attention to the Scrutiny Committee's Report on the Security of Air Links. For those that have read it will see that Recommendation 8 recommends that the Government should direct the appropriate committee established by the States' Review Committee to examine the opportunities for Aurigny to make greater provision for its social role.

100 That is backed up with a statement made in paragraph 5.6 of that report:

'The Committee considers that the objective set for the Islanders' airline should be sufficiently diverse to enable it to serve the Islanders' needs on all levels. Consideration should be therefore given to whether Aurigny should be operated on an increased community service basis rather than predominantly a commercial one. Opportunities exist to provide flights to serve Islanders' off-Island medical needs, which may present financial benefits, as well as offering increased service guarantees.'

It also states that this is not a new concept for the States and it quotes a Billet back in 2003 which states – and this was, I think, leading up to the purchase of Aurigny:

'The possible acquisition of Aurigny is an opportunity for a strategic investment in a commercial operation that will be of considerable value in protecting the Island's long-term social and economic sustainability.'

The Bailiff: Deputy Kuttelwascher.

105

Deputy Kuttelwascher: Thank you, sir.

In the Scrutiny Committee Security of Air Links Report, there was another recommendation. Recommendation 24, which said Aurigny should be used as an economic enabler, a tool by which to further stimulate business and tourism.

110 This amendment also, I think, makes that, if it is passed, more of a direction.

The only thing I think is missing from this amendment is they want to know the *raison d'être* for Alderney. I think the same question should be asked about the *raison d'être* of our airport and, indeed, Alderney's airport, because they too could, in other ways, be used as economic enablers, but more about that on another day.

115 For now, I am happy to support the amendment.

The Bailiff: Deputy De Lisle and then Deputy Lowe.

Deputy De Lisle: Thank you, sir.

120 Bringing visitors and business into the Island is very good for the long-term prosperity of Islanders and I am pleased to support the broader objective in that other countries use their airlines as an economic enabler to promote development of tourism and retail and the finance business. Also to connect isolated communities.

125 So the business brought in can justify losses in the airline. However, I think it is important that the bottom line is still important and at the same time we want to encourage an efficiently run airline and minimise the losses at the same time.

But I think that the broader objective is one that we should support.

The Bailiff: Deputy Lowe.

130

Deputy Lowe: Thank you, sir.

On this amendment I find there is a word missing. It says that, 'after consultation with other relevant States' Committees and the airline'; it says nothing else about consultation with the public, or a wider consultation. It says 'States' Committees', but will the States' Committees be consulting with VisitGuernsey, will they be consulting with the tourist industry to be able to get feedback? It is not really for the States to be dictating how we should be running the airline without a really in-depth consultation with the public and with those who use this airline. It should be from the bottom up really, rather than from the States' Committees and just the airline.

That is my point. I give way.

140

Deputy Robert Jones: I thank Deputy Lowe for giving way.

The Scrutiny review did invite many, many stakeholders in the airline industry and our conclusions were drawn from the evidence that we gathered from the Chamber of Commerce, the airlines themselves and many other individuals have contributed to that review. There was an opportunity there for people to contribute to this and our conclusions were drawn from the evidence that was gathered during that review.

145

Deputy Lowe: I thank Deputy Robert Jones for that and that is exactly the type of consultation that I would expect and I am glad that you actually did that. That is the sort of thing, as well, that will either be passed across, I hope, or that will continue and expand yet again if we are going to be looking at this, that it will not be lost, it will be used. I was not actually saying Scrutiny had not done it, my point is this amendment is not asking for that and I think it should be.

150

We have to make sure that we do a thorough consultation process on this if you are looking to set economic and social contribution to this.

155

The Bailiff: I see no one else rising. Deputy Trott.

Deputy Trott: I am sure the proposer would have covered this, but by definition if other States' Committees are consulted, that will include the Economic Development Committee post general election and they will, as a matter of course, consult with all the relevant trade groups, the tourism sector, financial services and suchlike. So the consultation will be wide, simply by virtue of the fact that that is how that organisation operates and I am sure will continue to do so.

160

The Bailiff: Deputy Duquemin.

165

Deputy Duquemin: Thank you, Mr Bailiff. I will be brief in reply because the debate has also been brief.

I thank Deputy St Pier for the support of T&R and I think he was quite correct in the sense that this amendment was already debated as the flipside of yesterday's Dorey amendment and I think many of the comments made there will hopefully still resonate in the States' Members' minds as they deliberate how they will be voting.

170

Deputy Robert Jones, thank you for highlighting the Scrutiny Report. Once again, I think it was timely that the Scrutiny Report was published in time for it to be very useful as a resource prior to this debate and he was right to raise Recommendation 8 from within that Report.

175

Likewise, Deputy Kuttelwascher raising Recommendation 24, which was the economic enabler, which once again was consistent with the amendment. Deputy De Lisle also spoke about the economic enabling aspect and also the social responsibility of connecting isolated communities and that is one certainly that I endorse.

Deputy De Lisle also mentioned the fact that the bottom line was also still important and it is important to stress that, in the words of the amendment, in the last three lines, it does say that it is an approach which acknowledges that its success should be measured not just by its balance sheet but also on its social and economic contribution.

180

We will and we must always measure the success of the airline partly on its balance sheet.

185 Deputy Lowe, I think what she said certainly is fair comment, but in my experience consultation is a natural part of the process as Deputy Trott has said and I have never seen it necessarily written explicitly in every, or any, amendment. I think she is right to raise it and it is vitally important that we do consult widely.

Once again, thank you to Deputy Trott for supporting this amendment and I hope, sir, that all Members will do likewise.

190 Thank you.

The Bailiff: Vote on the amendment proposed by Deputy Duquemin, seconded by Deputy Trott.

Members voted Pour.

The Bailiff: I declare that carried.

195 We move to general debate. Deputy Lester Queripel.

Deputy Lester Queripel: Thank you, sir.

200 Having attained the lofty heights of being awarded the accolade of speech of the day on Tuesday, I sat here the whole of yesterday wondering if I ever needed to speak in this Chamber again. *(Laughter)*

The good news is that thought only lasted a day and I am back in my rightful place, which is standing here making a speech.

205 I was extremely disappointed that the amendment laid by Deputies Dorey and Domaille did not get the support it needed to succeed. Like them, I do not think fellow Islanders who cannot afford to fly away on holiday should be forced to subsidise those who can. I think it is somewhat obscene we are being asked to write off £19.9 million worth of taxpayers' money when we cannot afford to provide vital services here on Island for people who need those services.

The sooner Aurigny reach a break-even stage, the better, for the community.

210 Bearing in mind that we are told Aurigny is currently insolvent and bearing in mind that Deputy Kuttelwascher is reported to have said in the press recently that the problem will be tackled if the States back recapitalisation of Aurigny, I would like to ask Deputy Kuttelwascher, through the Chair, if I may, at some stage to define that terminology. Because the way it was reported in the press made it sound as though the issue of future debt of Aurigny will be resolved as long as we tackle it.

215 Anyone who plays competitive sport will tell you that just because you go in for a tackle does not mean you are going to win that tackle. You could just as easily lose that tackle. In fact, you could even come out injured, as I did recently playing walking football.

So I would like clarification on that point at some stage, because that is a misleading comment. It looks as though Deputy Kuttelwascher might be able to clarify that.

220 I will give way.

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Sir, I thank Deputy Lester Queripel for giving way.

225 It also gives me the opportunity to correct one word the *Press* used. They said that I said it was 'definitely insolvent'. I said it was 'technically insolvent'. But that is what happens when you get interviewed over the phone.

230 As regards this, recapitalisation would address that problem, which it would because at the moment Aurigny's capital is all borrowed money, it is an overdraft. If that overdraft is eliminated by injecting this amount of money, it will then no longer be technically insolvent; it would actually become solvent. So it is as simple as that.

One could go on, but I will not.

235 **Deputy Lester Queripel:** I thank Deputy Kuttelwascher for that clarification. This whole Report focuses on cutting costs at Aurigny and there are a few things that do not appear to have been considered or even addressed in this cost-cutting exercise, so I will put those to the Minister and await his response when he sums up.

240 The first issue focuses on the Alderney Pressure Group, because they actually challenged Aurigny's loss-making figures on the Alderney route, saying that instead of making a loss, they could and should be making a profit. In fact, the group has said in public they think that profit could be in the region of £200,000 a year.

245 My question to the Minister is this: has the Department liaised with the Alderney Pressure Group, because I see no reference to that in this Report? I apologise if I am wrong, I will stand to be corrected. If the answer is 'no, the Department hasn't liaised with the group' then I ask the question why not?

I ask that question because surely, if there is any chance at all of making a profit on a route that is currently losing hundreds of thousands of pounds, then it is absolutely vital that T&R work with the group that had made that claim.

250 I am aware, sir, we are told in Paragraph 4.1.1 on page 3081 that a Memorandum of Understanding is due to be introduced by the end of 2015. We are told in that paragraph that discussions have taken place between Aurigny and Alderney and again there is no reference to the views of the Alderney Pressure Group. I would like to hear the views of the Minister on that issue when he responds, please.

255 Another question I would like to ask the Minister focuses not only on the purchase of Dorniers for the Aurigny route but also on the approach taken by the subcommittee regarding purchases in general, because it would appear that Aurigny told the subcommittee that the Dornier was the best airplane for the Alderney route and the subcommittee simply went along with it.

Apologies again, if I am wrong, I stand to be corrected, but the Department does not seem to have questioned the views of Aurigny, which sets alarm bells ringing in my head.

260 I would have expected the Department through their subcommittee to have sought the opinion of an independent, suitably qualified body. Bearing in mind we are talking about tens of millions of pounds here.

265 The obvious question to the Minister, sir, is: did the Department or the subcommittee seek the views of an independent, suitably qualified body? I hear Deputy Kuttelwascher grumbling, sir, perhaps he would like one of the indigestion tablets I have got in my bag.

He has not responded to that, sir, so presumably it is not indigestion he is suffering from.

I will give way to Deputy Kuttelwascher.

270 **Deputy Kuttelwascher:** I am not sure what he was expecting a response to, Deputy Lester Queripel, but I will pass thoughts and views on his speech when it is my turn.

Deputy Lester Queripel: It is a mere fact that Deputy Kuttelwascher was grumbling. I thought he might have been suffering with indigestion.

I will go back to my question, which I was trying to ask before I was interrupted.

275 Did the Department or the subcommittee seek the views of an independent, suitably qualified body, or did they just take Aurigny's word for it that the Dornier is the best plane for Guernsey routes?

If the answer to that question is no, then the next question I must ask is why not?

280 If they have not done that, then surely there is a very real danger of them not complying with their own objectives? Two of which are at the top of page 3097. The second objective tells us that the subcommittee will seek best value for the Guernsey economy.

The question I ask in relation to that is how specific is that undertaking to determine what is actually best value for the Guernsey economy?

285 I also ask for clarification on the first objective at the top of the page, because that objective seeks to ensure that the Treasury & Resources Department is an effective shareholder in the company. With that in mind, I would ask the Minister if he can please give me his definition of the word 'effective'. *(Laughter)*

290 I would like to now focus on operational issues because there does not seem to be a very clear divide between policy and operational in government in general, let alone in this report. We are told in this report the Department do get involved in some operations. We are told that in the table on page 3079, also in Paragraph 4.1 on page 3077. Also in numbers 20 and 21 on the list on page 3104, where we have a list of 22 matters that are reserved to the shareholder for its decision/approval.

Number 20 being:

'Matters that will not generate a commercial return but may fulfil other social, economic or environmental objectives.'

295 And number 21:

'The entry into new markets or the introduction of new products outside the core business.'

Now if I have misread and misunderstood that, I apologise, but I have got to ask another question, because if the shareholder, namely T&R, simply establishes objectives and then trusts Aurigny to comply with them, what does the shareholder do if Aurigny do not comply with those objectives?

300 Also, if one of those objectives becomes problematic, does the shareholder step in and attempt to resolve the problem? If not, why not?

The reason I ask that question, sir, is because the Scrutiny Committee were told on more than one occasion during the recent air links review that the code-share arrangement between Aurigny and Blue Islands is extremely problematic.

305 So my question is: have the subcommittee stepped in to see if they can help to resolve those problems?

To return to the list on page 3104, the last item on that list reads as follows:

'The company is required to bring all matters which have the potential to attract political interest to the shareholder's attention, prior to them being made the subject of any formal media releases.'

310 So my question in relation to that is: did Aurigny ever bring to the attention of the shareholder the issue of the problems surrounding the code-share arrangement? I ask that question because the issue certainly attracted political interest during the air links review undertaken by Scrutiny and as a result of that became the subject of formal media releases.

Did Aurigny actually comply?

In conclusion, in response to Deputy Kuttelwascher is saying there is no one in this Chamber who knows how to run an airline —

315

Deputy Kuttelwascher: Point of correction.

I said there are an awful lot of people in this Chamber who think they know how to run an airline. That is not quite the same thing.

320 **Deputy Lester Queripel:** Sir, if you will pardon the pun that running an airline is not rocket science. *(Laughter)* You do not need a degree in physics or psychotherapy or any other degree; all you need to do, all you need to know, is how to run a business. It is as simple as that. I look forward to the Minister's answers to my questions and I apologise for asking him so many.

Thank you, sir.

325

The Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

330 I kind of feel the victim of several onslaughts in that speech. I am not sure why. That first grumble was myself clearing my throat, but I suppose it sounded like a grumble, and then I had a little cough, but that is life.

I have never heard a speech with so much speculation in it and one wonders if the BBC decide to have a speech of the day, I wonder if there is a worst speech of the day.

335 **Deputy Brehaut:** You might be making it! (*Laughter*)

Deputy Kuttelwascher: I might well be making it. I was going to add, we have not finished the day yet, so we will not know till the end.

340 Regarding the pressure group and the claim £200,000-a-year profit could be made, my answer to that, be my guest. Do it.

The real question is not of T&R but what do the Alderney Representatives as Members of that Government think of this Alderney Pressure Group's proposals, because we have seen the business case and, believe me, it is less than robust.

345 I am sure they can speak on that later, so the question really is do we deal with the Alderney Government or do we deal with a pressure group of, I think, three people? I do not know.

Regarding this requirement for an expert to decide what aircraft is best suited to Alderney, that I find rather odd, because really it is not such a difficult problem and you certainly do not need to pay anybody to resolve it.

350 Alderney has a runway of a certain length. The number of aircraft that if can commercially accommodate is very small. The only three of an appropriate size, if you want to maintain the level and capacity were the Trislander, which they have not built one for 30 years or so, which is a single pilot operation, which has some issues about it. The other one was a Let L410, which is a jet built aircraft. That one was considered, the problem with it was it has a much shorter airframe life and the operating costs are quite high and its past safety record is less than satisfactory, shall we say.

355 So we came down to the Dornier. Now what made that attractive over, say, the Trislander? If you remember the late Alderney Representative ... (**Several Members:** Paul Arditti.) Paul Arditti – I was thinking of his first name – he said we do not have a problem with fog, we have a problem with cross winds.

360 What is interesting about the Dornier is that it has a higher cross wind limit than either the Let or indeed the Trislander, by about five knots, so that aircraft will be able to operate more often into Alderney. It is a simple question with simple alternatives which do not require any experts. The amount of expertise is very limited.

You could say my limited expertise saw the light.

365 You could think of lots of smaller aircraft that can fit Alderney, in fact there is a little five-seater jet that can get in and out of it, and they are cheap aircraft, but nobody has yet told us what the fare will be if you want to charter it for what I think was reported as a four-minute flight, although it does have to slow up and speed up and all the rest of it. So shall we say from take-off to touchdown would not have been four minutes?

370 There are other standby aircraft which Alderney have mentioned which could be brought in, of half the capacity of the ones they want to operate but in an emergency could be used.

The problem with Alderney is simply the length of the runway and indeed the capacity. That was not a difficult question to resolve.

375 Don't the public just love us paying consultants all the time? Especially when you do not need them.

There are 101 other issues with his speech, but I have got to leave something to the Minister, because he looks as if he has got an appetite to answer them.

380 What I found most amusing was you do not need to be a rocket scientist to run an airline. Rocket science is really quite simple. You do not even need a degree in physics, it is all based on action and reaction, you know. Just like a rocket you have got on Guy Fawkes Night.

He said you only have to know how to run a business. Well yes, you do. But it is not only any old business, it is an airline business. Believe me that requires a special skill set and I would suggest it is not here. Even my knowledge of certain sectors of the aviation world would not qualify me to run an airline.

385 So, from that point of view it is not that simplistic. All the presumptions and speculations and assumptions by Deputy Lester Queripel just show how inappropriate it is for us to start dictating on how to run an airline.

Thank you, sir.

390 **The Bailiff:** Deputy Gillson.

Deputy Gillson: Sir, I will start with the words that I have wanted to say but vowed I would never start with because I did not intend to speak. Following what Deputy Queripel said about being just a business, an airline is probably one of these most complicated businesses to run. Even just the logistics of spare parts. Through my previous life in private equity we were involved with companies dealing with spare parts and the logistics of spare parts for airlines is unbelievably complicated.

400 I will support this Report as amended because one of the things we need to determine, and I feel sorry for Aurigny in a way because we bought the company and then said 'that is it'. We need to really decide what we are doing with it.

I was involved a decade ago now on the periphery of buying an airport in Europe and one of the facts that came out of that which really astonished me was if you assume commercial airlines started in about 1926 and you took all the profits of all the airline companies from then to date and all the losses of all the airline companies from then to date, the industry has made a total loss.

405 It is the only industry that in total has never made a profit.

To expect Aurigny to be able to make a profit all the time is really, I think, pushing our luck a bit, because a lot of airlines, like South Africa Airways, are strategic airlines which are subsidised because people realise it is an economic enabler.

410 We need to decide is it an economic enabler, if so, what level of subsidy are we going to give it?

That is the decision we did not ever take when we bought it and I think that is where the mistake was.

415 Going back to the comment about business, even the wonderful businessman who is held up in high regard by everybody, Richard Branson, he had to sell his music industry to recapitalise Virgin in the early 2000s because of problems it had. So let us be real about the business.

Personally, I think it is an economic enabler. Personally I think we should subsidise it, because you see, for instance, the Ryanair model. It makes money but it makes money because it is paid to land in areas of France and Europe. Those regions do pay it.

420 At one point the Ryanair model was such that it made more money from subsidies and grants from where it landed than on its ticket price. That is because those areas of, particular France, Germany, realised that the value of getting people in is greater than the cost of subsidising the airline.

425 In the early days we made the mistake of not making these decisions, but I value Aurigny. I think it should be an economic enabler and if that means that at some point we have to give it a definite subsidy, then so be it.

The Bailiff: Deputy Perrot wanted to speak.

Deputy Perrot: Thank you, sir.

430 I really do think that when we are debating something as important as Aurigny, we should try to dismiss from our minds tittle-tattle from pressure groups, from gossip in social media. We ought really to concentrate on the fact that it is our airline which we ought to be defending.

If a Member such as Deputy Lester Queripel has anxieties about the way in which the supervisory committee goes about its business, we are perfectly happy to meet people to explain the way in which we conduct our business and I think that that is a way in which something like this ought to be dealt with, rather than repeating a number of unfounded rumours in this Chamber.

I feel very sorry indeed for the board of Aurigny that it has got to listen to this stuff. It is our airline. They are the experts.

440 Talking about that, Deputy Queripel says that running an airline is not rocket science. Just forgiving the rather curious metaphor let us go on to what else he said and he said you do not need a degree in psychotherapy to run it. Frankly, if Members of this Assembly tried to run this airline, every member of the board is going to have to have a degree in psychotherapy, in order to cope with the competing directions and demands made on that board.

445 The supervisory subcommittee, I can answer his question, no we have not gone out to outside consultation to see if what the board of Aurigny are saying to us is correct. No more do we do it when we speak to the board of Guernsey Electricity when they tell us that they need to put in another diesel generator. We do not need to go to outside consultants to find out whether we need a slow generator, a fast generator or to know whether the output which they are proposing is correct. They are the experts.

450 What we are doing is to impose headline shareholder objectives and we are trying to make sure that there is overall political governance, to use a much abused word. It is not for us to try to manage either Guernsey Electricity or Aurigny, any more than if Guernsey Post came to us to say 'look, we need to have an automatic letter sorter'. We would not then go to an outside expert to find out whether the board of Guernsey Post Ltd is correct in suggesting to us that it needs an automatic letter sorter.

What we do is to consider the business case insofar as Aurigny is concerned and then, of course, that goes back to the main Treasury board.

460 Criticism has also been made of code-sharing. The point is code-sharing is common currency within the airline business. Yes, there are snags, of course there are snags, there are all sorts of snags with running an airline. It is the most immensely complex business to run.

Deputy Queripel says you do not need to have a degree in physics to run an airline. Actually, I have got a degree in physics. I would not have a clue how to run an airline. (*Laughter*) Deputy Kuttelwascher has got a degree in physics as well, same year as me. He has not got a clue, either (*Laughter*) – as to how to run the airline.

465 The point is running the airline actually depends on the experts. Who are the experts? They are the ones in the airline.

Deputy Bailiff: Deputy Harwood.

470

Deputy Harwood: Thank you very much, sir.

Can I first of all crave the indulgence of this Assembly? To paraphrase a phrase that is used by a former professional colleague of mine and Deputy Perrot's, I am but a humble and simple lawyer. (*Laughter*) Do not laugh! He will be back in this Assembly shortly.

475 I do not have the ability nor the qualifications, certainly not in physics, of a high-flown, qualified accountant. I do struggle, sometimes, with figures.

Could I first of all say at the outset that this Assembly has no alternative but to support the entire Propositions that are put before us?

480 I make apologies to the States of Guernsey, because I was the one that chose the name Cabernet Ltd. I derived it actually from a wine stock. (*Laughter*) If I may give some assurance, it is hardy, wood stock, from which the Cabernet Sauvignon grape is grown.

If anybody has any doubts about supporting this series of Propositions, we have been given the accounts of Cabernet. Page 10 of those accounts, there is a note in the accounts which talks about going concern:

'In assessing the suitability of going concern basis of accounting, the directors have considered the detailed budget profitability and cashflows of the company for the year to December 31, 2015, together with a five-year forecast. As detailed in Notes 10 and 11, the group has borrowings of £29.8 million from the States of Guernsey and £12.9 million from third parties guaranteed by the States of Guernsey. The group operates with a significant external debt financing and no equity and the board of Cabernet Limited had previously requested that its balance sheet should be recapitalised by the shareholder. This decision was deferred by the shareholder and funds have continued to be provided by way of the guarantee of bank borrowings or direct loan.

The States of Guernsey debated its capital expenditure requirements for the next five years in the September 2013 States Meeting and the recapitalisation was approved in principle. This will go back to States for full approval in the second half of 2015. The States of Guernsey has confirmed its intention to continue to support the group.

The directors have prepared the financial statements on a going concern basis.'

485 Sir, if we reject these Propositions, the accountants, when they come to do the audit at the end of this year, will no longer be able to be satisfied, I suggest, that this is a going concern.

The directors will have no alternative but to consider their position because they will be personally liable if they continue trading or acting as directors of the company that is trading whilst it is technically insolvent.

490 The implications for this Island of not supporting these Propositions are enormous and, therefore, forget the frivolity, forget the comments of Deputy Lester Queripel, which I am going to go into points of detail, we have to get behind this airline whether we like it or not.

Deputy Lester Queripel: Point of correction, if I may, sir.

495

The Bailiff: Deputy Queripel.

Deputy Lester Queripel: I did not say at any time that I was not going to support these proposals.

500

Deputy Harwood: I am glad to hear that Deputy Queripel has actually endorsed the proposals.

Deputy Lester Queripel: I was simply questioning, asking questions, as we have a right to do. This is a debating chamber. This is where we debate issues.

505

Thank you, sir.

Deputy Harwood: I make the point I am glad that Deputy Queripel has confirmed that he will support these Propositions.

510

It is very easy for this Assembly, for the press generally, to mock the directors and profitability of Aurigny. I am not an accountant and I am sure others will correct me, there is a phrase used in private equity, certainly, which is called EBITDA, which is earnings before interest tax and I am not sure what the A stands for but somebody can perhaps tell me.

If you look on page 3084 of the Billet, actually if you applied that test then probably the Cabernet Group, on a consolidated basis, it actually operated on a profitable basis, because it is actually showing a profit before interest of £0.7 million in 2015 and continuing throughout.

515

I do not think we should be overly critical of the financial performance of Aurigny. It is actually, on one test, showing profitability. I appreciate though, clearly, after you have taken into account interest depreciation, etc. then the position is worsened.

520

Where I would like clarification from the Treasury Minister is the actual net amount involved in this recapitalisation, because the Propositions of page 3105, Proposition 1a and b, if added together, comes to £25.2 million. Those figures are made up of the recapitalisation in respect of

cumulative losses of £19.9 million and a capitalisation in respect of forecast losses of £5.3 million for the years 2015-2017.

525 If I understand the balance sheet of Cabernet Limited, part of the cumulative losses of £19.9 million actually is an amount that is owed to the States of Guernsey for short-term finance. So the net amount, if you net off the figure of £5.7 million at the last balance sheet date, that means that the actual capital that is needed to be injected, because that money will recirculate within the States of Guernsey's coffers, will be £14.2 million.

530 So the total amount that is being required is £14.2 million plus £5.3 million, which is £19.5 million and not the figure of £25.2 million which, I think, is the figure that has been quoted generally and I think is somewhat misleading. I would be grateful if the Treasury Minister could confirm that. It would have been very useful if we could have had a pro forma balance sheet of the Cabernet group showing the net effect of the recapitalisation, which might have assisted some of us in understanding this position better.

535 I do urge this Assembly to fully support the Propositions.
Thank you, sir.

The Bailiff: Deputy Trott, then Deputy Soulsby, and Deputy Bebb, you wish to be *relevé*?

540 **Deputy Bebb:** Thank you, sir.

The Bailiff: And then Deputy Gollop.

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

Increasingly we are marketing ourselves as an international financial services centre, as being like London without Brussels, albeit on a much smaller scale. Here is a perfect example of why that is such a virtue, because if we were part of the European Union we would not have the flexibility, we would not have the luxury of being able to do what we are doing with Aurigny and increasingly considering it in the appropriate way as an economic enabler, because European Union state aid rules would simply not allow us to do it.

550 I have four questions for the Treasury Minister. Two of them appear on page 3078 and two overleaf on 3079.

The first is at the top of 3078 we are advised that the average load factor on the route has been 78%, that is the Gatwick route, with a monthly average of only 2.7% of flights operating full.

That seems that seems to me to be a disappointing number on both counts. One would very much hope that the load factor could be higher than that and one would certainly hope that the number of flights operating full, particularly those out in the morning, first in the morning and back home last in the evening would be full.

560 Secondly, a little bit further down in the second bullet point, we are told that controllable costs per seat kilometre were reduced by over 10% in 2014 and we understand from the report that controllable costs exclude things such as fuel, which the company has little, if any control over, other than maybe being able to buy ahead.

That does not seem to me to be a particularly attractive figure. After all, the States, we managed to reduce our costs by 10%. If we can do it, it would seem to me that the airline should have somewhat more difficult targets.

565 Overleaf on page 3079 we are told that a key objective of our shareholder is to ensure that 89% of departures leave within 15 minutes of scheduled departure time. It does seem a rather odd number, to me, 89%, and I wondered why that was chosen over let us say the rounder figure of 90.

570 A little bit further down, we are told that an objective is for Aurigny to offer 63% of seats on London Gatwick at £67.22 or less. Why 63% and why £67.22 or less? These figures seem somewhat odd to me.

575 **A Member:** Rounding.

Deputy Trott: Lost in rounding? (*Laughter*)

A Member: 'Accurate' was the word I used, Deputy Trott.

580

Deputy Trott: Isn't it funny how some people can confuse £26,000 with over £20 million when we are talking about roundings, but that was a very tiny one. The point is I think those questions would help me in understanding the thinking behind some of these objectives.

585

The cynic in me says they are just slightly higher than what they are already achieving, so it is just a little bit stretched, but not necessarily stretched enough. I am a huge supporter of Aurigny, I think they have served this Island well and continue to do so, and this States' Report has my full support, but the answers to those questions would be welcome.

The Bailiff: Deputy Soulsby.

590

Deputy Soulsby: I do not profess to know anything about running an airline, so what I will focus on is something I do know more about and that is on the finance and accounting aspects.

595

I agree with Deputy Harwood, we have no choice but to really support the recapitalisation but, and this is a Deputy Domaille but, I do have some comments to make about the contents of the report.

600

The Treasury & Resources Minister has frequently made the point that we should be making the right decision in the right order and I will question whether we are doing that in supporting the capitalisation now, given the issues raised by the Scrutiny Committee Report and specifically the need to determine a strategic way forward, should we be investing £25 million into this venture above other worthy capital projects?

605

We are all aware that a number of key social and environmental strategies have been and are going to be laid at this meeting seeking revenue funding. In addition, the Budget debate last month highlighted that the capital reserve cash flow is under pressure from numerous commitments.

610

The decision to invest £25 million of public money is a major decision and must be done so based on a strong, evidence-based rationale that provides a convincing argument.

615

With regard to this specific SCIP project, the investment of capital into a wholly owned subsidiary could quite frankly be perceived as a somewhat academic accounting exercise, given that the liabilities are effectively already held by the States. However, the advantages to the company of an influx of capital to address its insolvent position are obvious. Certainly refinancing unattractive and uncompetitive overdraft and loans would certainly appear to be sensible.

620

If that is the purpose, I am not entirely sure, even though the Treasury & Resources Minister tried to explain this in his opening speech, quite why the bond cannot be used.

625

The problem is that the management of the Capital Reserve is a complex balancing act, involving hundreds of millions of pounds' worth of public money and policy letters of this nature must provide clear rationale, presented with absolute clarity, but it really does not seem to be the case here.

630

Prior to the debate I did ask the Treasury & Resources Minister and the CEO of Aurigny what the accounting treatment would be, should this policy letter be approved. It was unclear from the States' accounts, which is probably not a surprise, and it was difficult to ascertain when we did not have the accounts of Aurigny.

635

The publication of the latter has helped, although it is still not completely transparent. Presumably the provision for accumulated losses of £19.9 million within the States' accounts will be reversed and the benefit will be seen in the General Reserve, where the provision has been posted to date. Interestingly, the provisions have not gone through the Revenue Account. This

would be the expected normal accounting treatment and would have had the effect of reducing surpluses or increasing deficits.

It will be interesting to see how future losses will be treated. Furthermore, the return on investment is not clearly stated within the policy letter. In many ways less would have been more
630 in this Report. Less background and more specifics on the rationale for this investment.

Whilst the recapitalisation course of action may be reasonable, there is a lack of a coherent, convincing argument presented within the Billet why this spending should be prioritised.

I attended the Members' briefing given by Aurigny and it was not very clear from that, either.

I guess where I am on this policy letter is that I want to support it, but the authors of this
635 Report have hardly done their best to make a convincing case. It is disappointing, to be perfectly honest, especially given the sums involved.

I do welcome the Review that will come out of the amendment we have just approved. It was something I was pushing for when I was on Commerce & Employment, so whilst I do have reservations over the capitalisation, I will support the Report, as amended.

640

The Bailiff: Deputy Gollop and then Deputy Hadley and Deputy Dorey.

Deputy Gollop: I am sure people are mind boggling at what a Gollop Airlines would be like. The easy way down, I do not know. *(Laughter)*

I remember going to an IOD conference one year and a former a chief minister got up and said
645 the best way to make a small fortune in the airline business is to start with a large one. As an industry, Deputy Gillson is spot on, although railways would probably be a close second.

When one looks at the recapitalisation, I have a lot of time for what Deputy Soulsby has said because the Report does go a lot into the past history but not too much into specifics and we go
650 down the red herrings of different island-owned airlines to a degree. The situation of us and the Faroes, for example, is completely different.

I think there are certain points of confusion in the Report. We had a debate yesterday about the need to break even or not and many senior Members were quite harsh on Deputy Dorey and his views, but it is quite interesting that it is still the case, as we see on page 3073, that a basic
655 shareholder provision for Aurigny is that it has a duty to break even, although now with have added the Alderney opt-out, effectively.

There is still the hope expressed in this Report that the break-even will occur in 2018 now. I am not sure how that aspiration marries in to what we have been hearing from Deputy Trott, Deputy Stewart and many others about the opportunities for Aurigny as an economic enabler running
660 perhaps less than commercial flights such as the London City route. I think we have still got some work to do, as perhaps the last amendment we supported, because this Report in itself is not very clear as a standalone piece.

When one looks at the shareholder objectives and KPIs on page 3079, the point Deputy Trott identified about offering 63%, about 60% of seats, based on the statement Deputy St Pier had
665 made to the Assembly earlier, in a way that guarantees losses. The point was to satisfy consumer demand for lower fares, the company is tempted to offer below the full commercial fare. It is not that different from bus services in that respect, or other areas, where effectively the real cost of travel is reduced in order to incentivise demand.

Therefore, again, there is a paradox from what we purport to want and what we are actually
670 doing.

I am interested in page 3085. Again, at this busy time of the States' affairs, we are tempted not to look in intense detail. We are seeing profit and loss forecast, positive impact and negative impact.

We have seen the impact of Blue Islands code-share on Jersey-Guernsey route in reducing
675 operational losses, but the purchase made of the backup ATR72 for Gatwick, effectively an extra plane has been acquired, perhaps not purchased.

We also see on page 3085, the negative impact. Coming back to what Deputy Kuttelwascher said, it says:

'Withdrawal of Guernsey Airport pushback subsidy and Commerce & Employment air route subsidy.'

680 Now there is an example of Guernsey Airport effectively making life harder for a States-owned entity and indeed there does appear to be at times conflicting interests between the Public Services Department, the Commerce & Employment Department and Treasury & Resources, who are the shareholder.

That is certainly interesting.

685 When one goes further on to page 3104, as Deputy Queripel identified, the company is clearly mandated to do matters that will not generate a commercial return but may fulfil other social, economic or environmental objectives, the entry into new markets.

I do not see how the entry into new markets with new routes, which was a strategy pursued by Mr Hart at one stage in the early years of States' ownership, can be married up with a commitment to break even or even to continue to lose money but then break even by 2018.

690 One sees, when one looks at the losses, of course people like Deputy Harwood have much greater knowledge than I do in analysing this kind of work, but superficially at least we see cumulative losses. In the early years of States' ownership, prior to the credit crunch, it was actually making a small operating surplus, 2006-07. In 2011 it only – *only* – made a loss of £725,000 at the time of the worst competition between Blue Islands and Aurigny on the Jersey route, but since
695 that market is all stabilised, we have seen the losses escalate: £3 million in 2012, nearly £4 million in 2013, £3.5 million in 2014.

Even if one accepts that Alderney is in that sense part of the loss, it cannot be more than a quarter and one concern that I have, in a way, is that if we are now going down a new strategy of a break-even, minus the Alderney route, there might be a temptation that we must scrutinise
700 carefully for losses to be exaggerated for the Alderney link in order to justify a less than robust situation elsewhere.

Hopefully that will not happen, but it has to be a concern.

705 I still think we are not clear on what we want Aurigny to do, what routes we want it to lose money on or make money on and how commercial we are prepared to run it in that way. Really we have no choice but to accept the Report today for the reasons Deputy Harwood and others have identified, but I think we need a bigger debate on air services, particularly in the light of the conclusions and impact of the Scrutiny Report.

The Bailiff: Deputy Hadley and then Deputy Dorey.

710 **Deputy Hadley:** Monsieur le Bailli, I think we should be very proud of Aurigny Airways and I am a great supporter of Aurigny Airways. About a year ago my wife was stranded in Manchester by fog and was booked into a hotel, not a particularly good hotel one has to say, but a competing airline gave stranded passengers blankets. When they were stranded for a second night, those
715 passengers fortunate enough to have booked with Aurigny Airways were moved into a much better hotel and that sort of service is what makes me proud of the airline.

A few months ago I caught an Aurigny flight to Guernsey, circled it a few times and went back to Gatwick, because of fog. The airline moved us efficiently to City Airport to catch an alternative flight and gave us a meal voucher on the way to compensate for the inconvenience. Of course, it
720 was not their fault.

This sort of service I think is appreciated by people on the Island.

I accept everything that Deputy Harwood said about the absolute essentiality of approving this policy letter, my only reservation is where the money has come from.

725 I would rather the money had come from the Strategic Reserve rather than the Capital Reserve, because we already under-funded the Capital Reserve this year by about £18 million and taking another £20 million out of a fund which is actually designed for capital projects, building schools,

730 hospitals, that sort of thing, seems to me to be a mistake, especially as of course this money is not being used to fund a capital project, it is being used to make up for revenue losses. I understand all the reasons why these losses are made and indeed take the point that Deputy Harwood made that in fact, on one measure, the airline has actually made a profit.

I do fully support the recapitalisation but, as I say, I do think the money has come out of the wrong pot.

The Bailiff: Deputy Dorey.

735 **Deputy Dorey:** Thank you, Mr Bailiff. I will support the Propositions, but with serious reservations.

740 Deputy Gillson spoke about previous objectives set by T&R. I can say that when I was a member of T&R from 2004 to 2008, with Deputy Le Tocq and Deputy Trott, I certainly recall having robust conversations with the board and senior managers about their objective of making a profit and I am proud to say that for two years, in 2006 and 2007, they did make a profit, so I think we were effective in setting...

I give way.

745 **Deputy Gillson:** Thank you for giving way, I was referring not to T&R discussions but the States of Guernsey had never had that strategic decision.

Deputy Dorey: I accept his point. As T&R we did certainly set them objectives.

750 He also mentioned about Ryanair and subsidising. One of the problems with that is that over half the people travelling, air passengers, are locals, 42% are leisure travellers. I just think it is totally unacceptable to use taxpayers' money to subsidise locals' holidays, which is effectively what we are doing now with Aurigny and what we would do if we continued to subsidise them.

755 Deputy Soulsby, who is not here now, mentioned that it should be funded from the bond, but I think that, is totally wrong. The whole point of the bond issue that it has to be able to be repaid and have an income source to finance the interest and an income source to repay the capital. It is quite obvious that these accumulated losses, there is absolutely no chance whatsoever of Aurigny generating the money to pay them off, so to use the bond would be totally wrong.

760 The bond has been used to pay for the purchase of the planes, where they are attempting to generate the money, although they are effectively making losses, to make those payments, but hopefully they will move into a profit situation. The bond is totally the wrong place to finance this issue and also the Strategic Reserve is the wrong place. We have already used far too much of it and we should be funding it from the Capital Reserve and that is what we agreed when we had a debate and the capital portfolio of the projects which were going to be included in it and this is just fulfilling that previous decision of the Assembly.

765 I want to concentrate currently about Alderney. The predicted loss of £1.3 million in 2017, based on passenger forecasts for 2006, that is a subsidy of over £22 per journey. I know that we are debating Alderney in the next couple of months, but I think that level of subsidy is just too much and unacceptable.

770 When attending the presentation by Aurigny last week, I asked if they would be able to save cost if they stopped the Alderney-Southampton route – and basically they say 40% of the passengers from Alderney go on Southampton and 60% go to Guernsey – and increase the frequency to Guernsey and I said you could link it in with the timings of the Alderney-Gatwick route, which means that Alderney people could get into London, which I think would be more beneficial to them than going to Southampton and then having to take a train up to London.

775 He said it would save money and I think that we have got to seriously think, if we are talking about a lifeline route, that is a lifeline route and it is not the Alderney-Southampton route. When we are considering the projects that we cannot fund for our population, pouring that degree of

money into subsidising Alderney routes I think is just unacceptable, but no doubt we will come back to that when we debate the Alderney situation in the next couple of months.

780 The subsidy I believe, and Deputy Soulsby touched upon this, should be from general revenue and not from Capital Reserve. Yes, we should use the Capital Reserve for accumulated losses, but going forward, I do not believe the right place to be subsidising a route is to be using the Capital Reserve. That is not what its purpose is for and I believe that if we were considering the £1.3 million, for example, which is needed in 2017 within the debate on the Budget, it comes out
785 of general revenue, it would have greater attention from Members because it would then be subject to the rule which we have broken, which hopefully we will put in, that there will be no real term gains in our spending. Because effectively this is revenue expenditure which we are not looking at when we are discussing revenue expenditure.

It is totally wrong to finance it from General Reserve, so I would like the T&R Minister to
790 comment on that and whether he thinks it is the right place, going forward, to finance the Alderney routes from Capital Reserve and have to be financing that every few years.

There has been, with the success of Deputy Duquemin's amendment, but we have to be very careful in the future about how we are going to use our airline. If we are going to use it as an economic enabler and for social reasons, and I presume that means we are going to subsidise it,
795 the effect that is going to have on other airlines and other airlines willing to go in competition, because often they are in competition because passengers have different airports they can fly from and fly to.

If we continue to subsidise just one airline, those other airlines are going to find their people are going to favour the lower fares which are available on Aurigny compared to other airlines and those airlines are going to move into loss situations on routes and withdrawal from the service and we will finish with just one airline, Aurigny, flying to Guernsey.
800

We need to be very careful and we need to be fair, but if we are going to say that flights are economic enablers or for social reasons, those subsidies should be available for all airlines and not just Aurigny because we own it.

805 Finally, I would like to ask the T&R Minister, as T&R opposed my amendment, which had effectively the same wording as their shareholder objective, which was listed under 2015 shareholder objectives, the only thing was I added a date in, as he opposed it and voted against it and all these Members voted against this, I presume they are going to withdraw that objective because they do not support it.

810 I would like him to clarify, do they agree with that objective, because if they do I cannot understand their voting record on it, because they voted against it. Any effect of that on the airline will be totally lost because they have shown when it comes to the test of voting, they do not support it.

I would like him to clarify T&R's position on that objective.

815 Thank you.

The Bailiff: Deputy De Lisle.

820 **Deputy De Lisle:** Sir, I think the public must be quite confused from the debate as to exactly what this policy letter is seeking and I would ask for the Minister to come back to the Report and to clarify exactly what it is that the T&R Department are seeking to require with respect to this.

Despite the fact that we have had discussions from humble lawyers and clueless physicists I think we need clarification on also where the money is coming from. When I look at the Aurigny Group's accumulated losses and existing borrowing facilities, it is quite involved. First of all, the
825 Aurigny Group's accumulative losses between 2003 and the end of 2014 amounted to £19.9 million. Then, when I look at a number of finance facilities that are existing, which I understand is a loan facility of £10 million from the Royal Bank of Scotland, a loan facility from the Royal Bank of Scotland, another one, for the purchase of two ATRs, of £12 million and then a loan from the States' general investment pool to purchase the new big bird, the Embraer jet, which is

830 £23.2 million outstanding, then there is a loan facility from the States' general investment pool to purchase two Dornier aircraft of £2.5 million outstanding and then there is a short-term borrowing facility from the States' general investment pool fund of £5.7 million draw down.

But the recapitalisation of the group, as I understand it, will enable it to repay its existing facility with the Royal Bank of Scotland in terms of the £10 million and the £5.7 million that I have referred to. But it is involved and I think it would be useful if the Minister, on summing up, can indicate exactly where we are with all this money and all these finance facilities that we are involved with, with respect to the financial performance of Aurigny.

I thank you for that, sir.

840 **The Bailiff:** Alderney Representative Jean.

Alderney Representative Jean: Thank you, sir.

There has been quite a bit of mention, I am supportive first of all of this amendment and I am also, of course, going to support the Report, as Deputy Harwood suggested. He is a wise man.

845 I want to talk a little bit about the deficit figures on Alderney as well, because they have been mentioned as debate has taken place on these amendments. On page one, mention is made to try to get Aurigny to a break-even situation and that it will not be possible if it is expected to cross subsidise the losses on its Alderney services, on the assumption that alternative arrangements for the funding of Alderney's services, then Aurigny's current forecast suggests it will not now break even until 2018.

850 I believe that is not a statement I can agree with and my first reason to dispute the figure of £900,000 as the figure of loss is that that figure is not quantified as correct or *bona fide* figure. In the Scrutiny Committee Review into Security of Air Links, for which I am also grateful, I think it is an excellent report and maybe more opportunity will come later for me to comment on that, three different figures appear through its pages: £900,000, £700,000 and £500,000.

The second reason for concern is which of these figures is the correct one when all the quoted figures are, I believe, inflated anyway. I say this because I and many other people have been delayed on the last flights out to Alderney and we are told that every hour the airport is open it costs £500 an hour to do so.

860 Two weeks ago, I and my colleague were delayed through gone tech till about 8.15 p.m. when we touched down on the Alderney airfield, £1,000 to £1,500 on the deficit. This, actually, is a regular occurrence in Alderney, despite the similar statistics for Alderney and Guernsey.

865 During 2014 this happened on three occasions to myself and Mr Harvey. You can get at this information in Guernsey. We in Alderney do not and cannot get at the truth. I believe that quite a lot of the deficit, whichever figure is the correct one, would be down to late opening, due to gone tech or Medivac.

870 We all accept that normal flight patterns can and should be moved for Medivac because of the lack of planes available to fly the Alderney routes. Medivac has been known to cause the airport to remain open. I do not know if each Alderney Medivac is added to the deficit figure of £900,000 or £700,000 or £500,000.

There are many Members of this House who have shown strong support for the Alderney situation. I am genuinely concerned about representation that may be presented in such a way, through circumstances outside of Alderney's control, to make our situation look worse than it may be.

875 I ask that we together get at the truth. Statistics and percentages, oh dear, now what has happened? Let's try again. I have lost it. Gone tech, boys!

880 Statistics and percentages show in both Guernsey and Alderney punctuality has been a problem. The stats show a similarity in both islands, around 86%. Or is all of that figure attributable to Alderney? I find the similarity between the islands amazing when it seems so many incidents happen in Alderney and make the news in Alderney and Guernsey and I hear of so few in Guernsey.

On page 3079, mid-page, to:

'... achieve a break-even position for the Aurigny Group on a full profit and loss basis, excluding agreed exceptional one-off costs and losses incurred in operating lifeline services to and from Alderney agreed with the Shareholder.'

885 We in Alderney are part of the shareholding. The airline Aurigny purchased in 2003 was paid for from general revenue and, amongst those Guernsey pounds and the conjoined economies which made up the £5 million paid for Aurigny in 2003, our contribution was undeniably included, as the money came out of the general revenue account.

I say this because the contribution Alderney made is, I feel, ignored or forgotten to some extent. The London City route needs some extra aircraft to boost capacity, Budget 2015 demonstrates, will continue to make a substantial loss until it is better established.

890 On page 3081 the Commerce & Employment Department, in co-operation with Alderney's P&F Committee to protect present routes in terms of frequency and capacity, yet two weeks ago three of our flights were cut out of our timetable.

I make the point, we talk of service level, or Memorandum of Understanding, but even after the publications of this do their cuts to our flight patterns occur.

895 Can we in Alderney continue to have faith in these negotiations when, since the process started, the goalposts have continually been moved by senior management of Aurigny? Not, I might add, by Alderney and nor by Guernsey politicians.

900 I want protection, as this Billet suggests, over fare levels, existing services, because we do pay a great deal more than Guernsey, but the States of Guernsey say one thing and Aurigny do what they want when they want and are still doing this to this day.

Will a Memorandum of Understanding or a service level agreement be worth the paper it is written on when it is finally produced? That is my concern.

The level of variance in estimates of deficit referred to during the debate on the amendments also leaves me cause for concern and I believe that they are aggravated.

905 I would like to take up one or two of the questions from Deputy Kuttelwascher. Whilst I accept that we in Alderney, the politicians, support the purchase of the Dorniers, I am grateful to the Pressure Group, they did a tremendous amount of research and the Alderney States itself, although probably not all of the States' Members would admit it, did benefit from that research. There was some very interesting stuff that they turned up which was helpful to us.

910 As regards Deputy Dorey, we do not want, none of us in Alderney want Aurigny to be in deficit but part of that is down to what I have explained and also tremendous customer resistance to the high fares. We constantly hear of cancellations as well, through there not being enough seats.

915 We are losing trade; we are losing an ability to trade through it. We are definitely losing flights and people coming in and there is resistance to the high cost. It is a chicken-and-egg situation. You do one thing which makes its worse and perhaps another, if it was done, would make it better.

920 As regards stopping the Southampton route, I think that Alderney would really, really resist that because that has been their link and they are used to using it and they like it. Whether the change would save money, I think a similar situation applies here in Guernsey to Alderney and one of the things that I believe has been highlighted and we have seen a change in the amount of custom in some of the routes, as the Aurigny subcommittee has directed that seats be reserved for local people, there has been a climb in the amount of passengers travelling. That has been through reduced costs and deals. In Alderney, that is not the case, so therefore there is no reason why, sadly, the situation can be changed.

925 It almost says that impasse has been reached. It is difficult for us, but I would like us to negotiate and try to find a way to make it succeed.

Thank you.

The Bailiff: Deputy Inglis.

930

Deputy Inglis: Thank you, sir. Members, it is a bit ironic, isn't it? We are gathered today to approve a £25 million recapitalisation with the effect of a keystroke and later on we are going to be talking about allocation of £80,000 to the biodiversity strategy, Education want £2.2 million out of us. What we have here is lacking in evidence to make a critical decision as to where we are going to go.

935

I am grateful for the Treasury Minister for getting this 11-month-old document circulated amongst us, which does not even tell the full story.

I am grateful to Deputy Soulsby in succinctly demonstrating from her professional approach that we are going to make a decision reluctantly. It is a real shame that has to be the case, because this is a poor reflection on the taxpayers' investment and the responsibility given to us as elected Members of this Assembly.

940

I attended the presentation last week. I did not get a lot of confidence from the answers that we have been given. I would hope that we can move forward from this and get effective management coming through.

It would be wrong to go through this line by line. This is not we are here to do. But, of course, if we are given documentation that clearly presents a picture for us to make a constructive decision then I think we deserve more than this. It took six months for it to be signed off and we clearly do not know how long it took to go before the shareholder to approve them.

945

I thought maybe just two highlights that I would like to ask the Treasury Minister in his summing up to indicate to us, if he can at all answer it.

950

On page 13, bookings paid in advance, in the year 2014 there was over £3.5 million that I would hope was ring-fenced within their accounts but it did not accrue any interest revenue. The only thing we see on these accounts is £25 in interest.

One would hope that the management team is looking at this in a clear and positive way forward. The interest accrued on that could easily benefit the taxpayer, who is moaning every time they book a flight, using a credit card, they have to pay. If you are ring-fencing £3.5 million, there has got to be a little bit more payback from that.

955

My final request of the Minister is we spent money buying slots to preserve the lifeline. I would like to know who owns those slots. Is it the States of Guernsey or is it Cabernet, because it does not appear in here as an asset? That is a very valuable asset. It could, quite easily, improve the position, but I really would like to know where it is, in terms of the balance sheet. I will reluctantly support this, but I really would like to see some changes in the approach and business management of this organisation.

960

Thank you, sir.

965

The Bailiff: No one else. Deputy St Pier will reply to the debate.

Deputy St Pier: Thank you, sir. I think if I may I will begin with Deputy De Lisle, who asked me to briefly explain in essence why we are here and what this Report is seeking, what this policy letter is seeking to do.

970

In essence, the airline has, since we acquired it, accumulated losses of £19 million. That has been funded by way of debt. Commercial debt, principally, in the first instance and once we reached the overdraft facility limit from the bank then the funding has been provided directly by Treasury. That also partly explains Deputy De Lisle's questions about the loan facilities. The loan facilities have grown over the years for different purposes and so, as different needs have arisen, different loan solutions have been found.

975

The net result of the financial restructuring of the business this year will be a tidying up of those facilities. What will in essence be left with is a balance sheet which has accumulated losses cleared, many of the loan facilities will disappear as a result. We will then have a loan from Treasury, funded by the bond, in respect of the aircraft and an additional separate commercial loan for one of the aircraft because it is cheaper to fund that particular aircraft in that way.

980

We will have tidied up the loan facilities, we will have dealt with the accumulated losses and we will be providing Aurigny with sufficient capital until its financial position becomes stable and I will return to that in responding to Deputy Dorey's questions as well.

985 In dealing with Deputy Lester Queripel's many questions, a number of these have been answered by other members of Treasury so I will not cover some of that ground. He asked if we had engaged with the Alderney Pressure Group, I should say the self-styled Alderney Pressure Group, it was in essence a group of three who adopted the moniker the Alderney Pressure Group so there was no particular reason to engage with those three any more than any other three in
990 Alderney or in any other location. They had clearly presented a view that they felt if new Trislanders could be commissioned from the manufacturer, who has obviously ceased the production of Trislanders, then the routes could be run at a profit of £200,000.

Well, the Alderney Pressure Group will of course have an opportunity to tender for the service when we get to the point where we are able to run a public service obligation process and I will
995 be delighted if they can rock up and provide that service with no public subsidy and to generate a profit for themselves of £200,000. That would be absolutely fantastic, so I look forward to engaging with them at that stage, at the appropriate point, when we get to tender the route under the PSO process.

In relation to the different aircraft that we looked at, I think Deputies Kuttelwascher and Perrot
1000 dealt with that and note that and there was not a requirement to engage with suitably independent consultants because that is what the management are therefore. I think there was only one omission, which was to reference the fact that twin Otters were also a potential alternative to the Dorniers and they too were looked at.

Does the supervisory subcommittee simply accept what is before it? No, of course it does not.

1005 There was, in the words of Deputy Dorey, a robust engagement with the management seeking to understand what questions they have asked, why they believe that a particular aircraft is the right aircraft, a cross-wing component was one of the issues that was addressed, the reliability of the safety records, all of those things. But in essence the questions that the supervisory subcommittee are seeking to have answered is: the business proposal before it, the business case
1010 before it, does it comply with the objectives that have been set?

In relation to the reference that Deputy Lester Queripel referred to from the Billet, I think the objectives he was referring to there was actually the definition of the terms of reference for the shareholder subcommittee. Those are the generic terms of reference which have been set for that committee, which it is seeking to discharge in looking at all the individual businesses that it is
1015 overseeing.

In relation to the table in the matters for referral to the shareholder, I would suggest that none of those issues in Schedule 3 are operational issues. The entry into new markets, which is one that Deputy Queripel picked out, or the introduction of new products, the key part of that particular entry is outside the core business. In other words, if it is an entry into a market or a new product
1020 which is within the core business then that would be an operational matter, so it is reserving non-operational matters to the shareholder.

In terms of the objective setting, Deputy Queripel asked what would happen if objectives had not been met, yes of course the shareholder would step in. That is the purpose of the shareholders' subcommittee, soon to be replaced by the Trading Supervisory Board, to oversee
1025 whether the objectives are being adhered to, monitoring the delivery of that through the use of the key performance indicators, that is what the MOU is about.

In terms of what consequences would follow, again it would depend on the reasons that the objectives have not been met. There is not a prescriptive answer to that.

In relation to the code-share, did the management engage with the shareholders' subcommittee on the matter of the code-share or *vice versa*? Yes, again, of course they did. That
1030 is part of the regular dialogue, understanding what is going on with that particular agreement. Is it delivering what was expected? What are the alternatives? What is going to happen at the end when that agreement comes to its end next year?

1035 Deputy Gillson made the very valid and accurate observation that the whole industry has been
loss-making over its entire history and again this is a good opportunity to re-emphasise the point
that I have made several times: Aurigny is sub-scale. It is in an even worse position than the
average operator in the industry because it is trying to operate with all the inefficiencies and not
being able to benefit from the economies of the scale of a much larger operation, so it has a very
heavy fixed overhead cost which others can manage in a better way, with a larger fleet, with a
1040 larger route network and so on.

It has to operate with three different types of aircraft. You would not design it this way if you
could possibly do so. Could that be managed in a better way? Of course it could, if we strip down
the network that it was seeking to operate and, as I said yesterday, if it was simply operating the
Gatwick route, it could operate with one type of aircraft. But then it would not be discharging
1045 what we believe are its other obligations and that, of course, is precisely the purpose of the
successful Duquemin amendment.

Deputy Harwood sought clarification about the net amounts required and referred to the
£5.7 million. Well that £5.7 million, yes it will be repaid in terms of the loan, but in terms of the
accounting entry point, the loan that has been provided again is in respect of losses that have
1050 been accumulated, so the point that Deputy Harwood made is correct in terms of the cash flows
but, in terms of what is required to recapitalise the airline and to provide working capital, as I said,
in relation to Deputy De Lisle, it is the £25 million that we are looking at.

Deputy Trott made a very valid point around EU state aid rules, but it is worth remembering
that, of course, only applies in relation to the routes outside the EU, so care has to continue to be
1055 taken in relation to not subsidising routes into the EU and that, of course, is a particularly sensitive
issue that needs to be considered in relation to the Alderney-Southampton route. That is
something that we have to keep an eye on.

In relation to the load factors which Deputy Trott raised, again very accurate observations. I
would suggest that actually the purpose of referring to those on page 3078 was to make the point
1060 that there does appear to be sufficient capacity on the route in order to meet most demand at
most of the time.

He expressed some disappointment, but to have a load factor in excess of 70% is generally
clearly positive for an airline. Clearly, financially, the ideal thing would be to fly in essence with
every seat full on every flight. However, of course, in terms of service our economy, we need to
1065 make sure people can get here when they need to get here.

Perhaps you would then say 'actually, if we always had one seat empty, they we would know
that everybody could always get here whenever they want to get here'. It is a concern to us if the
airline is flying too often completely full. That would seem to suggest to us that, if that is the case,
there are probably some people who cannot get on that aircraft. So that is why we seek to
1070 monitor that.

And the 2.7%, keeping that low is important. If that figure were 15% or 20%, that would be of
great concern because it would suggest to us that too often people could not get to us when they
needed to. Of course, there may be peak times, a Friday evening or a Monday morning and those
are the times that definitely need to be watched to ensure that we have got the capacity that we
1075 need when we need it.

The controllable cost point, yes, but I think we do have to remember that the controllable costs
were reduced by over 10% in 2014, so it is a question of whether it was in setting a reducible
controllable cost by a further 2.5%, it is again a question of what is reasonable. Would it be
reasonable to say 'you can carry on with another 10% please'?

1080 Again, these are the discussions we have had in the shareholder subcommittee group. We
have absolutely not accepted the first answer from management. We have sought to understand
why they have presented their proposals and how much further they can be pushed. It is not a
question of simply rubber stamping what is being put in front of us.

The 89%, rather than a rounded up 90%, of flights departing within 15 minutes again is a
1085 recognition of experience. How realistic is it to expect the improvement of the performance from

86.6%, particularly into Gatwick? Gatwick is a difficult airport in which any airline can consistently deliver performance. The view was we need to seek to up the game but it needs to be an achievable and realistic target.

1090 The 63% and the £67.22, again this is a stretch, it is an improvement. This is based on the assessment of the forecast for the airline as a whole in its forecast seat capacity and seats used. For us to simply randomly say it should be £67.50 or to pick another number that happens to read more conveniently, that would not be a fair thing to do for the airline in terms of if it has prepared its budget in another way.

1095 Yes, it is a stretch target. Could they be stretched further? Yes, they could but, if we stretched them further again, would it be realistic to achieve? Probably not. Again, as with all of these things, it is always maintaining a balance, but emphasising this is not simply accepting the first answer given by management.

1100 Deputy Soulsby questioned whether now was the right time, given the Scrutiny Committee report. Well, of course, the recapitalisation process began well before the Scrutiny Committee process. In a sense, I think the timing of the two coming together at the same time is a coincidence rather than anything else.

1105 Why can the bond not be used? If we were to use the bond proceeds, we would be providing a loan to cover the accumulated losses and I think that is precisely the point that Deputy Dorey made. Under the rules applying to the bond, that loan would need to be capable of paying interest and capital and, given that this is in respect of historic losses accumulated over the last 10 or so years, the only way that that could possibly be achieved is either by substantially changing the business model in terms of either fares or route network, which was a debate we had with the Dorey amendment yesterday, or relaxing the rules in relation to the use of the bond proceeds. Neither of which, I would suggest, would be the right approach.

1110 I think the request for a pro forma balance sheet, which Deputy Harwood raised, and the clarification of the accounting treatment which Deputy Soulsby raised, as being omissions from this policy letter, I think those are valid observations and criticisms and I accept that that would have made it an easier read had they been in the policy letter.

1115 Deputy Gollop quite correctly identified the impact of the fare targets and again we addressed this yesterday, if we did not have a fare target on the Gatwick route, then it would be a more profitable proposition for the airline. They could recover more on that particular route. That target is there for a particular reason, as I said yesterday, to give reassurance that it is not abusing its position as the sole operator on the route.

1120 Deputy Gollop also made the very valid observation in relation to the relationship with the Public Services Department. Clearly, if the airport were to provide favourable treatment for its largest operator, which of course happens in many airports, then the financial performance of the airline would improve, but obviously we would degrade the performance of the airport. That again is why it makes sense and we should be looking at the two and I think that is why the States' Trading Supervisory Board will provide a good forum in which to actually see the swings and roundabouts in one place rather than constantly looking at these things in isolation as we do now.

1125 Deputy Gollop also referred to the table on page 3094 and I think it is worth just turning to that for a moment and looking at that. He did quite literally go to the bottom line in his comments and I think there are several observations to make.

1130 First of all, peak competition on the Gatwick route was not in 2011, as he suggested, but actually the fare war was in 2012 and 13, before Flybe withdrew. If you look about a third of the way down that table at the operating profit line for Aurigny rather than the group, you will see that actually there was a profit in 2012 at the operating level.

1135 What has happened subsequently is there has been a series of extraordinary items that the airline and the group have had to manage. The write-off of the value of the Trislanders, recognising that they were not going to be continuing in service forever, that write-off was taken in one year. The introduction of the jet and the one-off cost of that. The introduction of London

City. The reorganisation of Anglo-Normandy, the recognising that that was no longer servicing a third party market.

1140 All of those things have happened in the last couple of years and we would clearly not expect the recurrence of those.

The final observation in relation to that table is observing the interest line. I think it was Deputy Harwood who picked this point up as well. That interest line is going up as the debt burden of the airline increases and clearly, as part of the overall objectives of restructuring the finances of Aurigny, are to bring the overall costs of the airline down, including those financing costs.

1145 Deputy Dorey, I think there are going to be two opportunities in which to discuss the role of Alderney and its relationship with Aurigny and its financial impact. The first one will be relatively soon, which will be at the time that the review of the financial relationship with Alderney comes before this Assembly in the first quarter next year because, once again, the financial impact of Aurigny is part of that report.

1150 The second opportunity in which to debate exactly the issues that Deputy Dorey was suggesting was when we run the PSO process and determine what it is actually that we are looking to provide a public service obligation for.

1155 Deputy Dorey again, I think quite rightly, challenged whether the forward financing from the Capital Reserve of losses that we are expecting to make, whether it is appropriate that those are taken from capital rather than revenue. I think it is a very valid observation which was why I was smiling as he was saying it. There are two issues, I would suggest.

1160 First of all is the EU point that Deputy Trott raised in the first instance and this question of subsidising the Alderney-Southampton route. If that were to be done through revenue, there would be question marks, potentially, over that. That is one reason for a lump sum capital payment being made to provide sufficient capital for the airline to run for a period. So that is a technical point arising out of the EU state support rules.

The right place to deal with this is the PSO and what we have recognised in this Report is that is going to take a couple of years to get in place, to run the process properly, and we just need to make sure the airline is sufficiently capitalised to get through that period.

1165 The challenge we are going to face is once that PSO is in place it will be a revenue item and where on earth is that money going to come from? For the last 10 years, we have hidden the problem by putting it on the overdraft and effectively we have been able to ignore it, but again once the PSO is in place we will have no option but to decide where in our list of priorities does supporting the PSO come versus all the other pressures that we know there are.

1170 I think it was a valid observational challenge.

The objectives point. Again this was an interesting challenge from Deputy Dorey. How could we possibly have voted against his amendment and, therefore, surely we have to tear up the MOU?

1175 Clearly, our objective is financial break-even for Aurigny. We do remain committed to that. The only point of difference between the Treasury board and Deputy Dorey yesterday is simply one of timing. It was a good challenge but, I think, Deputy Dorey actually did know the answer to that question before he made it.

1180 Alderney Representative Jean, again, really providing the challenge are the losses for the Alderney routes really the losses for the Alderney routes? Where are they? How can they be justified? Can we have some more clarity around that?

When you are operating a group, with a number of different routes, clearly a group of any businesses, one of the challenges is always how do you allocate overheads from head office to different parts of the group? This is no different in this case.

1185 Is the allocation of overheads for Aurigny as a whole to the Alderney routes fair? There will be a range of different views, a range of different challenges and ultimately it is going to be a matter of agreement or disagreement as to whether that allocation is correct.

I think it is beyond challenge and that is why we believe the PSO is the right solution, that it is not possible to run a commercial service, with the exception of going back to where we started

1190 with Deputy Lester Queripel, with the exception of the Alderney Pressure Group who believe that
a commercial air service can be run to Alderney at a profit, as I say we welcome their tender when
it comes. I think the majority beyond that group do not believe it is possible to run a commercial
service with the frequency, with the capacity that Aurigny is seeking to do, and make a profit.

So the question is maybe the quantum of the loss, whether the overheads are right, the
allocation of the overheads is right, but the broad picture is that it is a loss-making service.

1195 Deputy Inglis provided the challenge that this policy letter lacked evidence. I think that is a
little harsh, if I may say so. The big evidence is this airline is insolvent. The losses have been
accumulated, that is really all the evidence you need in terms of the big picture in relation to this
issue. Does it need recapitalising or not?

1200 In relation to the question of advance bookings at the year end and why aren't they sitting on
deposit earning interest, well that £3.5 million sitting in the balance sheet at the end of the year as
representing advance bookings of course is simply reducing the overdraft. It is not there earning
interest. It is simply reducing the overdraft costs. In other words, if we did not have those
bookings at the year end, the overdraft would have been £3.5 million higher at the year end.

1205 Where do the slots sit? They sit with the holder of the airline operator's certificate, so in other
words Aurigny Air Services itself. They do not sit at a States level, which of course is precisely
always the issue that it has to be the operator of the AOC who is flying those slots in order to
retain them.

1210 They are an intangible asset and, yes, they could potentially be valued and, if we were to do so
that would clearly assist the state of the balance sheet. If we take what is believed to be the
transaction between EasyJet and Flybe with their slots, it is understood that those were transacted
20 slots for £20 million, £1 million a slot. That would suggest that our slots at that time would
have been worth £6 million, which would clearly have considerably assisted the condition of the
balance sheet.

1215 Whether there is great merit in seeking to bring that asset onto the balance sheet and
constantly having to revalue it every year, that is a challenge because you do not really know what
the transaction value is going to be each year. In other words, are you creating a lot of work to
value an intangible asset which does not really assist greatly in the further understanding of the
accounts? It could be done, it is a question that has been asked, but our view is that it is not of
much great further value, so it has not been pursued further. But it is a very valid question and we
1220 should not forget, and we do seek to keep emphasising that those slots are of great value to the
Island through its ownership of Aurigny.

I think, I hope I have answered all Members' questions and challenges through the debate. I
thank everybody and do look forward to their supporting the Propositions, sir.

1225 **The Bailiff:** Members, we now vote on the amended Propositions. I remind you that the three
original Propositions are to be found on page 3105 and, to those, have been added a new
Proposition 4, as the result of the Deputy Duquemin/Deputy Luxon successful amendment and a
new Proposition 5 from the Deputy Duquemin/Deputy Trott amendment we debated this
morning.

1230 So there are five Propositions. Unless anyone requests otherwise, I will put all five to you
together.

Members voted Pour.

The Bailiff: I declare them all carried.

Billet d'État XXI

STATES' REVIEW COMMITTEE

I. The Organisation of States Affairs – Third Policy Letter – Debate commenced

Article I.

The States are asked:

Whether, after consideration of the policy letter dated October 19, 2015, of the States Review Committee, they are of the opinion:

1. To agree the main part of Appendix A to that policy letter, entitled Mandates of Committees of the States with effect from the May 1, 2016, in relation to the final wording of the mandates of the following committees of the States (serial a to serial n) and non-governmental bodies (serial o to serial r):

- a) Policy & Resources Committee;*
- b) Committee for Economic Development;*
- c) Committee for Education, Sport & Culture;*
- d) Committee for Employment & Social Security;*
- e) Committee for the Environment & Infrastructure;*
- f) Committee for Health & Social Care;*
- g) Committee for Home Affairs;*
- h) Civil Contingencies Authority;*
- i) Development & Planning Authority;*
- j) Overseas Aid & Development Commission;*
- k) Scrutiny Management Committee;*
- l) States' Assembly & Constitution Committee;*
- m) States' Trading Supervisory Board;*
- n) Transport Licensing Authority;*
- o) Elizabeth College Board of Directors;*
- p) Guille-Allès Library Council;*
- q) Ladies' College Board of Governors;*
- r) Priaulx Library Council.*

2. To agree Annex One to the Mandates of Committees of the States with effect from the May 1, 2016 Appendix, in that policy letter, in relation to committees' general responsibilities.

3. To agree Annex Two to the Mandates of Committees of the States with effect from May 1, 2016 Appendix, in that policy letter, in relation to the operational functions of the following committees of the States:

- a) Policy & Resources Committee;*
- b) Committee for Economic Development;*
- c) Committee for Education, Sport & Culture;*
- d) Committee for Employment & Social Security;*
- e) Committee for the Environment & Infrastructure;*
- f) Committee for Health & Social Care;*
- g) Committee for Home Affairs;*
- h) Civil Contingencies Authority;*
- i) Development & Planning Authority;*
- j) Overseas Aid & Development Commission;*
- k) Scrutiny Management Committee;*

l) States' Assembly & Constitution Committee;

m) States' Trading Supervisory Board;

n) Transport Licensing Authority.

4. To agree that, as set out in paragraph 4.1.7 of that policy letter, the Policy & Resources Committee shall compile a comprehensive schedule of committees' operational functions and services which shall be inserted as a replacement Annex Two to the 'Mandates of Committees of the States with effect from the May 1, 2016 Appendix, by no later than the end of 2016.

5. To agree that, as set out in paragraph 4.5.11 of that policy letter, all relevant operational functions relating to transport licensing shall be transferred to the Transport Licensing Authority by no later than the end of 2016.

6. To agree that, as set out in section 6.8 of that policy letter, all Rule 18 (of the Constitution and Operation of States Departments and Committees) Special States' Committees as presently constituted shall be dissolved from the May 1, 2016; and, also as set out in section 6.8 of that policy letter, to direct the Constitutional Investigation Committee, the Parochial Ecclesiastical Rates Review Committee and the Social Welfare Benefits Investigation Committee to report to the States of Deliberation by no later than their March, 2016 meeting, in each case with a proposal either to constitute the committee as a States' Investigation & Advisory Committee with effect from the May 1, 2016 or, alternatively, not to constitute the committee as a States' Investigation & Advisory Committee provided that instead the States resolve which other committee is to assume any duties of the Special States' Committee which remain outstanding.

7. To agree that the Policy & Resources Committee shall establish the policy and resource planning process set out in section 5.2 of that policy letter.

8. To agree that, as set out in paragraph 5.5.2 of that policy letter, the Policy & Resources Committee shall become the sole decision-making States' body under The Compulsory Acquisition of Land (Guernsey) Law, 1949, as amended, and that the Law should be further amended accordingly.

9. To agree, as set out in paragraph 6.2.5 of that policy letter, that in order for a meeting of the States' Trading Supervisory Board to be quorate there must be present at the meeting at least one of the members of the Board who is a sitting member of the States of Deliberation.

10. To agree that, as set out in paragraph 5.2.4 of that policy letter, when the States' Assembly & Constitution Committee carries out a comprehensive review of the electoral system, as set out in Resolution 38 on Billet d'État XII of 2015, the Committee shall include in that review a study of whether it would be advantageous for the terms of office of People's Deputies to be for five, rather than four, years provided that under no circumstances shall there be any extension of terms until after the 2020 general election.

11. To agree that, as set out in paragraph 2.6.2 of that policy letter, the States' Review Committee shall be responsible for overseeing preparations for the implementation of the reorganisation of States' affairs until the Committee is dissolved at midnight on the April 30, 2016.

12. To agree that, as set out in paragraph 5.3.4 of that policy letter, the Policy & Resources Committee and the Committee for Employment & Social Security shall review the case for maintaining and the case for reforming the arrangements in relation to which committee of the States should have political responsibility for the States' insurance funds and shall jointly report to the States by May, 2017 setting out their findings and any recommendations considered necessary.

13. To note that, as set out in paragraph 2.6.5 of that policy letter, if further matters arise relating to the reorganisation of the States which require the resolution of the States they will be submitted in good time to be settled at or before the meeting of the States of Deliberation in March, 2016.

14. To rescind, as set out in paragraph 2.6.4 of that policy letter, Resolution 5 on Article XVI of Billet d'État V of 2012.

15. *To direct the preparation of such legislation, as set out in section 7 of that policy letter, as may be necessary to give effect to the above decisions.*

The Greffier: Billet d'État XXI, States' Review Committee – the Organisation of States' Affairs, Third Policy Letter.

1235

The Bailiff: In the absence of the Chairman of the Committee, on States' business, I assume it is Deputy Fallaize who will be opening the debate, is that correct?

Deputy Fallaize: Thank you, sir. I regret having to give this opening speech in the debate because I know that the Chairman of the Committee, Deputy Le Tocq, wanted to and perhaps did not foresee that the last debate would take four and a half hours, but Deputy Le Tocq, I want to say in his absence on States' business, I think at the BIC meeting, has been an exceptional chairman of the States' Review Committee and that is why I regret that he has not had the opportunity to open debate on these proposals.

1240
1245 In July 2014 and July 2015, the States spent a total of five days debating two policy letters from the States' Review Committee and, in approving the Committee's main proposals, agreed to significant organisational reform, which will take effect in May 2016. A new senior committee, the Policy & Resources Committee, will bring together responsibility for the co-ordination of policy and resources and external relations.

1250 The President of the Policy & Resources Committee will be the holder of the Island's senior political office.

Separately, and for the first time, the States will have an identifiable lead Member who is able to focus on the Island's external relations. There will be fewer policy making committees but they will have broader policy responsibilities and there will be a reduction in the number of committees overall.

1255 Most of the policy making responsibilities of the States will fall to what will be six Principal Committees: Committee for Economic Development; Committee for Education, Sport & Culture; Committee for Health & Social Care; Committee for the Environment & Infrastructure; Committee for Employment & Social Security and Committee for Education, Sport & Culture. I think I have put those in the right order.

1260 Certain statutory, regulatory and commercial functions will not be carried out by those Principal Committees, but there will be a small number of authorities and boards created to look after those very discreet functions and the scrutiny functions of the States will be merged. A new single Scrutiny Management Committee will oversee the scrutiny of policy, finances and legislation, mainly through panels drawing on a wider range of States' Members and people independent of the States. The Committee is clear and believes it has the support of the States in this that the status and influence of Scrutiny must be enhanced.

The number of People's Deputies will be reduced by 15%, to 38.

1270 In addition, the States have set down expectations for improving the support available to committees from the civil service and concrete measures put in place. Changes to procedures and changes to rules which will strengthen the accountability of senior officers to the committees they serve. Indeed, committees will be given authority in that area which they have never previously had.

1275 The policy planning process will change significantly and steps taken to strengthen committees' ownership of policies they propose to the States.

The purpose of all of these and the other changes approved by the States in the first and second policy letter are to strengthen the Island's traditional committee system in order that it can better support the States in their most important objective, to serve the people of Guernsey now and in the future.

1280 In this third policy letter, the Committee is making 15 recommendations which further develop the reforms agreed already and it is anticipated that this will be the final policy letter from the

Committee. Indeed, the Committee will be dissolved with effect from May 1st, 2016, as these reforms come into practice.

1285 In particular, the third stage proposals provide for the States to determine the final wording of the mandates of their committees in the new structure and the operational functions for which those committees will be accountable to the States, to consider further the details of the policy planning process which the States have resolved to establish and the relationships which will exist between various committees and to make resolutions on certain other ancillary issues.

1290 Significantly, as in the case of the first two policy letters, the proposals in this policy letter are laid before the States with the unanimous support of the Committee.

Also, I think it is relevant, the Committee has worked very closely with the Chief Executive of the States and his senior colleagues. I would like to take this opportunity to thank them for the support they have provided to the Committee.

1295 The reforms of the States' Review Committee are very closely aligned with the public service reforms which are now being led by the Chief Executive.

The changes agreed by the States over the past 18 months represent substantial reform of the committee system, but they are pragmatic and achievable. They respect and build upon existing strengths while seeking to address the most serious shortcomings in the present structure.

1300 Sir, all organisational structures are imperfect and the Committee does not seek to suggest otherwise. Organisations are made up of people, their culture, conduct and personal relationships are hugely important in determining the effectiveness of any organisation. Clearly, governing effectively requires a combination of the right people with the right skills operating in a structure which allows them to make the most of those skills.

1305 These reforms are not the end of political conflict. They are not the end of committees disagreeing. They are not even the end of committees disagreeing openly in public in the States. There is, after all, going to be a committee with the name Education in its title and a committee with the word Resources in its title.

1310 It is not the end of messiness in government. Government is contentious, it is difficult. It is messy, that is the nature of government, not just government in Guernsey, and these reforms will do nothing to change what is inherent in the nature of government.

Also, this is not the end of change. The process of reforming the States will go on. These proposals are not a panacea. They will have to be reviewed in time.

1315 Hopefully there will not have to be a significant comprehensive review, in the way there has been over the past three years, for some time, but we do not want to over-promise and under-deliver. We are putting forward proposals which we think are a significant improvement, but of course, imperfections will remain.

1320 Significantly, the reforms agreed will, if they are implemented as the Committee envisage, provide conditions more conducive to effective leadership and the sound co-ordination of policies and resources, proportionate checks and balances and sufficient flexibility to adapt if and when circumstances change.

The new arrangements will be significantly more flexible than the present arrangements. They will also support the objective of matters being dealt with at their appropriate level, in that the States ought to debate major matters of policy and expenditure and set the framework in which the rest of the administration should operate.

1325 Principal committees should be involved primarily in policy making and holding to account the public service which is responsible for running services.

Of course, the Scrutiny Management Committee should lead a robust, muscular but proportionate and responsible scrutiny process right across the States.

1330 In concluding, I want to say the Committee has been able to achieve anything at all only because it has been backed at every stage of this review by the overwhelming majority of the States, which is almost unprecedented in reviews of this nature.

At this, which is the final stage before implementation, the Committee asks Members to support the policy letter without making significant changes to it.

Thank you, sir.

1335

The Bailiff: There are seven amendments, of which we have had notice. The first one was to have been moved by the Chairman of the Committee. Are you now going to propose that, Deputy Fallaize?

1340

Deputy Fallaize: Yes, please, sir.

The Bailiff: And who will be seconding?

Deputy Fallaize: One of the other members of the Committee.

1345

The Bailiff: Deputy Conder. So we will deal with the amendment now to be proposed by Deputy Fallaize, seconded by Deputy Conder.

Amendment:

To add at the end of Proposition 1, item (d), 'except that the words "equality and" shall be added to the start of Point 8 of the policy, advisory and general responsibilities of the Committee for Employment & Social Security, in order that Point 8 reads in full: "8. equality and social inclusion, including in relation to disability";'.

Deputy Fallaize: I thank the Greffier for reading out the amendment. I will not speak for very long at all on this.

1350

This was, in effect, an omission of the Committee, which has been pointed out by people in the community who are deeply engaged in matters of equality. There is an equalities agenda at the moment in the States, it is not as active as some of us might like, but it does exist and it is the view of the States' Review Committee that responsibility for it ought to be made explicit in the mandate of one or other of the new committees of the States and the Committee's view is that the Committee for Employment & Social Security is the right place for it, given that the States have already agreed to make that Committee responsible for social inclusion.

1355

I hope Members will feel able to support this very straight forward amendment.

The Bailiff: Deputy Conder, do you formally second it?

1360

Deputy Conder: I do, sir, and reserve my right to speak.

The Bailiff: Deputy Wilkie, you wish to speak?

1365

Deputy Wilkie: Thank you, sir.

While I commend the States' Review Committee for placing equality on the mandate of a department, I would like to understand the thinking behind equality being placed in the Employment & Social Security Committee. It has always been my understanding that justice and equality go together pretty much hand in hand.

1370

If we look at the Committee for Home Affairs' mandate, under the purpose to 'support a high standard of living and quality of life by maintaining, promoting a safe, stable and equitable society which values public protection, justice, respects of rights, responsibilities and potential of every person'.

Reading that, I would like to put equality under the Home Department mandate, but I am unsure as to the reasons behind it going to Employment & Social Security.

1375

I think there is a bit of confusion here, because, in the 2016 Budget, in 6.38, Programmes of Service Transformation:

'This process will enable the development of the principles to use in each of the four planned programmes of service transformation: education and training services; health and social care services; justice and equality services and other government departments.'

1380 There again, the Civil Service is expecting it to be justice and equality. I am willing to give it a go. If I do not vote for this amendment, then equality will not be anywhere, but I am just saying I am not comfortable with it being where it is. I am not so uncomfortable that I want to move an amendment to change it.

Thank you, Sir.

The Bailiff: Deputy Green.

1385 **Deputy Green:** Very briefly, sir, I entirely support this amendment. I think it is perfectly logical to couple together equality with social inclusion.

The Bailiff: Anyone else? Deputy Conder.

1390 **Deputy Conder:** I really just endorse what Deputy Green says. I think if we look at the mandate of the Employment & Social Security to foster compassionate, cohesive and aspirational society, as good an argument can be made for it to go into Employment & Social Security as the very good argument that Deputy Wilkie made for it to go to the Home Department, but I think the important thing is that this is included.

1395 Thank you, sir.

The Bailiff: Is no one else wanting to speak? Deputy Fallaize.

1400 **Deputy Fallaize:** Thank you, sir.

Deputy Wilkie does make a reasonable argument, but I think justice in the context of the Committee for Home Affairs could be understood mainly in the context of the justice system.

1405 What we are talking about in terms of equality would fall more under the category of social justice. The vision the Review Committee has for the Committee for Employment & Social Security, is that it would become a driving force for the social affairs agenda of the States, if I can put it that way.

1410 That is why it was felt that equality, as Deputy Green has said, fits best with social inclusion. It is not so clear cut that an argument cannot be made for it to sit in the Committee for Home Affairs, but on balance the Committee feels that it is better with the Committee for Employment & Social Security.

I do think Deputy Wilkie makes a reasonable argument, but I have explained why the Committee thinks it is best to go in Employment & Social Security and I hope the States are prepared to endorse that.

1415 **The Bailiff:** We vote, then, on the amendment proposed by Deputy Fallaize, seconded by Deputy Conder.

Members voted Pour.

The Bailiff: I declare that carried.

Next we have an amendment to be proposed by Deputy Soulsby and seconded by Deputy Robert Jones.

1420

Amendment:

To insert in Proposition 1:

a) In item (a) after 'Policy & Resources Committee' the following: 'except, under Duties & Powers to delete under item (b) (page 3191 of the Billet): "10. annually recommending the appointment of external auditors to the States."'; and

b) In item (k) after 'Scrutiny Management Committee' the following: 'except, under Duties & Powers (page 3205 of the Billet) to add between the antepenultimate and penultimate paragraphs the following, "To recommend to the States the appointment of the States External Auditors and their remuneration."'

AND

To insert in Proposition 3:

a) in item (a) after 'Policy & Resources Committee' the following: 'except, under Policy & Resources Committee – Operational Functions (page 3215 of the Billet) to delete paragraph (d)'; and

b) in item (k) after 'Scrutiny Management Committee' the following: 'except, under Scrutiny Management Committee – Operational Functions (page 3226 of the Billet) to delete all of the words in paragraph (a) after 'the Public Accounts Committee.'

Deputy Soulsby: Sir, Members who have their Gold Books with them can turn to the mandate of the Public Accounts Committee will see that all this amendment is seeking to do is to retain the status quo.

I recall Deputy Perrot last year accusing the PAC of parking its tanks on Treasury & Resources' lawn, but this is not a land grab, quite the opposite. This amendment seeks unashamedly to defend Scrutiny functions for the next States' term.

The policy letter as it stands transfers this power to appoint the external auditors to the Policy & Resources Committee. The Public Accounts Committee believes that this is profoundly wrong and that it is essential that independent oversight continues to be applied to both the appointment of the external auditors and the annual audit process.

Scrutiny will be weakened if this particular function is transferred to the Policy & Resources Committee.

I do not want to speak for too long as I am conscious that there is so much more that needs to be debated this month. However, I think it is important that Members understand the value of the input of the Scrutiny function and how this has manifested itself over the last three and a half years.

At the start of this term, the PAC set up its Audit Panel. We have been extremely fortunate to have such highly skilled non-States' members on the committee, bringing current worldwide financial know-how and applying it for the benefit of the States of Guernsey. All members of that panel originally came from an audit background and others are currently positioned where they have close involvement with the auditors. Their knowledge in this regard has therefore been invaluable.

By its very nature, the work on this Panel is not something that can easily be made public, but it has certainly been working behind the scenes to ensure efficiency and value for money in the audit process. The process has also been invaluable to the Committee in identifying areas which required further review.

When the current members took office in 2012, we found the external auditors had already been appointed by the previous PAC, although their formal contract had yet to be signed. The Committee was in the process of drawing up this contract just at the time the fraud of £2.6 million took place.

The Committee's Audit Panel worked together with the law officers to strengthen areas of the contract in light of this event. This took a mammoth eight months until all parties were happy and the Committee was comfortable signing on behalf of the States of Guernsey.

1455 Once a contract had been signed, the work of the Committee has involved the monitoring of the annual audit. This includes a review of the external auditors' annual work plan and liaising with them and the States' Treasurer on a regular basis prior to, during and at the completion of the audit process.

1460 The Panel also requests feedback from all departments about the conduct of the audit so we can assess not only the performance of the auditors, but also Treasury & Resources and ensure weaknesses are addressed.

1465 The importance of this role became very evident when it came to the audit of the 2012 accounts. Following the implementation of SACC, there were considerable issues over reconciliations on the new system, slippage in the audit timetable and other issues that needed to be resolved. The Panel called in both the auditor, States' Treasurer and T&R Minister to receive progress and to act as facilitators to ensure that the audit did not stall.

At the last meeting, I spoke about reservations the Committee had about the approach taken by T&R in terms of the audit this year. This followed the Audit Panel's scrutiny of the annual audit process, specifically one area that was outlined in the initial tender documentation and I quote:

'The contractor and the chief accountant, along with the representative of the Public Accounts Committee, shall determine the timetable arrangements each year, in order to ensure completed audited accounts in time for the presentation of the annual accounts to the States of Guernsey.'

1470 Upon inquiring whether the timetable was being adhered to, the Committee was informed that 'this was not the Committee's responsibility', even though slippage from it could financially impact the audit fee that had been agreed by the Committee, which it did.

Yes, the Panel has been a very necessary irritant, holding T&R to account and long may that continue.

1475 With a more powerful Policy & Resources Committee, it will be even more important that there is independent oversight of the annual process that can challenge both parties and hold each to account.

Without this amendment, scrutiny will be weakened at a time when the executive function will be strengthened.

1480 The PAC, through its Audit Panel, has been very effective this term and has maybe worked too well as the Committee is aware that at times T&R has been uncomfortable with the Committee's scrutiny.

We believe that this creative tension is a positive force within Government and should continue and I urge Members to support this amendment.

1485 **The Bailiff:** Deputy Jones, do you second the amendment?

Deputy Robert Jones: Yes, I do, sir, and I reserve my right to speak later.

1490 **The Bailiff:** Deputy Fallaize, do you wish to speak on this?

Deputy Fallaize: Not at this stage, thank you.

The Bailiff: Deputy St Pier. You were going to speak for the States' Review Committee?

1495 **Deputy St Pier:** If I may, sir. Thank you.

This amendment seems simple, obvious and actually quite attractive because surely all it is doing is transferring an existing function, which currently exists with something that looks like it is scrutiny, i.e. Public Accounts Committee, to something that should be doing scrutiny, the Scrutiny Management Committee.

1500 It seems to be a fairly obvious amendment, but it is, I would suggest, fundamentally flawed. The Scrutiny Management Committee is not an audit committee, audit commission. Although the

Public Accounts Committee has performed that role, the Scrutiny Management Committee is not the Public Accounts Committee.

1505 We have got to remember that it is not Policy & Resources which is audited, it is all of the Committees of the States that will be audited. Although the apparent conflict between Policy & Resources appointing the auditors and itself being audited, that is a flawed argument because it is not simply Policy & Resources that is being audited.

The main reason that it is fundamentally flawed is who will scrutinise the appointment of the auditors? It will not happen, because the Scrutiny Management Committee will have done it.

1510 For example, if you look at the terms of the contract which Deputy Soulsby referred to in her opening speech, if that has been sent by the Scrutiny Management Committee, who is going to question whether that is right or not?

If there is a tender process, has a proper tender process been run? How will we ever know? Who is ever going to be in a position to question that?

1515 Are the fees reasonable? Who is going to test whether that is the case and how often should the auditors be changed? Those are the questions that I would expect the Scrutiny Management Committee to be posing. Those are the challenges that I would expect them to be posing of the committee that has made the appointment, challenging P&R have you got the right auditors in place, how often do you change them, what is your policy for changing them, are you paying them the right amount, is the contract in the right terms? All of those questions. If it is the Scrutiny Management Committee that is going to do it, we just have to accept that they have got it right.

That does not feel right to me. This is a 'who is going to regulate the regulators?' question and so for that reason I think it should be thrown out.

1525 In terms of the Audit Panel work, there is no reason why Scrutiny Management Committee could not continue to do that through their task and finish groups. But that is a fundamentally different role from the appointment of the auditors.

It is not a simple, obvious and attractive amendment this is fundamentally flawed and should be thrown out.

1530

The Bailiff: Deputy Gollop.

1535 **Deputy Gollop:** I am minded to support it because we are changing a large number of institutions, particularly in relation to the scrutiny function. We are, in a sense, losing the Public Accounts Committee in its present construction. That itself carries a risk.

I know there have been ambitions, not necessarily able to be succeeded, due to the lack of resources and time pressures on Members, but we never did see quite what we hoped to see, which was Public Accounts hearings in public, of the scrutiny of ministers and departments and specific bodies.

1540 I think the purpose here of retaining a scrutiny role in appointing auditors is to make the point that the Scrutiny Management Committee will in a sense, although our system is not the same as the United Kingdom, be a kind of select committee or senate committee whereby parliamentarians and others with expert opinions will call to task what amounts not necessarily the executive but the senior arms of Government decision-making.

1545 It does not feel right for the Policy & Resources Committee to already become a kind of cabinet in appointing external auditors, because that could be seen to lead to a view that they were perhaps nominating auditors that, for whatever reason, appeared to be favourable to their interests.

1550 I just think in terms of openness and transparency, having confidence in the way ahead, this amendment would be an easier route to pursue than the arguments Deputy St Pier has advanced.

The Bailiff: Deputy Jones.

Deputy Robert Jones: Thank you, sir.

1555 I do not buy into the argument that Deputy St Pier has just presented. I am sure Deputy Soulsby will address that.

What I would like to focus on, really, is defending the scrutiny function and this is what this amendment seeks to do.

1560 In his opening speech, Deputy Fallaize said the status of the scrutiny function was to be enhanced and, if we are serious about this, we have to maintain the oversight of not only the annual process but this will enable us to challenge both parties and hold them to account.

If we are really serious about scrutiny and having what Deputy Fallaize said was 'robust and muscular' we should not seek to weaken that by throwing out this amendment and I urge everybody to support this.

1565

The Bailiff: Deputy Conder.

Deputy Conder: Sir, I find myself in an uncomfortable position opposing Deputy Soulsby and Deputy Rob Jones, two colleagues whom I have the highest regard for and greatest respect.

1570 I think it is a great shame that, as on other occasions, due to pressure or time, the SRC was not able to meet with them both and try to understand these issues a bit better and resolve it between us and bring a more combined and understood presentation to the Assembly.

1575 I cannot support them on this occasion and I feel very uncomfortable being in that position. I thought Deputy Soulsby made an excellent opening speech and her point about transfer from a PAC responsibility to Scrutiny could be a seamless transition, but if that is the case of the current position, in my experience of governance, which I will allude to in a moment, it was fraught to start with.

1580 I hope colleagues will not mind me again referring to my experience at Bournemouth University, which is a very large £150 million corporate organisation. Recently I have been promoted to be chairman of the audit, risk and governance committee, which in some way parallels the Audit Panels that Deputy Soulsby describes, in as much as that has the responsibility, as its name suggests, for audit risk and governance and, in its meetings, which are very lengthy and very challenging, it does have the internal auditors and the external auditors in attendance.

1585 It fulfils some of the functions that Deputy Soulsby described in terms of the Audit Panel. Manifestly and, by law, it cannot and is not allowed to appoint the auditors. Why? For just the reasons that Deputy St Pier said. It cannot exercise effectively an audit function and appoint those same auditors it actually has to work with.

1590 Under heftier Higher Education Funding Council guidelines, it is not allowed to appoint the auditor and that is solely the prerogative of the whole board of the university. I think there are parallels there, I think there are real governance issues here if we approve this amendment because Deputy St Pier said it much better than I can, there will be conflicts between the role of Scrutiny and its standing committees and its relationship with the auditors.

1595 I turn to what is exercising Deputy Soulsby and Deputy Rob Jones' concern and I will address the issue that, I think erroneously, Deputy Gollop raised, which is the issue of what the role of P&R is in respect of the auditors.

It says 'annually recommending', not appointing as Deputy Gollop as said, 'the appointment of external auditors to the States'. Who is P&R recommending it to? This body. It is not appointing the auditors. We will make the final decision. This Assembly will make it, as quite appropriately it should.

1600 Of course, whoever is the Scrutiny Management Committee will be able to raise issues at that stage, so I think both in terms of governance, precedence and the primacy of this Assembly, it is absolutely right to have the recommendation of the appointment of the external auditors with P&R and I would urge colleagues, whilst acknowledging the excellent presentation by Deputy Soulsby and Jones, to reject this amendment. It is extremely important.

1605

The Bailiff: Deputy Domaille.

Deputy Domaille: Thank you, sir.

1610 I rise to support the amendment. I will leave it for Deputy Soulsby to come back on the comments made by the Treasury Minister, which are good points to be fair. I, for my sins, am actually on the Audit Panel. I have to say that the professional approach by the non-States' members, their proactive approach, and their analysis and their refusal to simply accept what has been put in front of them, be it from whatever source, has been really refreshing.

1615 I worked for the States for a number of years, for a number of years frankly audit was seen as just being a tick box exercise. That is certainly no longer the case and it is very clear that the existing system that I have been involved in is working extremely well, extremely well.

Deputy Conder's point about it is for this Assembly to approve to the auditors is, of course, valid and that would of course remain the position.

1620 Can I just make one other point, which is, it ain't broke, don't fix it. Actually are we really saying that Policy & Resources, with its major responsibilities, with its major tasks, is going to want to get itself involved in all the sort of work we do and the States' Treasurer, in the build-up to the appointment and the running of the audit process.

I really think with the existing system, as I say, it works very well and I would leave it as it is.

Thank you, sir.

1625

The Bailiff: Deputy Fallaize.

1630 **Deputy Fallaize:** I think it is obvious that this amendment, whether it is approved or not, does not alter the fundamental objectives of the States' Review Committee, so the Committee cannot in any way claim that approving the amendment would undermine the reforms the Committee is seeking.

1635 However, I think that the key point, which persuaded the Committee, is that the appointment of external auditors is an executive function. It is not a Scrutiny function, any more than the appointment of contractors to build schools or the appointment of staff. It just is not a Scrutiny role; it is an executive role.

The mandate, the duties and powers of the Scrutiny Committee which is set out on page 3204 of the policy letter start by saying, this is the job of the Scrutiny Management Committee:

'To lead and co-ordinate the scrutiny of committees of the States by reviewing and examining legislation, policies, services and the use of monies and other resources for which committees are responsible.'

1640 Well, how does the job of appointing the external auditors of the States fit with the role of the Scrutiny Management Committee to review and examine matters for which other committees are responsible? It clearly does not.

1645 So the States must understand that if this role is going to be given to the Scrutiny Management Committee, it is extraneous to the basic purpose of the Scrutiny Management Committee. It will be a sort of bolt-on to the Scrutiny Management Committee, because it clearly falls outwith the central mandate already agreed by the States of the Scrutiny Management Committee to scrutinise committees of the States.

It would not be doing that if it carried out this task and that is why the Committee feels that executive functions ought to be retained for the senior committee or Principal Committees of the States and not absorbed by the Scrutiny Management Committee.

1650 The Policy & Resources Committee has been made, by States' Resolution, responsible for the financial affairs of the States and therefore if one is seeking to allocate this appointment of auditors, or the recommendation of the appointment of auditors function to any committee at all, amongst the executive committees, if I can call them that, it clearly fits best in the Policy & Resources Committee.

1655 The overwhelming view of the Committee is it just is not a Scrutiny function, it is an executive function and we should not give executive functions to the Scrutiny Management Committee, otherwise where are we going to draw the line? We could easily give them a myriad of other executive functions, just because other committees are quite busy and that is not a very good platform on which to move into the new Scrutiny era.

Thank you, sir.

1660

The Bailiff: Deputy Dorey.

1665 **Deputy Dorey:** I would just add to what my colleagues on the Review Committee have already said, by saying I think the explanatory note sums it up when it says the Public Accounts Committee believes that to ensure proper oversight of the appointment of external auditors and we totally agree that they should have proper oversight of the appointment of auditors, but you do not fulfil that role if you actually do it.

1670 You cannot be responsible for oversight if you actually do the activities. They have got to be done by separate bodies so we completely support and I agree with the value of what the PAC have done during this term, but they cannot have the oversight responsibility if they do the task.

Thank you.

The Bailiff: Deputy Trott.

1675 **Deputy Trott:** Sir, I confess I came in to debate this morning intending to support this amendment, but having listened to debate I have changed my mind and given it a little more thought.

1680 I think it was a combination of reasons. Deputy St Pier's point and indeed Deputy Conder's. What would happen in the corporate world? Well, in the corporate world, the executive would make a recommendation as to who should be auditors to the shareholders at the annual general meeting and the shareholders would decide whether they agreed with executive's view or not.

Deputy Soulsby: Sir, point of correction.

1685 It is not the executive that would apply that function, it would be an audit committee of that organisation, which would normally be chaired and should be chaired by a non-executive director.

1690 **Deputy Trott:** Not always. That is one model, but that is not always the case. The trouble with this sort of debate is it suggests that you will get a different outcome, dependent upon who makes the appointment. It suggests almost that he who pays the piper holds the power, so to speak.

1695 That is not true. A firm of independent auditors will report in the same way, irrespective of who appoints them. They are obliged to discharge their statutory duties in a certain way and that certain way is to be impartial and to report on the policies of their employers, i.e. are the accounting policies appropriate, do the figures as disclosed represent a true and fair view and so on.

On balance, I am not sure this matters to the extent that I will die in the trenches over it, but I think that it is better to adhere to the recommendations of the States' Review Committee unanimously, as we have been told, than to accept this amendment on this occasion.

Thank you, sir.

1700

The Bailiff: Deputy Soulsby, do you wish to reply to the debate?

1705 **Deputy Soulsby:** Sir, I have quite a few interesting points here. I believe the fact that the T&R Minister raising his objection to this amendment demonstrates how this Department has not liked PAC's involvement and just why this amendment is needed.

The Scrutiny Management Committee does have a key role in recommending the appointment. The reasons Deputy Conder gave why the Policy & Resources Committee are not appointing, they are merely recommending, the same goes for the Scrutiny Management Committee and this will, as now, be a recommendation to this States.

1710 Policy & Resources is not the body, Deputy Conder and Deputy Fallaize effectively say it is an executive role. As I said in my response to Deputy Trott a moment ago, best practice is for an audit committee to be appointed which should be chaired by a non-executive director. The problems of having the Policy & Resources Committee being the ones that appoint the auditors, I give you an example. Nobody in this room today would know that the audit fees have gone over
1715 budget. That is purely because of the delays in the audit. If Policy & Resources Committee was appointing the auditors nobody here would have known that at all.

Deputy Kuttelwascher: Point of correction, if I may. I think it has been made clear that the Policy & Resources Committee will not be appointing the auditors, they would be suggesting an
1720 auditor. It would be this Assembly that appoints them, so that is not strictly true what is being said.

Deputy Soulsby: What it is, unless Policy & Resources Committee say 'because the audit was delayed it has caused an increase in the audit fees of that year' it would not come out. If a
1725 Scrutiny function has been involved in the process it would know and could tell this Assembly.

I thank Deputy Conder for his contribution but I do question his comments. Does he really think myself, as a chartered accountant, and the seconder, as a lawyer, would be putting forward an amendment that was against the law, as he was alluding to? That is certainly not the case. We are not carrying out the audit.

1730

Deputy Conder: Point of correction, or clarification. I never suggested that.

Deputy Soulsby: Apologies, but that is how it came across, Deputy Conder. We are not carrying out the audits. It is a big difference. Some are getting very confused about this. We are
1735 proposing that we continue to be able to recommend the appointment of the auditor and their remuneration. Exactly what we have now, exactly what is working now and as I say, if it ain't broke, don't fix it.

This is working admirably well and I have real, real concerns should this be transferred to the Policy & Resources Committee.

1740

Thank you, sir.

Deputy Trott: On a point of correction and I think this is important. The overwhelming majority of companies in Guernsey, sir, will not have an audit committee. The overwhelming majority of companies in Guernsey will have a larger number of executives than they will non-
1745 executives.

Therefore, by definition, the majority of companies in Guernsey will make a recommendation to their shareholders that has come from... driven by an executive decision because they are the majority of the board.

That is not to dispute that what Deputy Soulsby says is not proper corporate governance for a
1750 larger organisation.

The Bailiff: Is this becoming a speech?

Deputy Trott: No. It is a correction. It is not to say that either approach is right or wrong,
1755 because what it relies on is the independence of the auditors, which is the point I was making.

The Bailiff: Deputy Ogier.

1760 **Deputy Ogier:** Just to further clarify, even in the corporate environment, even those companies who have an audit committee, the role of the audit committee is to recommend the external auditors to the main board, who then put it before the shareholders in an AGM.

The Bailiff: Deputy Soulsby, do you wish to reply?

1765 **Deputy Soulsby:** No, thank you. Can we have a recorded vote please?

The Bailiff: We vote on the amendment proposed by Deputy Soulsby, seconded by Deputy Robert Jones and have a recorded vote.

There was a recorded vote.

The Bailiff: I think we can have the result of that vote after lunch. We will rise now and return at 2.30 p.m.

*The Assembly adjourned at 12.34 p.m.
and resumed its sitting at 2.30 p.m.*

STATES' REVIEW COMMITTEE

I. States' Review Committee – The Organisation of States' Affairs – Debate continued

1770 *Amendment by Deputies Soulsby and R. Jones:
Not carried – Pour 15, Contre 22, Ne vote pas 1, Absent 8*

POUR

Deputy Laurie Queripel
Deputy Lowe
Deputy James
Deputy Wilkie
Deputy Burford
Deputy Soulsby
Deputy O'Hara
Deputy Domaille
Deputy Robert Jones
Deputy Le Clerc
Deputy Gollop
Deputy Sherbourne
Deputy Lester Queripel
Deputy Le Pelley
Deputy Ogier

CONTRE

Deputy Fallaize
Deputy Le Lièvre
Deputy Collins
Deputy Duquemin
Deputy Green
Deputy Dorey
Deputy Paint
Deputy Brouard
Deputy De Lisle
Deputy Inglis
Deputy Quin
Deputy Hadley
Alderney Rep. Jean
Alderney Rep. McKinley
Deputy Kuttelwascher
Deputy Brehaut
Deputy Langlois
Deputy Conder
Deputy Bebb
Deputy St Pier
Deputy Gillson
Deputy Trott

NE VOTE PAS

Deputy Harwood

ABSENT

Deputy David Jones
Deputy Spruce
Deputy Le Tocq
Deputy Adam
Deputy Perrot
Deputy Sillars
Deputy Luxon
Deputy Stewart

The Bailiff: Members, before we resume I can announce the result of the vote on the amendment that was proposed by Deputy Soulsby, seconded by Deputy Robert Jones. There were 15 votes in favour, with 22 against and one abstention. I declare the amendment lost.

1775 So the next amendment is to be proposed by Deputy Gillson, seconded by Deputy Sillars.
Deputy Gillson.

Amendment:

To insert at the end of the words in Proposition 1:

‘; except that the constitution of the Ladies College Board of Governors (p. 3212 of the Billet) shall be

A Chairman who shall be nominated by the Board of Governors and appointed by the States.

Two governors who shall be appointed by the States.

Two governors who need not be members of the States who shall be nominated by the Committee for Education, Sport & Culture.

Two governors who need not be members of the States who shall be nominated by the Chairman and the four aforementioned governors for election by the States:

Provided that at least one of the seven aforementioned governors shall be a member of the States.’

Deputy Gillson: Sir, thank you.

I think there is no need for the Greffier to read this amendment.

First of all, sir, I would like to thank Deputy Sillars for seconding it.

1780 This is a very straightforward amendment; the objective is to improve the governance of Ladies’ College.

Currently, as Members will be aware, the chairman of the Board of Governors has to be a sitting Deputy, which is quite restrictive in two main ways: one, the pool of potential candidates is a limited number and actually soon will be reducing to 38; and it gives an inability to implement any real succession planning, because Members are not known [*Inaudible*] until after an election.

1785 This amendment would remove the restriction to allow the chairman to be anybody – it could be a Deputy; it does not preclude that – and it also recognises that there is merit in at least one governor being a Deputy, so that is a new clause that is coming in. So there will still have to be a governor that is Deputy, just not necessarily the chairman; and that is something which will allow better governance, better succession planning.

1790 That explains the amendment. I think I will address one thing which is a bit of an elephant in the room, in that, as Members know, I am not standing for re-election next year and therefore my period of office as chairman ends at the end of April, and if this amendment is passed, I would be eligible for reappointment. (*Laughter*)

1795 However, it would be totally inappropriate and unethical for me to lay an amendment to personally benefit from it and so, to that end, I made it very clear when I discussed this with governors of College – and to everyone else I have discussed it with – that my term ends at the end of April; even if this amendment is passed I would not seek re-election as chairman. It would be wrong for me to bring the amendment and try to seek re-election.

1800 So, in essence, it is a very simple amendment; it is about improving the governance of the College and I hope Members will support it.

The Bailiff: Deputy Sillars, you formally second?

1805 **Deputy Sillars:** I do, sir, and reserve my right to speak.

The Bailiff: Deputy Fallaize.

1810 **Deputy Fallaize:** Yes, sir, I can just say to the States that the Committee is not opposing this amendment.

The Bailiff: Is there any debate? (**Several Members:** Aux voix.) Aux voix. Then we vote on the amendment proposed by Deputy Gillson, seconded by Deputy Sillars. Those in favour; those against.

Members voted Pour.

1815 **The Bailiff:** I declare it carried.
The next is to be proposed... well it was to be proposed by Deputy Stewart. Is it now to be proposed by Deputy Brouard –?

1820 **Deputy Brouard:** Yes, sir, thank you.

The Bailiff: – and seconded by Deputy Trott. Thank you.
Deputy Brouard.

1825 **Deputy Brouard:** Thank you, sir.
I just had a flashback over lunchtime of Craggy Island and the Father Ted sketches. We have got Bishop Brennan away and Father Ted, so you have got Dougal presenting on behalf of Commerce & Employment (*Laughter*) and I am not too sure who it is from the SACC Committee.

1830 But the main purpose of this amendment is that basically the Guernsey Training Agency at present sits under Commerce & Employment's mandate, where we believe it should stay; and under the new arrangements we believe it should continue under the Committee for Economic Development rather than be swallowed by the Committee for Education, Sport & Culture.

1835 Now there is no optimum issue with this particular... we think we have it but there is no... You could make a good argument that it should go to Education, Sports & Culture; there is a good argument you can make that it stays with Commerce & Employment, and I hope to make that good argument.

It does not fundamentally change the SACC report or the actual review we have got. It does not move any of the fundamentals; it is just purely one discreet particular issue, but we think a very important one.

1840 We are also not saying 'never'. There could be some good synergies in the future where the GTA would fit well under Education, but that day is not today.

The GTA business on the Island and Commerce & Employment are intertwined and it fulfilled the need which was not provided in the Island and it opened up in 1996; and it was then the States of Guernsey through the Advisory & Finance Committee, not Education that proposed that we have the Guernsey Training Agency –

1845 **Deputy Conder:** Correction, sir

The Bailiff: Deputy Conder.

1850 **Deputy Conder:** The Finance Trading Agency was established in 1996; Guernsey Training Agency was established in 1998.

Deputy Brouard: Thank you and they merged together in April 1999.

1855 We have a highly regarded, publically subsidised Business Trading Agency and the reputation is key, both for the Agency in commissioning training and also in the students of all ages and at different stages in their careers, when considering who they engage with.

The GTA's key customers are the business community and the industry community and if we listen to our core customer base, they would prefer that the GTA remains under the Committee for Economic Development – at least at present.

1860 The creation of the GTA and that adult training for industry was not a child of Education; it never has been; it was a child of Commerce.

Now, people may say that, 'Okay, now it's 20 years on; the child has grown up,' but I think it still needs that nurturing of Commerce & Employment and businesses, where we intertwine and conduct business on a daily basis.

1865 Can I also just...? This is not the point, but I will come to the point in a second. One of the problems we had – it was Commerce and Employment Department, if we remember back a while ago – when we were looking at the preparedness of students entering the workplace less than four years ago, when the report that Commerce & Employment commissioned – not Education, Commerce & Employment commissioned – which actually exposed the poor results that have
1870 been masked by education for many years and when that unravelled, we lost a board – all except for Deputy Lisle, but... and I know it was not necessarily the board's fault as such because it was more of a history of the system that we had in place at the time, that the board were not aware of what was happening, but happen, it did – but it was Commerce & Employment looking at what industry needed that flushed that particular bird out of the hedge.

1875 We are very much concerned at Commerce & Employment as to the skill levels that industry needs and that is why we keep a very close eye on the Guernsey Training Agency and also why we put a big chunk of our budget into it and also ensure that when Guernsey Finance, who were not going to be putting funds towards it... we made sure that they were underwritten – and I think the Treasury at the moment are underwriting, I think, Guernsey Training Agency by about £300,000
1880 and ourselves are putting about £400,000 of our budget into it, because we think it is such an important part of our offering on the Island, because without a well-trained, well-motivated workforce we will be the poorer.

Now, Education, we believe, has a long way to go in their journey. They have got some major pieces of work coming up in dealing with their core work. Now, their core work is the future of
1885 secondary education and pre-school. They will also be taking on Sport & Culture, and I worry that the GTA, which is so important to our economy and so important to Commerce, will get swallowed – its assets merged, compromises reached – for the detriment of the service.

The Finance Industry, in its broad terms, is in constant change. There are opportunities and there are threats. A workforce that is motivated, trained and at the top of the game, pushing their
1890 potential, is key to our successful economy.

The businesses we have on the Island are only as good as the staff that those businesses start with.

Now, GTA plays a massive part in that. It is continuing to create tailor-made training, mentoring, learning, responding to professional services and the wider market. Its offering needs
1895 to be nimble; it is not about providing a core service year in, year out, like doing literacy or numeracy in primary schools, or some of the more adventurous things in secondary schools. We are looking at niche markets where you have to move quickly. It is not providing a continuous classroom assessment and re-assessment; it is moving as the marketplace moves.

Now, business groups – the Institute of Directors, Funds Association, GIBA – are all groups that
1900 Commerce & Employment deal with on a daily basis and it is the same groups that deal with the Guernsey Training Agency on a daily basis.

We notice from Education that at the moment there is as yet no clearly defined business model for tertiary education. We all know what we propose in the States here... we know that there are going to be changes. We do not know quite how that is going to be settled. We have
1905 only just had the results back to Education now – the customer surveys around the Island. We do not know how that will develop. Will there be a secondary school? What would happen to tertiary? And yet here we are considering putting the GTA – which is one of the key pieces of infrastructure in our finance industry – into that malaise.

The College of Further Education – (*Interjection*)

1910

Deputy Sillars: Sir, I –

The Bailiff: Deputy Sillars.

1915

Deputy Sillars: Correction, I think. To call Education a malaise is totally wrong!

Deputy Brouard: I appreciate that. (*Laughter*) That is the wrong word. I have been offered 'melee' but that is not right either. It has got a lot of things happening at the same time, with no definite answer. We know what the questions are, but Education has not come up with the answers. (*Interjection by Deputy Perrot*) Thank you. (*Laughter*)

1920

So my concern is: putting the GTA into that mix of unsettled paths is not appropriate at this time and, as I said at the beginning, there may well be a time when the GTA does need to go across to education, but that time is not yet.

The GTA also is looking towards innovation and it very much ties in with the Commerce & Employment's digital greenhouse – which again re-enforces its links with Commerce & Employment. The GTA, of course, will continue to work with the Institute of Health Studies and the College of FE to ensure best practice and duplications are avoided.

1925

But if you want my honest opinion – yes, what else... opinion am I going to give? – I do not think it is the right time for GTA, which is so important to Commerce, to go into Education at this moment. I think there is too much happening in Education for the GTA to be giving the recognition, that we believe, in Commerce & Employment, it needs to have.

1930

The role of GTA is to facilitate training; it is not an educational establishment and therefore is a different model to that which education normally provides.

1935

Deputy Conder: Point of correction, sir.

The Bailiff: Deputy Conder.

Deputy Conder: The GTA offers postgraduate and undergraduate courses. By any definition, that is education.

1940

A Member: Hear, hear.

Deputy Brouard: I can see that I am going to have this for a while, (*Laughter*) but the GTA, as such, does not employ trainers or teachers, as we would normally expect in a school, where the school staff are employed by education, to deliver in a classroom setting. What the GTA does is it obtains the bespoke training – whatever that happens to be, and whichever guise it is needed, to be to be delivered. It does not necessarily have the same tutor every day, doing the same thing. It will buy in specific people. In fact, people from industry come in and give their time to actually train up other people in the industry.

1945

I have been helped out, I hope, by Commerce & Employment, by sending around the comments from industry. I am not going to go through each of the details – I think you were all sent an email the other day – but Guernsey Investment Funds Association, GTA must remain responsible and flexible, and maintenance of its close links with industry is vital. Institute of Directors – again, like I said at the beginning, in theory, there is a valid suggestion to move to Education, but the move now is not ideal; Education needs first to be clear how it is going to handle the tertiary position. In short, we would support the *status quo*, and it is the same basically for the Chamber of Commerce and also for the GIBA. GIBA says:

1955

'GIBA remains opposed to the proposed move, as outlined in the Billet, and echoes the need to wait for the review of Education.'

1960 One final point is Commerce & Employment puts a vast percentage of its budget into this because it feels it is so important to its core business of enabling of Island businesses to have trained staff.

1965 I do not think it fits the same for Education. I mean there are similarities – I do not disagree – but if I could ask you to look at one page of the States' Review Committee Report – and it is on 3271 – and I will just read the top line and the bottom line of the particular paragraph; it is paragraph 5.4.3:

'The Committee recommends that the Committee *for* Economic Development should be responsible for developing policy and advising the States in relation to, inter alia:'

– and then it goes –

'... the labour skills necessary to sustain economic prosperity; and competition, innovation, diversification and regulation in the economy.'

1970 'The labour skills necessary to sustain...' and I implore you that those skills are best homed by places like the GTF and remain with Commerce & Employment, at least for the start of the new term, and I would ask Members to support the motion.

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

Deputy Trott: I reserve my right to speak please, sir. Thank you.

1975 **The Bailiff:** Deputy Fallaize, do you wish to speak at this stage?

Deputy Fallaize: Not at this stage, thank you, sir.

The Bailiff: Right, Deputy Luxon, then Deputy Conder.

1980 **Deputy Luxon:** Thank you, Mr Bailiff.

1985 Sir, at the Policy Council last week, I was surprised – Nay shocked!... or maybe not – when we discussed this amendment and I think my good friend, Deputy Stewart – who has gone off on BIC business – has borrowed Deputy Lester Queripel's communication problem, because I sit on a thing called Skills Guernsey, as does the Deputy –

Deputy Queripel: Sir, a point of correction please. (*Laughter*) I do not have a communication problem! (*Interjection and laughter*) It is someone else that has a communication problem, not me!

1990 **Deputy Luxon:** Come again? (*Laughter*)

Sir, I was not suggesting that Deputy Queripel had a communication problem; I said he owns the problem of communication in the States. He keeps reminding us about that. Thank you anyway for that interruption.

1995 Sir, I sit on Skills Guernsey, and have been delighted to, since I became HSSD Minister, along with the Deputy Chief Minister, the Education Minister, Deputy Le Clerc, Deputy James and Deputy Stewart, and we have been talking and I thought we had absolute agreement in principle about how we were moving forward without silo government, cross-departmental, in terms of looking at the GTA and the College of FE and the Institute of the HSSD.

2000 All I have heard is very exciting, positive dialogue towards that process. So when I saw this amendment – which was described as being benign and sensible and *status quo*... well, we do not want the *status quo*! Commerce & Employment are a very busy Department and Education are very busy, and when I read the helpful note that Commerce & Employment sent out from industry members... CPD – Continuous Professional Development – isn't education? What a load of tosh!

2005 When I indulge in CPD – which we all have to do for our professional accreditations – of course
I am educating myself and developing my education and understanding. CPD is absolutely about
education! So I do not deny any of that which Deputy Brouard described in terms of why the GTA
is important, and its importance both to industry, but this, the suggestion that Education is the
2010 inappropriate place to receive this mandate and the Commerce and Employment... or the
Committee for Education – whatever it is called, Employment, is – *(Interjection)* Yeah,
communication problem! *(Interjection)* Yeah, eventually. It must be after lunchtime.

My point is I am surprised that Commerce and Employment, as a board, have the view that this
is now not the right time, after all of the dialogue that we have had, constructively and with a
degree of excitement even, around the Skills Guernsey table, because of the real opportunity and
2015 what it will need, is each Department to just see the little bit of perceived mandate control, silo
protection. But that is what reform in the States of Guernsey is all about. (**A Member:** Hear, hear.)
It is an exciting opportunity. We have got an ability across the Departments to really move
forward this particular area of States' activity and business.

So I absolutely support not supporting this amendment. Do not support this amendment. The
2020 SRC proposals make absolute sense and it is work underway, which Commerce & Employment
had been, through the Minister, fully committed to, as far as I... and perhaps other members of
Skills Guernsey will contradict me if I am wrong, but we have been working very, very positively
and constructively towards this development.

So please do not support the amendment.

2025

The Bailiff: Deputy Conder.

Deputy Conder: Thank you, sir.

2030 Mr Bailiff, fellow States' Members, I am sure that most States' Members are aware of my
previous association with Guernsey Training Agency. I was appointed as its first Chief Executive in
2001 and remained in that post until my retirement in 2011. I was honoured to be a part of that
institution's growth and development, representing, as it does, more than a fifth of my working
life.

2035 Sir, not surprisingly, I have great affection for the GTA and take great pride in its past
achievements, and the role that it played and continues to play in sustaining and developing the
skills of our Island's workforce.

But, sir, like everything else, nothing stands still. The GTA has changed; its governance, funding,
clients and operation have changed. Our Island's infrastructure has changed; the ways of
2040 delivering training and education have changed, and the need to create and exploit economies of
scale within all of our States-funded enterprises has become an urgent necessity as we in this
Assembly, perhaps more than anyone else, have had to acknowledge and are attempting to
address through nearly everything we do.

2045 Sir, the proposals in this third SRC States' Report to bring together our primary providers of
tertiary care is a logical outcome of the changes we have seen in the Education Department, the
GTA, the Institute of Health & Social Care and the skills and education marketplace. I will try to
convey that urgent need and the facts which impinge upon it as succinctly as I can.

Sir, colleagues will recall, I am sure, that in 2013 they unanimously approved the Education
Department's vision and include the intention to bring all the Island's tertiary education together
in a closer collaborative working partnership.

2050 Our vision included the statement, and I quote:

'We must bring together and rationalise the range of Post 16 educational opportunities available within the Bailiwick.
At this stage the Department is exploring opportunities to bring all further and higher education in various States'
Departments within the Education Department. As a consequence of this rationalisation, we will be able to offer a
portfolio of flexible and wide ranging courses suitable to meet individual and community needs within a tertiary
institution. This would also provide increased opportunity for on-island Higher Education.'

As I just said, sir, colleagues, that was unanimously endorsed by this Assembly.

Since that date – as Deputy Luxon has just said – the Health & Social Services Department has been working closely with the Education Department to transfer responsibility for the Institute of Health & Social Care, from HSSD to the Education Department.

2055 In very productive meetings, at political and officer level, the HSSD team have acknowledged the efficiencies and economies of scale, to be achieved in bringing together such revision, and I hope the HSSD Minister will not mind me saying that he has expressed and recognised the benefits for his organisation of focussing upon their core business of health and social care, rather than attempting to be responsible for running and sustaining the accreditation of an educational institution.

2060 Sir, in parallel, the Education Department has at last grasped the nettle of introducing business-led, local management of its academic institutions and has, as I am sure many of you will know, devolved responsibility for strategic and operational management of the College of Further Education to a board of directors comprised of locally based, high-profile business and professional leaders who give their time freely to govern and direct the institution.

2065 The vision of a tertiary institution is becoming a reality. As, again, you will know, the Department has secured the appointment of a very experienced, dynamic and internationally recognised principal and chief executive, whose appointment was made specifically to lead the development of the tertiary institution. She has many years' experience in forging links between colleges and businesses, and she has made huge strides in Guernsey, in fostering and forging those links between our business community and the College of Further Education.

2070 Sir, I now turn briefly to the history in governance of the GTA, as I believe it to be important that colleagues understand these antecedences.

2075 The forerunner of the GTA, the Finance Trading Agency – as Deputy Brouard just said, after I corrected him – was formed in 1996 from an initiative by the finance sector to facilitate on-Island training specifically for the finance sector.

2080 The FTA was funded by a levy on the finance sector – *a levy on the finance sector* – as an addition to the licence fee paid by them to the GFSC. The GFSC acted as a conduit by which the finance sector's funding of the FTA could be channelled to it. The trustees and board of the FTA came from the finance sector and the GFSC.

2085 In the late 1990's the Government of Guernsey established a separate training agency of its own, along similar lines to the FTA, to facilitate training for the non-finance sector. In 1999-2000 the two organisations were brought together. The trustees and board of directors of the combined institutions – now named the Guernsey Training Agency – were drawn almost exclusively from Guernsey's business and professional community, with a small – this is important; *with a small* – minority representation from the Government and the GFSC.

2090 Those arrangements work well, as a jointly and equally-funded public-private partnership until 2010 when, as this Assembly is aware, the GFSC advised that it would retain all of the licence fee for its own funding and would no longer transfer part of that licence fee to the GTA – effectively sequestering for its own purpose that part of its licence fee which had previously been paid by the finance sector to fund the GTA.

2095 At that time – and in my opinion, very regrettably – Guernsey's professional institutions failed to stand up to the GFSC and demand that their funding for the GTA continued to be used to fund it. It might be surmised – perhaps unfairly – that the GFSC's use of the GTA's funding for its own purposes was one way of ensuring the GFSC did not raise the licence fees even further.

2100 In any event, the profession appeared content for the taxpayer – *the taxpayer* – to henceforth shoulder the full burden they had previously carried and yet, it is, in a number of cases, those same institutions that fail to stand up to the GFSC, that have written to us over the last few days – in strangely similar letters – requesting that we keep the present suboptimal arrangements going, in terms of the funding and provenance of the GTA.

Thus the States' – that is the Guernsey taxpayer – became solely responsible for the funding of the GTA and the public-private element of the funding ceased. At the same time, due, in my opinion, to some very unwise interventions by former senior Members of this Assembly, (A

2105 **Member:** Hear, hear.) the private sector representation within the Government for the GTA changed, with the Ministers of the Department of Commerce & Employment, and the Education Department and their Chief Officers becoming permanent members of the board of the GTA, such that they now represent 50% of the organs of governance.

2110 Paradoxically, and perhaps perversely, the GTA now has a much less independent business representation within its organs of governance than does the College of Further Education – a situation which would utterly confound previous GTA boards of directors and its founders.

The GTA is now effectively a Government-owned and run organisation, consequently, no longer a public-private partnership. Consequently, it must now make sense for the GTA to enter into a much closer relationship with other parts of the Island's tertiary offering.

2115 It no longer represents a unique partnership, between business and Government. It no longer offers a unique suite of programmes that could not equally well be delivered through a closer relationship with other providers. The current arrangement is dysfunctional in terms of duplication of effort, accreditations and disparate employment and governance structures; and there exist untenable diseconomies of scale in the current arrangements which need to be addressed.

2120 To deal with some of Deputy Brouard's points and the unique nature of the GTA within the close and more collaborative arrangements proposed within the SRC proposals, many of the unique features the GTA is offering, which hang upon its procurement and facilitated delivery model, will continue. Indeed, some of its administrative course management skills built up over many years might well benefit other parts of the tertiary institution.

2125 The involvement of business in its current governance arrangements will be sustained. Indeed, they will almost certainly be improved through the dynamic and committed local business involvement which is now manifested within the CFE.

Sir, this is an unhelpful amendment, which will perpetuate ongoing diseconomies of scale, duplication of effort, waste of resource and diversion of effort.

2130 I really do want to emphasise that my advocacy for the rationalisation for our tertiary provision in no way reflects upon my regard and admiration for what the GTA and its staff do and achieve. I know many of them – indeed I appointed a number of them – but, as I have said, all things must change. The GTA is now effectively a part of the Government structure – a government structure which itself faces significant rationalisation and efficiencies.

2135 Sir, the GTA cannot be immune from that process. I understand that change is sometimes uncomfortable, but in our proposed structure, the role, business links and *modus operandi* of the GTA will continue, but with all the synergies and economies of scale bringing together our tertiary provision will offer. It will, and must, retain its close working links with business and its ability to respond to their training, development and educational needs, but in a much closer collaborative arrangement with other tertiary providers.

2140 What would, and should, change is the potential nonsense of one or two or three States-funded and -run training and educational institutions, unbeknown to each other approaching the same business on successive days, offering virtually the same course to the same customer. The frustration of business when that happens and the waste of resources is too obvious to need further elaboration.

2145 What will also change is that the facilities and resources of each organisation will be available to each other – as will be their specialist management and development skills – and what must change – what *must* change – is the governance arrangements of the GTA. I have already alluded to the preponderance now of States' Members and civil servants within the GTA trustees and board.

2150 The fact that some GTA board members, no longer active in business, have been members of the GTA board for more than 15 years with almost no turnover of membership, and the fact that a former Minister of Commerce & Employment, who became a trustee of the GTA by virtue of then being the Minister of Commerce and Employment, still retains that trusteeship now, three and a half years after leaving this Assembly, breaches all normal rules of governance. It is, to say the

2155 least, surprising that the Commerce & Employment Department has not sought to address those issues during its stewardship.

The new modern governance arrangements now being so successfully introduced at the CFE will give us the opportunity to regularise that position, and it would certainly be the intention to establish a degree of Government's independence from the GTA within the new structure, as is
2160 common in similar collaborative arrangements.

Sir, I must briefly now say something about the funding and the use of the States' limited cash resources.

The current funding by the States – that is the Guernsey taxpayer – to the GTA is £740,000 per year. That is effectively the subsidy that the States makes for the delivery of training programmes to Guernsey's business sector. Now, I have no problem with the States funding or subsidising
2165 training and education, but we must see this current funding liability in the context of the original agreed and successful funding model.

Remember, colleagues, before the finance sector funding was taken by the GFSC in 2012, that taxpayer liability would have been precisely half the figure it is today – that is £370,000. Now, earlier this week we agonised about whether we should carry forward £180,000 for the Disability
2170 & Inclusion Strategy. Later in this meeting we will no doubt argue at great length as to whether we can afford £80,000 for the Biodiversity Strategy and, just possibly, we will argue as to whether we can find funds for pre-school education; but this amendment, if passed, will effectively deny us the opportunity to make real, continuing and lasting savings with a potential through a joined-up,
2175 collaborative structure of achieving and delivering more than we have previously been able to do, when we have had to operate through divided, diverse and possibly dysfunctional, multi-layered structures. The proposed tertiary model really does offer the opportunity to create something that is more than the sum of its parts.

Sir, finally, I turn to the purpose of the mandate of the proposed Committee for Economic Development. The economic future of this Island is indisputably linked to the need to sustain our existing business community and exploit those opportunities for new business. We have yet to see the outcomes of the high hopes and aspirations of this Department of Commerce & Employment vision and promises, and we must wish them well. But what has driven the SRC in its deliberations, and indeed our debates in this Assembly in respect of SRC's two earlier reports, has been the
2185 need for the new committee to focus upon economic development – finding new business opportunities, promoting all sectors of our business community, thus helping, through economic diversification, to protect this Island from the future travails of uncertain global markets.

But what do we now find? Unlike every other Department, the Minister and the Deputy Minister – now the Deputy Minister and Deputy Trott – want to cling to what they have got. Unlike
2190 every other Department, they want to cling to what they have got. Nothing must change. So inevitably, instead of focussing on core strategic objectives, the new Principal Committee will be diverted from its vital strategic objective of economic development, by peripheral issues which properly belong elsewhere.

Sir, I leave others to judge whether this amendment represents a perpetuation of the old silo mentality, but what we, more than any previous States, cannot ignore is a need to rationalise our provision of services, maximise the efficiencies on a cognitive scale in everything we do, and avoid duplication and overlap between any of our taxpayer service providers.

Colleagues, please reject this backward-looking, closed-minded amendment and please reject it by a large majority.

2200 Thank you, sir. *(Applause)*

The Bailiff: I was going to call Deputy Lowe next and then Deputy Sillars and Deputy Soulsby.

Deputy Lowe: Thank you, sir.

2205 I would like to congratulate Deputy Conder on a cracking speech there (**Several Members:** Hear, hear.) and I am pleased he actually stood up before I did because I was going to ask a

question of the Deputy Minister of Commerce & Employment, because he presented an excellent case – and I congratulate him on that too – except he left a whole chunk out of the history of the GTA, which is just so important.

2210 And I thank Deputy Conder for telling States' Members here, because a lot of you were not around at the time, although I am sure you would have read in the paper because it hit the headlines. It hit the headlines how the previous Commerce & Employment actually derailed and interfered totally with the principle of the GTA – and in many people's opinion it wrecked it. Indeed, if you remember rightly, it hit the headlines that the board of trustees resigned in protest
2215 as well at the interference of the States, in what had previously been a very successful, private and public partnership.

So, as I say, I thank Deputy Conder, but also congratulate him as well because he was a key player in the very beginning of this, as Professor Conder, as we all know, and was well respected in our community and in the business community and, indeed, by the people who attended the GTA
2220 and there was a great sadness when he resigned from that position and there has been a great loss to them but we have gained from him being here in the States. (**A Member:** Hear, hear.)

So I thank him for that, but I really do have concerns in the same way that Deputy Conder did, because there were many States' Members at the time who were not happy with the way that Commerce & Employment also reduced the money from the GTA, and as it has now changed and the civil servants... and indeed some political members of Commerce & Employment are also trying to hang onto that, but it is not their role.
2225

This sits fairly with, now, Education Department and I just cannot understand why Commerce & Employment want to hang onto it while the Education Department have a review, because it has nothing to do with their review. If there are educational courses going on it fits with Education. Education's review will be where it will sit within Education, not necessarily, 'Should it go across to HSSD or should it go to Social Security?' It belongs with Education. It is as it says on the tin really.
2230

So I cannot support this and I am glad in one respect that the States' Review Committee have actually recognised the benefit of the GTA now coming under Education, and I wish Education luck and hope that they nurture and look after the GTA, which was a well-respected and still a well-respected organisation, but should be run appropriately by the educationalists and not by Commerce & Employment.
2235

The Bailiff: Deputy Sillars.

2240 **Deputy Sillars:** Thank you, sir.

Members, listening to the proposal of this amendment shows a complete lack of understanding of education, but I trust my speech will clarify why the GTA will benefit by being with Education.

2245 In 2013 the Education Department presented to this Assembly our Education vision and thank you all for unanimously agreeing to it. A part of that vision included, and I quote:

'We must bring together and rationalise the range of Post 16 educational opportunities available within the Bailiwick.'

We agreed that. The three key players in this area are the College of Further Education, the Institute of Health & Social Studies within HSSD Department and the GTA within the C&E's mandate and the subject of this amendment.

2250 The CFE is working very closely with industry and demonstrating Education Department's desire for the College to collaborate and engage with business community, to ensure it is offering services which meets the Island's needs.

Over the last 18 months, under the new leadership and direction of a very strong industry-focussed Board of Governors, the College of Further Education has focused to build upon its already established links with industry, to support businesses with upskilling their workforce. The College Board is a firm believer that collaboration – that is the College Board – and partnership is
2255

the way forward and Skills Guernsey Implementation Group, led by the CEO and principal of the College of Further Education, to ensure that States' investments from various Departments, as well as private providers, will be co-ordinated with the benefit of the industry.

2260 There are five well-respected governors from industry; two from finance, one from legal, one from manufacturing and industry and one with trustee and corporate secretarial experience. There are also governors with higher and further educational expertise, and I would suggest a much broader and greater experience than the current GTA board that I actually sit on as well.

2265 The College, as a sole provider of publically-funded vocational and technical education on-Island, is well placed to meet the demands of industry and its collaborative approach ensures that there is efficiencies and effectiveness in this approach.

To this end, the College has so far conducted the following. During the 2014-15 academic year, the College held a stakeholder consultation programme, entitled 'Today, Tomorrow, Together'. Business and industry engaged positively and supportively in this process, with attendance of over
2270 200 businesses at two conferences and presentation-style events in November 2014 and March 2015.

Seventeen industry-focussed forums provided an opportunity for specific business sectors to voice their needs and their wants to enable the College to plan its strategic direction to respond to these needs.

2275 As a result, the College restructured over the summer of 2014 – that is really listening, if you are restructuring – and now operates under a new faculty set-up that has industry-specific focus with dedicated business links to facilitate an enhanced and improved communication and involvement of this key stakeholder of the College's future plans.

The College is in the process of re-engineering the processes of stakeholder management and engagement, and specifically in relation to the employers and industries that are identified as key strategic priority for the College. For example, the College is investing in an Island-wide customer relationship management system that enables all providers – *all providers* – of skills to promote their provision for the benefit of industry; and this system will act as a hub for businesses to access the training they need, from a range of providers who collaborate, to ensure quality,
2285 flexibility and value for money.

This is a first for Guernsey, where a co-ordinated and collaborative approach, brings about efficiency savings and results in a more effective offering, to industry across the board. IOD, Chamber of Commerce, Confederation of Guernsey Industries (CGI), the Chartered Institute of Builders (CIOB) and many other individual businesses have supported this approach, that States' Skills Guernsey Policy Group also is well informed of a development of the Skills Guernsey and of the leadership of the College of FE, and is pleased to see the needs of industry are being met by improved involvement of businesses in the design, delivery and assessment of the curriculum.

2295 This is evident from the recently launched retail course, with direct involvement of the leading employers in the retail industry, such as the Co-operative, Blue Diamond, B&Q, Waitrose and some other smaller retailers. Work continues in the construction industry to ensure that their workforce in this industry will maximise the upskilling opportunities that are available in readiness, for when the market trends are reversed.

The CFE acknowledges and recognises capabilities and its capacity to meet the demands, and firmly believes that a collaborative, partnership approach will enable the end users and the business community to get the best training and skills development opportunities that are available. The partnership approach will avoid duplication, bring about efficiencies and enable good practice to be shared.

2300 Good foundation of this partnership and collaboration approach is forged through Skills Guernsey and College endeavours in relation to the Government-funded organisations and initiatives, such as the GTA University Centre, the Institute of Health, Digital Greenhouse, Startup Guernsey, who have been party to the Skills Guernsey implementation Group and scoping of what capabilities already exist within the Bailiwick.
2305

2310 Education's plans for the College of Further Education to have more autonomous Government arrangements are well underway. This will provide the College with the freedom to allow them to react more readily and speedily to the training and skills development needs of industry in a timely manner.

I will list the initiatives that have already happened as part of our review of the College and, more recently, leading on Skills Guernsey.

2315 Seventeen focus groups with industry sectors, as part of the GCFE consultation process; setting up of a Service Guernsey Bridge the Gap project to identify and then close the business skills gaps; business-to-business events in September as the first step to promote on Island learning a development provision including a brochure; a new website already populated with a range of business tips and skills; consultation with every on Island provider to find out what they do, or could do and enclose any gaps; development of a new CRM system, to record, track, promote and evaluate demand and provision; industry forum, booked for next Friday; a host of new initiatives, including mini videos, webinars, SLAs and specialist train the trainer for industries who wish their own workforce; and creating successful change programmes for organisations who are undergoing significant change, design at improving business capacity internally and to identify and close their own gaps.

2320
2325 At the end of this project we will have: a clear map of current on-Island provision, what, who and how; a host of new initiatives tested; a clear view of what has worked and what will work in the future, i.e. what will be sustainable solutions, and what has not worked; greater awareness and understanding between business and providers; potential greater partnership working between providers and business, and even between the providers.

2330 With respect to the Institute of Health, we have had very productive discussions with the HSSD political board and this has been followed up at officer level to see how the Institute will fit within the new committee for Education, Sport & Culture.

2335 We are all agreed that bringing the Institute under the Education umbrella is the very obvious way forward and hence we are now looking at the practicalities of this arrangement; which leaves the GTA, which Deputy Steward wants to keep within the new Committee for Economic Development. Unfortunately, he appears to be under the misguided view that the GTA within Education will suddenly cease to work with industry and business community needs, and will be subsumed within education.

2340 Nothing could be further from the truth! (**A Member:** Hear, hear.) Indeed, today we heard – or some of us may have heard – on the radio how the GTA are now going out to industry. I would suggest, from what I have just said, the CFE have been doing that for one and half years already.

2345 All that is happening is that the responsibility for the GTA will transfer to the Committee of Education, Sport & Culture. Industry will *still* have representatives on the GTA board. It would be madness for them not to be there. The Committee for Economic Development will still have representatives on the GTA board. The GTA will still continue to work with Digital Greenhouse. It is simply scaremongering to say that Education will stop the GTA from working with industry. This is exactly what the College of Further Education, with their governing body and the principal and senior leadership team, have done, so effectively, over the past year or so, with its curriculum review and leading on skills strategy.

2350 The current Education Department has recently been inspected by Education Scotland and one of the areas we will need to develop is our engagement with the community, which I said is precisely what the College has been doing and what the Department has been consciously seeking to achieve and improve.

2355 Why would we stop the GTA from engaging with its stakeholders? To say that it will is simply not true. I have heard the members of the finance industry who have said that the industry is engaged with the GTA in a number of areas and the College of FE, for instance, can no way provide the level of training required. Well, no one is saying that these courses will be provided by the College, I am at a loss – a *complete* loss – where these myths have come from. Well, actually I can have a guess, but I will not!

2360 The GTA's advisory groups are critically important. I will repeat that: the GTA's advisory groups are *critically important* and of course they will continue. To suggest these will stop is simply scaremongering. It is said the GTA is a commercial business that has to generate additional funds and so is different from the College. Well, that is not true either! The College generates additional revenue as well. The College raises a million pounds currently – substantially more than the GTA! I have heard it said that, 'If the finance industry is to thrive, it needs a strong training agency, and this cannot happen if it is subsumed into the general tertiary education offering.' More scaremongering! It is not about subsuming the GTA within the tertiary offering and crowding out the finance sector offering; it is about smarter working, consolidating expertise and stopping duplication.

2370 I would encourage Members not to support this amendment as it is unnecessary and damaging. The whole purpose of SRC's proposals is to consolidate Public Service activities and remove silo thinking.

2375 This amendment does exactly the opposite. I am conscious that Deputy Stewart, or perhaps Deputy Brouard, has circulated statements from GIFA, IOD, GIBA and STEP, encouraging Members to support this amendment. Unfortunately, these statements are unfounded and based on a false premise. I am delighted, as a non-Executive Director of the GTA, that GIFA values the hard work – the good work – that we do... of the GTA, but I am at a loss to understand why the change of mandate will stop the GTA being responsive and flexible and maintain the close links with industry.

2380 *Nothing* will change in that regard. The advisory groups will continue; the GTA board will continue with the industry representatives. A frustration I have had: some two years ago I agreed with Minister of C&E to look at the change of Government structure with the GTA; as of today no recommendation has come back! Where is the speed in that? Two years of inaction!

2385 The GTA is a separate, legal entity and will not suddenly be subsumed within Education. Education will continue to ensure and will encourage industry representatives on the GTA board. I am not sure that GIFA have been told about the Education motives or plans. We have not been asked.

2390 The IOD appear to say that a move is premature because of the work on tertiary and secondary education. Yes, there is work to be done on these areas, but these will not delay the implementation of the reform of Machinery of Government. I too recognise the value of the IOD directors' programme and the need for close links with industry. This is not going to change. I have already said how much the CFE has engaged with industry as well. It is a myth to think that Education is not interested in working with the business community. I have no idea what is the basis for this fear. We have a record of success for commissioning services. We released the Youth Commission from within Education. We do not interfere with them. They have a clear service level agreement. They are now independent and responsive, fleet of foot and now doing a better job with the youth of our Island. They have an independent board of directors that keeps Education informed of progress. It is a great working relationship. Why on earth would we hinder just the GTA?

2400 Members will recall that earlier this year Education Department was again inspected by the Education Scotland and, indeed, were the only Department to have fully embraced the European Framework for Quality Management, and we are making a concerted effort to engage with our community and stakeholders. We are fully committed to this and it would be madness for the GTA to stop engaging with the business community.

2405 GIBA appears to take the same view as IOD. I do take exception to GIBA's interpretation of the role of the GTA. It is involved in lifelong learning for the benefit of our Island community, with specific engagement historically with the finance sector. Education is about lifelong learning and there's a natural fit for the GTA working more closely with Education. It's already happening and we want it to happen more. The CFE, with assistance of GTA, and in collaboration with the Institute of Health & Social Care Studies, is looking further to develop on Island 80 opportunities for our

2410

students. The two bodies are continuing to work together to make this a reality. This can be developed more when both sit within Education, Sport & Culture mandate.

2415 Again, there appears to be a belief that all of a sudden Education, Sport & Culture will cut the GTA off from the industry and slow down its responsiveness to its customers' needs. Wholly fictional! Wholly contrary to the objectives of the Public Service Reform agenda, approved by this Assembly.

In summary, the mandate of the Committee for Education, Sport & Culture includes in its purpose to develop and implement policy on matters including skills, lifelong learning. The GTA is integral to this lifelong learning experience for our community and citizens.

2420 This amendment is simply a protectionist attitude. It demonstrates the silo mentality that has hampered the current Machinery of Government and I urge all members to reject this amendment.

Thank You.

2425 **The Bailiff:** Deputy Soulsby, then Deputy Green.

Deputy Soulsby: Sir, now this really is a land grab. Following our little fallout over the last amendment, I am pleased it was only temporary, (*Laughter*) as I have to say I wholeheartedly support all the comments made by Deputy Conder.

2430 Frankly, if the GFSE have not withdrawn their funding of the GTA – several hundreds of thousands of pounds – perhaps GIBA, GIFA, IOD and the other business representatives may have had a stronger case. But they did and now the States provide a significant annual grant.

2435 The HSSD Board – unanimously even – (*Laughter*) support the transfer of the Institute to Education, Sport & Culture. It makes perfect sense! HSSD is there to provide health and social care and we need to focus on that, just as the Committee for Economic Development should focus on economic development. We need to work with our colleagues in the Education etc. Department, to ensure they can service the needs for trained and skilled staff – and home-grown ones at that. (**Several Members:** Hear, hear.)

2440 Now, one of the observations of the MNC, when they came to undertake their follow up review earlier this month, was how there were real opportunities to develop the Institute. As a former member of Skills Guernsey and having been to the presentation given by the Head of the College of Further Education earlier this year, I believe an integrated, collaborative tertiary system will enable those opportunities to be realised.

2445 I believe with a joined up tertiary education system not only HSSD will benefit but the whole States as part of public sector reform, and wider community and therefore, ultimately, the economy of this Island. Surely that is just what the Committee for Economic Develop will want.

I therefore cannot support this amendment. (**A Member:** Hear, hear.)

2450 **The Bailiff:** Deputy Green, then Deputies James and Trott.

Deputy Green: Sir, thank you. I will be very brief.

2455 I think the policy letter we have before us is extremely well written and there are two paragraphs in particular that really ought to put this issue totally to bed, and obviously I will be opposing the amendment, like others, and I endorse entirely what Deputy Sillars and Deputy Conder said a moment ago.

The first paragraph I take Members to – if I can indulge Members – is 5.4.15, which is on page 3273, because it is quite evident that the States' Review Committee foresaw that there was going to be an issue of conflict on this issue of the GTA and, quite clearly, the thinking that is envisaged in 5.4.15 is absolutely correct and, again, if I could just quote briefly:

'As in the case today, some responsibilities would inevitably relate to the mandates of more than one Principal Committee. The skills of the workforce are a good example. Policies and initiatives will need to be developed and

overseen by the Committee *for* Economic Development and the Committee *for* Education, Sport & Culture working together. The former needs to identify and promote the skills necessary to sustain economic prosperity; the latter needs to ensure that those skills are instilled.'

2460 And that is the point that we need to be very clear about. The thinking in that paragraph and
in this policy letter is absolutely spot on. It should be the realm of the Committee for Education,
Sport and Culture to instil those skills and that is what the GTA's role will be. The role of the
Committee for Economic Development is to identify and promote the skills that will bring about
economic prosperity. That is the right analysis and that is why Members, I think, should vote
2465 against this amendment.

The other paragraph I will take Members to was one that was quoted by my friend, Deputy
Brouard, when he spoke in support of the amendment earlier – 5.4.3, which is on page 3271. He
was talking about the paragraph which summarises, if you like, the basket of responsibility that
the Committee for Economic Development will have from next year, and what that says is:

'The Committee recommends that the Committee *for* Economic Development should be responsible for developing
policy and advising the States...'

2470 They are the key words there, 'developing policy and advising the States,' because Deputy
Brouard then went on to refer to the labour skills necessary to sustain economic prosperity and all
the rest of it. There is a distinction, isn't there, between providing the education for those skills
and actually developing policy and advising the States in relation to those skills. The Committee
for Economic Development has, quite rightly – should have, quite rightly – the mandate for
2475 developing policy and advising the States in that domain, but not the actual provision of
Education.

Like others, we have in front of us an exciting opportunity to bring together, in a tertiary vision,
the CFE, the Institute of Health Studies, the GTA – a joined up approach which will be good for the
economy and I think we should not try to endanger that.

2480 So I would encourage all Members to vote against this amendment.

The Bailiff: Deputy James.

Deputy James: Thank you, sir.

2485 It would appear that the pendulum of this debate is swinging very much against this – what, in
my view, is quite an anachronistic amendment.

Deputy Brouard did not really convince me that he was actually committed to this amendment.
I may be wrong but you did not sell it with the passion that you normally do. (*Laughter*)

2490 For a considerable period of time, my vision for post-16 education is a much more joined up,
collaborative working. When I was on the Health and Social Services three years ago, the
Education Board came to HSSD and gave us a presentation on uniting, bringing the Institute of
Health & Services and the College of Further Education closer together. It made sense then and it
makes even more sense now.

2495 When I look what I want to see is the seamless service for post-16s and look at what the
College of Further Education is providing. Let's take health care for an example. They provide
excellent health and social care programmes for those people that want to develop professions in
either maybe nursing or social work; they move on from there, they move to the Institute and
then, on qualifying, the Guernsey Training Agency can provide various degrees that people can
embark upon.

2500 So it should be a seamless service. Whilst the debate has been going on, it reminded me of
what happened – the very unfortunate situation that we found ourselves in last year when the
NMC came and our student nurses at HSSD were unfortunately suspended. While that was
happening, poor College of Further Education were still running their training courses, preparing
students to come into student nurse training and it was not until quite a way down the road that
2505 anyone thought to inform the College of Further Education. So what was actually going to

happen... that they were going to be producing a whole host of students in preparation to apply to do their nurse training and, of course, the course was suspended. What nonsense is this? How big is this Island? It is absolutely imperative, in my view, that we have a seamless service.

2510 Many of the speakers thus far have used the words that I was going to use, 'duplication' etc. We need to improve the communication. We need to improve collaboration.

We need to use the best – *best* – use of the resources that we have got. Some of the cohorts at the Institute are very, very small – let's say, maybe 10 or 12. Now, what a waste of valuable resource, when there are many core subjects that can be brought together from each of those Institutes.

2515 Please, as I say, discard this outmoded anachronistic amendment.
Thank you.

The Bailiff: Deputy Trott.

2520 **Deputy Trott:** Thank you, sir.

I arise to say these few words with a heavy heart, because types of failure include a failure of trust and a failure of communication; and I believe that we are dealing with both here.

2525 Sir, arriving at a recommendation that almost all of those currently tasked with the governance of an entity reject, and arriving at a recommendation that sees all of the major business stakeholders reject it, demonstrates both of those failures.

Now, sir, why do these organisations' opinions matter? Well, let's not forget that it is their activities that fund, to a greater extent than any other group, the spending of this Assembly. They are used to running extremely successful businesses, where issues of this type, strategic, direction and rationalisation is every day practice for them.

2530 Sir, the holder of the office of Chief Minister has a little-known role as part of his or her duties, that of protector of the GTA – it is a rather odd role that hovers over the top of the Government structure – and I am sure that those that have held this position will confirm, as I do, that it gives you a rather unique perspective on the GTA.

2535 One of the things it taught me during my four years of holding this role, sir, was that Education have wanted to take control of the GTA, for as long as I have been a Member of this Assembly and, remember, all previous Assemblies have resisted such a move. They have had plenty of opportunity, but they have resisted such a move.

2540 Now, I wonder, sir, if next Members of the Education Board will be bringing proposals forward to this Assembly that will impact on the Grammar School, for instance, which is another example of stellar success within this Island.

Sir, the moment – (*Interjection*) Somebody muttered to my right. Well, let's just see if my prediction is correct. But there is no denying it, like the GTA, is a stellar organisation! (**Several Members:** Hear, hear.)

2545 Sir, the moment Government thinks it knows best, the alarm bells should start ringing. Now, why are we changing our system of Government, because that is after all what we are discussing here this afternoon – albeit one small part of it? We are changing our system of Government because our community recognises its current failings. That is why we are changing it. It simply is not good enough. We can make it so much better.

2550 Sir, I will ask you this question: why are we being implored by industry not to change the arrangements for the GTA? The same people who recognise the deficiencies in our current structure of Government tell you about the *efficiencies* of the existing GTA structure. They do that because they recognise the stellar success of the current arrangements. And they are stellar, sir, because the GTA – and Professor Conder will be well aware of this – even managed to get me qualified, sir! Now, that is some achievement I can tell you! (*Laughter*) Some achievement! (*Interjection*) Certified – that is right! That was some achievement. That was no easy task, sir.

So the GTA's key customer is business and the key question has to be: what do they want? Well, they have told you what they want. They want the *status quo*. They have not written to you

and said, 'Don't change this. Don't change that. Don't change the other.' They are, generally speaking, satisfied with the changes, but they have written to you *en masse*, telling you that they are not happy with this arrangement, such is their concern.

2560

Now, the College of Further Education is an equally able organisation, sir, but it operates a different model – we all recognise that – a faculty led model.

I give way to my friend.

2565

The Bailiff: Deputy Sherbourne.

Deputy Sherbourne: Yes, would you agree with me that the College of FE is also a stellar organisation?

2570

The Bailiff: I would not –

Deputy Trott: I have already said that, expecting, as I did, sir, such an intervention. It is a very good organisation, but it is a very different organisation. That is what business recognises and that is what the businesses, the organisations, that have written to us have identified.

2575

In his opening remarks, the Deputy Minister of Commerce & Employment told us that Education, Sport & Culture will have an enormous workload and there will be a significant adjustment necessary to undertake and amalgamate all of these changes. That, I think, is the nub of the concerns of these trade bodies. They believe, as he said in his opening remarks, that there may well be an argument for amalgamation in the future; it is just not here and now. And in my 16 years in this Assembly, sir, we only get things wrong when we fail to listen to those who have the most significant interests in a decision. Why? Because at the end of the day they are the ones that know best – not us.

2580

Thank you, sir.

2585

The Bailiff: Deputy Le Clerc and then Deputy Fallaize.

Deputy Le Clerc: Thank you, sir.

I have not really got much more to add because I think that Deputy Conder gave an excellent speech. I have been on the Skills Guernsey. I have been on the Skills Guernsey while I have been an elected Member of this Assembly and I have actually given another four years on top of that when I was a member of the business community to Skills Guernsey. So we have been working incredibly hard for many, many years and, finally, we are bringing everything together and it is really disappointing when a key member of that team, on Skills Guernsey, suddenly springs an amendment like this without any prior discussion around the board table – well, I say 'prior discussion', we did get wind of it slightly in a meeting we had about two weeks ago.

2590

2595

So I find that really, really disappointing when we have been working together across Departments, for Departments, and suddenly an amendment like this is sprung upon us. So I just wanted to say that.

I also wanted to say that I am a member of the Institute of Directors and I have taken my qualifications through the Guernsey Training Agency, and it was excellent. I have also passed my degrees through the College of Further Education and, again, that was excellent. So I have no qualms about amalgamating, at some time in the future, all of this together.

2600

I will say of the Institute of Directors debates that I have attended – again for many, many years – one of the things that industry says, and the members of the Institute of Directors, is that they find Government inefficient and are working in a silo mentality. So suddenly, when we suddenly say, 'Actually, we are going to do something. We are not working in silo mentality. We are going to bring some efficiencies,' you say, 'Oh, stop, we don't want that to happen!'

2605

2610 So I am really disappointed with industry. We are finally doing what you have been asking us to do for many years, and when you do not like it you send out what I think really were cut-and-paste responses. **(A Member:** Hear, hear.)

So I would just like to say to everybody: please do not support this amendment, we need to go forward; things are not going to change overnight so there will be some continuity, but we need to start that pathway down the road of bringing this altogether.

Thank you.

2615 **The Bailiff:** Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

2620 Deputy Le Clerc, I think, made several very good points in her speech. Deputy Green, though, I think, nailed it when he referred to the paragraph in the policy letter – this is the second policy letter, which is appended to this one – I will not read it all out, but Deputy Green did – 5.4.15: ‘... that there is a difference between identifying the labour skills which are necessary to sustain economic prosperity and the provision of training in response to the identification of those skills,’ – and I think that point must have been lost on Commerce & Employment. In fact, if one turns to the front page of the amendment, immediately under the explanatory note, it says:

‘The effect of this amendment would be’

– and then nothing! *(Laughter)* Which I think sort of sums up the depth of the argument *(Laughter)* that is being put forward. Although I have to say I regret that Deputy Brouard has been left holding the can here, **(Several Members:** Hear, hear.) because it would have been great for Deputy Stewart to have been in the States today and to have heard the debate on this amendment. No doubt he will tell us when he gets back that if he had been here the amendment would have sailed through! *(Laughter)* It will be all Deputy Brouard’s fault.

2630 **Deputy Brouard:** I hadn’t realised it wasn’t, sir!

2635 **Deputy Fallaize:** Deputy Trott said that industry wants the *status quo*. Well, the problem is that the *status quo* is not available, because the Department under which the GTA sits at the moment is effectively being abolished; it is being dissolved – like all of the existing Committees and Departments are – with effect from 1st May. The Commerce & Employment Department will not exist. It will not have Employment. The Economic Development part will not have Employment attached to it.

2640 So I think that when Commerce & Employment argue that they want the *status quo*, they are portraying a misunderstanding about the whole thrust of the reorganisation of States’ affairs that we are embarked upon. And I think that this is not the first time – although I think, I hope, that they are unique in their misunderstanding – but if one remembers back to the debate on the second policy letter, we had the same thing from Commerce & Employment. When one thinks of the scale of the change that is being undertaken, several Departments are effectively being scrapped – ‘merged’ is the more generous way of putting it; functions are being merged – and several existing Committees are having functions *(Laughter)* taken away from them – It is a good job that Deputy O’Hara can do that with a smile on his face! He is normally putting smiles on everyone else’s faces! But several Committees are having functions taken away and given to other Committees, and yet not one other Committee during this process has tried to retain their territory, as they see it.

2650 Now, Commerce & Employment tried that at the second stage. We had this with Sea Fisheries, we had this with Agriculture, we had it with Renewable Energy, we had it with the relationship between the States and the GFSC. Now in, I think, a couple of those cases, the States conceded the point, but this, I think, portrays a misunderstanding. It certainly portrays a territorial approach to the reform of the States and I think it is unhealthy.

I know that Commerce & Employment is nervous, because they can see their territory shrinking slightly, they can see the dairy moving off to Trading Supervisory Board, they can see Employment going off to join with Social Security and they are nervous about what they will have left, I think. But what they should embrace is the significance and the prominence of Economic Development, because that is what they need to concentrate on from 2016. They are not being left with some sort of insignificant rump of their present mandate; they are being left with arguably the single most important function that any States' Committee has to perform, because without economic prosperity there is not the generation of wealth available to pay for the Social Services, which our community needs. **(Two Members:** Hear, hear.)

Now, if we look at the purposes of these two Committees which the States have already agreed, the Committee for Economic Development – their purpose is:

'To secure prosperity through the generation of wealth and the creation of the greatest number and widest range of employment opportunities possible by promoting and developing business, commerce and industry in all sectors of the economy;'

Now, there is not a clear link between the functions of the Guernsey Training Agency and the agreed purpose of the Committee for Economic Development.

The purpose of the Committee for Education, Sport & Culture is:

'To encourage human development by maximising opportunities for participation and excellence through education, learning, sport and culture at every stage of life;'

Now, there is a clearer link between the functions of the agency and that purpose, and we are making Education, Sport & Culture 'expressly responsible for policy in relation to lifelong learning and skills'. Now, if we have made Education, Sport and Culture responsible for skills, what did we mean if we did not mean the sorts of functions that we are talking about in this amendment?

So the Committee has tried... Certainly, I think it was Deputy Sillars who said that the Committee is trying to drive efficiencies, bring together common functions. That is exactly what the Committee has tried to do and if you take a logical and dispassionate view about which of the Committees this function ought to sit with, when you compare their agreed purposes and their agreed policy responsibilities, it is quite clear that the function should sit with Education, Sport and Culture.

We have had a very different approach from Health & Social Services, because they are suffering – if that is (*Interjection*) the right word – experiencing exactly the same proposal; in fact, a more acute form of it because they are directly responsible at the moment for the Institute of Health & Social Care Studies, and the Committee is proposing taking it away from that Committee and reallocating it to Education, Sport & Culture. But we have not had any resistance from them. They have embraced that and recognise that it is necessary to give up a degree of territory, in order to make the agreed reforms work.

Now, Deputy Trott implores us to take account of the views of industry, but what about the views of the person who did more than anybody to build up the reputation of the Guernsey Training Agency. Deputy Conder was its Chief Executive for several years. I do not say that his views ought to weigh heavily on the States necessarily because he is a member of the Review Committee – although he is – or because he is a member of Education – though he is – but because of his experience at the Guernsey Training Agency. I do not think that the Guernsey Training Agency was ever stronger than it was when Deputy Conder was its Chief Executive. **(Two Members:** Hear, hear.)

It is not possible to conceive that he would be doing things to damage the Guernsey Training Agency and what it offers in Guernsey. So he understands the important role that training and the development of skills in that sort of sphere plays and he is of course fully behind these proposals.

The Commerce & Employment Department commissioned in 2009 or 2010 a report on skills and skills training in Guernsey. Now, if they look at that report they will find that it proposed bringing together the – I do not know if 'tertiary level' are quite the right words, but bringing

together, under a single body, the organisations which were providing skills training in Guernsey. They embraced that argument.

2705 Now they did propose it being under an arms-length skills agency, but they did propose bringing it together. Now, what is being proposed in this amendment is keeping these organisations separate, in separate committees. We are trying to drive efficiencies, we are trying to bring together common functions to avoid duplication and here is Commerce & Employment imploring us to keep common functions in separate committees! There is no sense in that whatsoever.

2710 Finally, sir, the point that, I think it was, Deputy Conder made – perhaps not as explicitly as I am about to – industry used to fund the GTA. Now, if you fund something your voice is prominent. It does not fund the GTA any longer. The GTA is funded by the States. Industry has voluntarily taken its financial contribution away from the GTA, and now it wants to determine where responsibility for the Guernsey Training Agency sits.

2715 Now, I do not think that is right. It is the States which is funding the GTA; it is the States which needs to determine under which committee it should rest. And I think some of the representations which have been made by the business representative associations – not for the first time – betray a misunderstanding of what is being proposed by the States. There are phrases used in the letters which have been circulated – which do look as if they have been topped and tailed – which have failed to grasp what is proposed in the policy letter.

2720 So I listen to the voices of industry, but we are not here simply to do the bidding of industry, and if one looks at the whole concept of the reforms led by the States' Review Committee, which up to this point the States have endorsed, it is clear that this function ought to sit with the Committee for Education, Sport & Culture – just as the Institute for Health & Social Care Studies will sit with the Committee for Education, Sport & Culture.

2725 Therefore I would ask the States, overwhelmingly, to reject this ill-conceived amendment.

The Bailiff: Deputy Harwood

2730 **Deputy Harwood:** Thank you, sir.

My initial reaction to this amendment was a simple word, a single word – 'rubbish'! But I have been persuaded perhaps I ought to be a bit more elaborative (*Laughter*) in the reasons why I would strongly urge everybody to vote against it.

2735 Sir, had this matter been brought before me in 2010-11, I might have had some sympathy, because at that stage there was clearly a concern that if the GTA moved into the dead hand of the bureaucratic behemoth that is the Department of Education headquarters at The Grange, then I would have probably gone along with Deputy Brouard and Deputy Trott and said no.

2740 But – and again, it is one of Deputy Domaille's 'buts' – since 2011 the Department of Education has actually achieved a great deal, particularly in relation to the governance of the College of Further Education. They have allowed the College of Further Education to be distanced from that dead hand of the bureaucratic behemoth in The Grange. They have recognised the importance of governance in relation to the College of Further Education.

2745 Now, as part of that governance, they have actually brought people on as directors of the College of Further Education who actually do represent industry – all aspects of industry. Finance industry – the chairman of the directors is actually a very leading member of the finance community.

2750 Contrast that with what has happened to the GTA over the last four years. Sir, it has become, unfortunately – and no disrespect, but it has become – subject to the dead hand of the bureaucratic process that is Burnt Lane, Raymond Falla House. So therefore the College of Further Education... the steps taken by the Education Committee have shown a far greater recognition of need for governance than our esteemed colleagues up at Burnt Lane.

Sir, Deputy Trott made great play of the ringing endorsements that have been received from various industry bodies and I am sorry to say that I think he is slightly misleading, because actually

2755 if you look at some of the detail of these ringing endorsements – and I read from the comments of the Vice-Chairman of GIFA, the last paragraph:

‘With regard to the governance of the GTA, GIFA is of the opinion there should be sufficient balance on the board, of both industry and Government representatives.’

Similarly, the Chairman of the IOD makes a comment:

‘We would however suggest the governance arrangements are reviewed to ensure that business and industry is appropriately represented on the board in an appropriate balance, with political Government representation. Duration of tenure of board members should be reviewed as part of the effectiveness evaluation to ensure that the composition is suitably refreshed.’

And again the comments from the Chairman of GIBA:

‘GIBA retains a director on the board of the GTA and I believe a review is currently taking place of the board and governance arrangements. We are of the view that this review should be completed and changes made to the board so that the work of the staff can be further supported in the interest of stakeholders can best be served.’

2760 Sir, these are the endorsements that Deputy Trott and others have suggested as ‘ringing endorsements’ for maintaining the *status quo*. If the Industry wants a serious attack of governance and serious approach to governance, then I would strongly suggest that industry should be coming fully supporting behind the Education Department in the approach the Education Department has taken with the College of Further Education.

2765 Sir, I would go back to words which I said at the beginning: I think that this amendment is rubbish. I attempted to hand a cold towel to Deputy Trott to throw in before he (*Laughter*) started this week. I am happy to make that same towel available to Deputy Brouard, who I suggest, with due respect, I do not think his heart is particularly behind this amendment.

Thank you. (*Laughter*) (**Two Members:** Hear, hear.)

2770 **The Bailiff:** Deputy Sherbourne.

Deputy Sherbourne: Thank you, sir.

I will be brief, because I hope that the sort of support for the proposals from the States’ Review Committee... the sort of support that has been echoed, I hope that that is reflected in the vote.

2775 But I would just like to say one or two things. First of all, for me, Deputy James summed up the situation: this is a sensible move, a sensible direction of travel.

2780 I am, as you know, proud of being a Member of the Education Board and the one thing that I am extremely – I am not necessarily proud, I do not think pride is necessarily a good thing but certainly I was really pleased to be part of the process of extending governance opportunities for the College of FE. With my good friend Doctor Conder – Professor Conder – we led the actual initial discussions and although it has been a slow process, it has worked extremely well. We were so fortunate to get the quality of members of the governing body (**A Member:** Hear, hear.) to move the whole thing forward. They are doing a sterling job, as are the senior leadership team at the College of FE.

2785 Now, let’s get rid of one or two myths. What we are actually proposing is not a big bang change. The GTA will still be the GTA. It will still have its governing body. There might be a need over a period of time to modify that position as the tertiary vision emerges, as it becomes one instead of collaborating parts, but that is for the future. At the moment there is no intention to change the governance structure.

2790 So my belief is industry has absolutely nothing to lose with the GTA coming under the umbrella of the new Education etc. Committee – none at all! In fact, I would go as far as to say that the comments that were made by members of industry rather disturbed me. I have a great respect for our finance industry and anyone that shows entrepreneurial skills that the Island

2795 benefits from, but it worries me greatly that they can actually show such lack of vision over the potential, the possibilities, that this actual proposal actually provides for the community.

We have spent time discussing the possibility of a university of the Channel Islands and I have said on many occasions, echoed by other members on the Education board, that in fact we have got an embryonic University already in place in Guernsey. It is a case of pulling things together, providing opportunities for our children from birth through to the latter years of their lives, where educational opportunities are there for everyone.

2800 We have got incredible expertise in the GTA, in terms of the management of higher education courses. The Institute of Health Studies – incredible results over the years, but limited purely, to people in the nursing profession or intending to move into the nursing profession. Just imagine, just picture, what could be possible if we can open up those courses to more people in our community. GTA courses – people not necessarily in finance but wanting to take higher degrees. 2805 In fact, Mr William Mason was quoted as saying that, ‘The backroom jobs are going. We need a better educated community.’

2810 What we have in mind will provide just that; it will provide the opportunity for continuous professional development, either focused within industry or general, for our general public; and so the whole Island will benefit.

Now, this is a joined up proposal. It is only a step along the way, but I share Deputy Luxon’s excitement. It is an exciting possibility and I hope that you will all see that and put this amendment where it deserves to be – which is in a bin!

2815 **A Member:** Hear, hear.

The Bailiff: Deputy Langlois, and then Brouard can reply.

Deputy Langlois: Thank you, sir.

2820 It is funny how we are fairly heavily loaded with amendments on this particular day, this particular week. You look at some of them and some people play the game of trying to predict how long each one will take and you would have thought that there was a level of simplicity about this one; that is followed by a superb keynote speech from Deputy Conder and we sit there and we think, ‘Well, we know where this is going.’ Unfortunately, all too often that is followed then by 2825 a level of out-of-proportion scaremongering about what is been proposed and therefore people feel the need – like I do now – to just put the facts straight before we hear the summing up and defeat this amendment.

Sir, the comments that came mainly from Deputy Trott, I would say were out of proportion. He talks about us being implored by that ubiquitous term ‘industry’. I have always wanted to know what industry was, because we use it so loosely and a particular sector, through certain representative bodies have come up with some views, which I think other people have commented on, but in my view it does not represent the totality of employers in this Island.

2830 It was implied – even if the word was not used – that this was an attack on the GTA. The Education Minister has pointed out that nothing could be further from the truth and the word ‘amalgamation’ has been used. I am not quite sure where that word amalgamation came from because that is not the intention. Why am I saying this, sir? Well, like Deputy Conder, I think I can claim certain credentials in this area, through a very different route.

2840 When I returned to the Island after a number of years in England in the Further Education Sector, I joined the College of Further Education where I had the great pleasure to meet some outstanding young people – including Deputy Trott – as students. Sorry, it may surprise you to hear, sir, that his behaviour has improved massively since those days, (*Laughter*) but nevertheless, he successfully achieved certain qualifications which enabled him to do the later professional qualifications at a different institution.

2845 I left the College of Further Education and formed a company which then traded for 26 years and a large proportion of the work that we did was in the field of vocational training, and at that

time, it spanned the time when the GTA was being formed, it was run by an upstart incomer from the south coast who had some good ideas, did some fantastic marketing saying that they were not providers, they were facilitators and I am amazed to see that resurface today. It was a jolly good marketing ploy; it shifted the training market round and it formed the foundation for the very excellent institution we have now got.

2850

I more recently, having become Social Security Minister, of course, have responsibility for a whole range of initiatives. Social Security is also part of Skills Guernsey, and the reason for that is that we often deal with some people who have been through lots of other routes and actually need a very singular approach to reskilling and retraining, and that is also part of the Skills Guernsey outfit.

2855

The Skills Guernsey label was a brand which was invented by the last Commerce & Employment Board. It is a catchy title. It did certain things. This particular term it has gone through a transition where the four Departments have worked together. I currently Chair the policy board, and will continue to do so for the remainder of the term, I hope; and we certainly have played our part, together with the States' Review Committee, in putting this sort of proposal forward.

2860

The vocational and professional qualifications are, sir, essentially a market. Somebody has got to pay for them. If you go and do this sort of stuff then somebody has got to pay for the training. It does not matter where that money comes from, as long as there is money to provide the resources that are needed.

2865

Sir, the unique or the special factor about Guernsey is that it is a very small market. It is a market in which you only have a few people at any one time who require an input on a particular area, this year rather than last year or next year, this month rather than last month or next month. That is why a straightforward competitive market model breaks down and even when I was in the private sector, marketing against the GCA and against the College of FE on occasions, the inefficiencies were very obvious. They were very obvious there because, ultimately, when a particular requirement came up, if everybody went for that at the same time, you split the market and on many occasions nothing happened at all and that is something that we really want to see an end to.

2870

So a consortium approach – it is a word which has been used as a working term by Skills Guernsey – where the best of each institution and each responsible authority is maintained, but where that market structure is, to a certain extent, 'carved up' – if you will pardon the expression – so that there is not the duplication, is the right way to go.

2875

In 2014 there was a breakthrough in which Commerce & Employment and the Minister were very actively involved, and a member of his board, because this proposal to form a consortium, to get the market analysed and then to make sure that the facilities, the provision comes from mainly one source in each part – in each type of training that is needed – should be the way forward; and that is what is being proposed. Nobody is proposing attacking the GTA and I, like others, was amazed when I saw this amendment.

2880

The engagement with industry is clear; it is clear across the board. Nobody in this particular market – if I use commercial terms, going back into my commercial background – can attack that market if they do not engage with industry. If you do not listen to what the customers are saying you will not survive.

2885

The lobby groups do shout loudly, but we have a diverse economy and I think we have also got to be very careful to not put all our efforts in, because in the longer term transition and again C & E very much, I am sure, recognise that the likelihood is that we will have more diverse economy in the future, and therefore its transferable skills – is the technical term – are what we need, not necessarily job training for next month; and those transferable skills need to be provided by a number of different agencies. So all the evidence points to the good sense of the Education oversight.

2890

2895

Before I implore you, once again, sir, not to support this amendment I have to say, though, this whole debate was made worthwhile for me when I heard Deputy Fallaize say that economic

development is the key Government function. (**A Member:** Hear, hear) I never thought I would hear that before I left this Assembly. What a wonderful statement! Thank you, Deputy Fallaize, through you, sir, and please do not support this amendment.

The Bailiff: Deputy Brouard.

Deputy Brouard: Thank you, sir.

I would like to thank all the people who have spoken in favour to the amendment! (*Laughter*) There is a fairly short speech on that one but, Deputy Trott, thank you ever so much for your support! (*Interjection*)

There a few little points I would just like to touch on. I think it is a little bit unfair of some people bringing up the 'silo mentality' words. I do not think that is fair at all.

I think also Deputy Fallaize was rounding on industry as well, because they had failed to grasp the situation. I think industry very well knows the situation and I think industry, just as I said... When the time is right I would love to pass the GTA across to Education and I think what my area, basically, of my summing up... really will focus on the C stel for several reasons. Because I think Deputy James is absolutely right: my heart is not in it! Do I want to keep it? Do I want to be running an educational establishment? No, I do not. But why was it created? Why wasn't it given to Education to do? Why didn't Education pick it up in 1996? Why have we been funding it and doing it ever since? Where has Education been when the funding stopped? Nowhere.

Commerce & Employment have driven this through, because no one else was there, and so it is with a heavy heart that I do not think they are ready yet to take it on board. I will pick up some of the words that Deputy Conder was using. The tertiary offering is 'becoming a reality' – 'becoming a reality'. It is not there yet. I would love to pass it across. When you have got your act together in Education I will be there passing it across, but at the moment, as I see it, I do not think you are there yet and I wish you were.

I will give way, sir.

The Bailiff: Deputy Conder.

Deputy Conder: We are not there yet, because the GTA has not moved it over to Education yet! (*Laughter and interjection*) The tertiary institution is becoming a reality. It will become a reality when the GTA transfers to the Education Department.

Deputy Brouard: So it is a sort of a chicken and egg situation. I stick with the C stel because Deputy Green made the point exactly: we should be doing the policy... what is there, but we were finding, as C&E and C&E's previous enactments, that there was no one delivering; that was the problem. We knew what the policy was, we knew what we should be doing, but Education were not stepping up to that particular mark.

That is why I come onto the other member of the C stel, Deputy Dorey, who did not say a lot in the debate – in fact did not say at all! – (*Laughter*) but myself and Deputy Dorey spent four years at Social Security, from 2008 to 2012, and what were we doing? We were running little mini-educational establishments. Why? Because Education were not picking it up. In fact one of the arrangements was with Commerce & Employment, by using the vinery on the Burnt Lane site to do skills and training for some of the people who had, unfortunately, been through the whole of our education system, but still did not have the right skills for the workplace, and there was Social Security – not one of its call functions – having to pick up that baton again, because Education was not there.

When we come again to the skills of... how our Island standards were in 2010 – the Frontier Economics report – that report showed that some of our education offering, which we had thought – and I have been proud of – was really quite high, was in fact needing of substantial

2950 work; the Mulkerrin Report came out of that, but who sponsored that original assessment? Again, it was Commerce & Employment that was there. Thank you.

2955 **Deputy Lowe:** I thank Deputy Brouard for giving way. I would just like to remind him actually that Social Security picked it up because Board of Industries/Commerce & Employment stopped the scheme to assist workers getting some form of training and they picked it up.

Deputy Brouard: I could not actually comment on that, but with Social Security we were there running education schemes.

2960 If you are saying to me Education is there now and they know what they are going to be offering and they can take these things forward – absolutely, I do not have a problem. So Deputy James is absolutely right: I do this with a heavy heart. I do not think Education is there yet and you will make that decision today and, by the 12 people who have spoken in favour, I have got a fair idea which way that is going to go.

2965 Deputy Sillars, you made a point; quite a few times you have said that someone is saying that we are going to somehow stop engaging the stakeholders. I have never said that. Perhaps other people have, but I am sure Education would continue to engage with stakeholders. But a focus group where you go into a big hall is not quite the same as what the GTA have been doing, which is actually going right out to industry – I think they have had 91 visits that they have done in the last six months, actually finding out exactly what industry to provide –

2970 **Deputy Sillars:** Sir, can I just interrupt on a point of correction?

The Bailiff: Point of Correction.

2975 **Deputy Sillars:** We heard again today on the radio, from the GTA, how they are now beginning to go out to industry. Now! We had a focus group – and I understand what you are saying about a focus group, but we had a focus group – today, and if I can just quote from some feedback on that:

‘It was very successful and the support from businesses for the College and how the College has moved forward the agenda of talking to doing.’

That is where we are now.

‘Key policies from business was our approach to co-ordinate what’s on Island before they run off to the UK.’

Thank you.

2980 **Deputy Brouard:** Thank you.

2985 Deputy Fallaize, and I think Deputy Soulsby, picked up on this – about industry support. Industry were in a very, very difficult position. Industry had been quite happily funding – well, not quite happily but they had been funding – the GTA, through their levy to the Guernsey Financial Services Commission.

2990 When industry found that Guernsey Financial Services Commission was not going to be passing the funds on, they were already paying them. So are you saying that industry should then somehow have a reduced levy, which is what they would have liked, from the Guernsey Financial Services Commission, and then made the payment? But they are already making the payments. So if it was as Deputy Fallaize says, the poor industry would be paying twice; they would be paying once, a higher increased fee to the Guernsey Financial Services, and paying again for the GTA. So those fundings are already there.

2995 I think the timing is wrong at the moment. Commerce & Employment have got skill in the game. We have the contacts with the industry and I would implore you that – at least for the time being – the GTA stays with Commerce & Employment.

Thank you, sir.

The Bailiff: Members, we will vote now on the amendment.

3000 **Deputy Conder:** Could we have a recorded vote please, sir? *(Laughter and interjections)* Could we have a recorded vote please?

The Bailiff: A recorded vote on the amendment proposed by Deputy Brouard, seconded by Deputy Trott.

There was a recorded vote.

3005 **The Bailiff:** Members, while those votes are counted I suggest we move on with the next amendment to be proposed by Deputy Soulsby, seconded by Deputy Robert Jones.
Deputy Soulsby.

The Bailiff: Deputy Soulsby.

3010 **Deputy Soulsby:** Sir, can the Greffier read the amendment out please?

The Bailiff: Greffier, could you read the amendment?

The Greffier read the amendment.

Amendment:

To insert at the end of proposition 1, item k) after 'Scrutiny Management Committee' the following wording:

'except to replace the first sentence under the heading 'Duties & Powers' (page 3204 of the Billet) with the following:

"To lead and co-ordinate the scrutiny of committees of the States and those organisations which are in receipt of public funds, or which have been established by legislation, by reviewing and examining legislation, policies, services and the use of monies and other resources."

The Bailiff: Deputy Soulsby.

3015 **Deputy Soulsby:** Sir, as the Deputy Chairman of the States' Review Committee said in his opening speech this morning, the status and strength of scrutiny must be enhanced.

In a nutshell, this amendment seeks to ensure that the Scrutiny functions and powers are not weakened, but enhanced in the next term. This is not about taking over an executive function, in any shape or form; this is 100% about effective scrutiny.

3020 Paragraph 6.1.3 states that the States' Review Committee was reluctant to impose too many qualifications on what and whom the Scrutiny Management Committee should scrutinise. However, the duties and powers of the Scrutiny Management Committee are set out in appendix 1: '... only enable it to scrutinise legislation policy services and the use of money and other resources for which committees are responsible.'

3025 However, under section 9.4.4 of the States' Review Committee second policy letter, it states that, and I quote:

'... the powers of the Scrutiny Management Committee would be strengthened further, by affording it the right to scrutinise, and to call in witnesses, and evidence from a greater range of organisations which are in a receipt of public funds or which have been established by legislation...'

3030 This amendment merely seeks to replicate that statement. Without this amendment, the powers of scrutiny will be weakened as, to some extent, the Public Accounts Committee has powers to scrutinise the spending of public funds provided to other bodies. An example of the review is the contract with MSG in 2011, which was referred to yesterday.

'The powers must explicitly state that the Scrutiny Management Committee can continue to investigate public bodies in receipt of States' funds, such as St Johns, Guernsey Housing Association and other providers.'

However, this is not just about money. Members will be all too aware how the Government service model is moving to a concept of a partnership with outside bodies. Indeed the public sector reform document we agreed recently, makes that clear. It states:

'The civil service must enable government to involve the community in developing policy. A good example of this is the States of Guernsey's formal partnership for working the third sector through the Association of Guernsey Charities, the Social Compact, signed in autumn 2014.'

3035 Of course with policy development with external parties... likely come outsourcing of those services to those bodies. The agencies and organisations involved in delivery Government policy have evolved significantly since the original mandate was agreed in 2004 when the Public Accounts and Scrutiny Committee were created.

3040 Since 2004 the methods of delivery of Government programmes have diversified to encompass third sector organisations, private sector providers and a number of other agents of Government, where agents are defined as organisations created or commissioned by Government to undertake functions or supported by Government to supply services, but are not departments or committees.

3045 In 2012 the Government provided grants and subsidies totally over £30 million pounds to such organisations in Guernsey. The reviews undertaken by the current Committees have highlighted the problem that agencies and organisations essential to delivery of Government policy or services, which the Committee is mandated to review, are beyond the current remit. As a consequence, democratic oversight is curtailed.

3050 A number of agencies and public offices have been created to minimise the risk of political interference in certain types of decision making. Where agencies have been set up with a governance structure created to minimise a risk of political interference, it should not be the intention of the Scrutiny Management Committee to introduce it.

3055 The changes suggested are not intended to limit the autonomy to act independently or curtail the commercial freedom of any agencies or organisations, but organisations of this type are granted operational independence whilst operating under the direction of Government at a policy level. Many of these agencies do undertake functions that should be subject to appropriate scrutiny.

3060 In the UK, select committees regularly question Government agencies, regulators and commercial organisations and their legal advisors on their activities. This is seen as an essential part of Parliament's retrospective oversight of the work of these agents of Government.

3065 We only have to remember the recent revelations over the charity Kids Company – something that the PAC in the UK recently described as 'a failed 13-year experiment'. Now, that does not mean what happened there will happen here and under our system of Government it would be very difficult to see how that same exact scenario could be repeated, but if the Scrutiny Management Committee is to be, and I quote from the policy letter, '... empowered to shape scrutiny as it sees fit', it needs to be able to do so with as much flexibility as possible.

That is why the powers that are set out in the report are insufficient and why I urge Members to support this amendment.

3070 **The Bailiff:** Deputy Robert Jones, do you formally second the amendment?

Deputy Jones: Yes I do, sir, and I reserve my right to speak later.

*Amendment by Deputies Brouard and Trott:
Carried – Pour 5, Contre 38, Ne vote pas 0, Absent 3*

3075

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Perrot	Deputy Fallaize	None	Deputy David Jones
Deputy Brouard	Deputy Laurie Queripel		Deputy Le Tocq
Deputy De Lisle	Deputy Lowe		Deputy Stewart
Deputy Gollop	Deputy Le Lièvre		
Deputy Trott	Deputy Spruce		
	Deputy Collins		
	Deputy Duquemin		
	Deputy Green		
	Deputy Dorey		
	Deputy Paint		
	Deputy James		
	Deputy Adam		
	Deputy Wilkie		
	Deputy Burford		
	Deputy Inglis		
	Deputy Soulsby		
	Deputy Sillars		
	Deputy Luxon		
	Deputy O'Hara		
	Deputy Quin		
	Deputy Hadley		
	Alderney Rep. Jean		
	Alderney Rep. McKinley		
	Deputy Harwood		
	Deputy Kuttelwascher		
	Deputy Brehaut		
	Deputy Domaille		
	Deputy Langlois		
	Deputy Robert Jones		
	Deputy Le Clerc		
	Deputy Sherbourne		
	Deputy Conder		
	Deputy Bebb		
	Deputy Lester Queripel		
	Deputy St Pier		
	Deputy Gillson		
	Deputy Le Pelley		
	Deputy Ogier		

The Bailiff: Thank you.

Members, I can announce that the voting on the Deputy Brouard/Deputy Trott amendment was 5 votes in favour and 38 against. I declare that amendment lost.

Deputy Fallaize, do you wish to exercise your right under Rule 13(7) to speak now?

3080

Deputy Fallaize: Yes please. Thank you, sir, yes.

There is no great difference between the Committee and Deputy Soulsby and Deputy Jones on this matter, which is not surprising because, as Deputy Soulsby said in her speech, the notion of extending Scrutiny's right to scrutinise bodies in receipt of public funds was included in the States' Review Committee second policy letter.

3085

I think it is worth saying that the mandate of the Scrutiny Committee at present does not include this right, so the Committee is not trying to take it out. Now, the Public Accounts Committee's mandate does, but of course that relates only to the scrutiny of finances and it is also worth saying that if public funds are applied to bodies which are at arm's length from the States, or separate from the States entirely, they are channelled through States' Committees and of course the decisions of the States' Committees can be scrutinised.

3090

But, the two main points which the Committee wants to point out to the States, with this amendment, relate to timing and the practical application.

3095 First of all, in respect of timing, although Deputy Soulsby was accurate in what she quoted from the policy letter – the second policy letter of the States’ Review Committee – her quote was not perhaps as complete as it might have been, because it is true that the Committee said:

‘That the powers of the Scrutiny Management Committee would be strengthened further by affording it the right to scrutinise, and to call in witnesses and evidence from a greater range of organisations which are in receipt of public funds or of which have been established by legislation...’

– but that paragraph was subject to a Resolution, which the States made after that debate, at the end of that debate, which said: ‘To agree that the Scrutiny and Public Accounts Committee... shall, following examination of the issues, lay recommendations before the States no later than
3100 February 2016, in relation to the matters in the following paragraphs...’ – one of which was the paragraph from which Deputy Soulsby quoted and in which it was included the concept that is now included in Deputy Soulsby’s amendment.

3105 So the clear intention of the States – in fact that Resolution arose from an amendment which was laid by Deputy Soulsby and Deputy Jones – was that their two Committees would go away and examine this issue and come back to the States with an analysis of the advantages and disadvantages and a recommendation.

3110 Now, as I understand it, there is a policy letter on its way – perhaps to the February States, but in any event, before the end of this term – which sets out the case for extending the powers and the resources of the Scrutiny Management Committee and this amendment is something of a pre-emptive strike. So that is really the first point.

3115 The second thing is, in terms of the practical application, the States’ Review Committee believes that if the amendment is successful and if this power is included in the mandate of the Scrutiny Management Committee, it may not make very much difference in practice, unless there is legislation in place which enables the States, acting through the Scrutiny Management Committee, to scrutinise bodies which are at arm’s length from, or separate from, the States. Select committees do the job that Deputy Soulsby referred to, but they have the power of legislation. Now, we do not, in Guernsey, have the power of legislation, there is no legislation to compel the attendance of witnesses before the Scrutiny Management Committee, for example.

3120 Now, the amendment does not give any recognition to that. That is not necessarily a reason not to support the amendment; I just say that the States must not believe that if they support the amendment and they put this in the Scrutiny Management Committee’s mandate, that the Scrutiny Management Committee is necessarily going to be able to do anything with it, because it may well require the power of legislation before there can be practical effect given to the concept in this amendment.

3125 So the Committee does not oppose the principle of the amendment. The amendment actually is consistent with the proposals in respect of Scrutiny which the Committee put to the States in July and puts to the States again today.

3130 But the Committee does feel obliged to draw these two issues – the one of timing and, more particularly, the practical effect of this amendment – to the States before the States votes on this amendment.

Thank you, sir.

The Bailiff: Deputy Domaille.

3135 **Deputy Domaille:** Thank you, sir.

I mean Deputy Fallaize, as always, makes some good points. I will be supporting the amendment, quite clearly.

I will just make one simple point that actually legislation is not necessarily a show stopper in this case, in that when – with this in place – the new States’ Committee start entering into

3140 agreements with, I will call it, the third party, then those agreements can stipulate that the access of the Scrutiny Management Committee to scrutinise those affairs can be set out, so in fact you do not actually need to have legislation, although for places that are in place at the moment, you would clearly have that gap.

3145 **The Bailiff:** I see no one else rising.
Do you wish to reply, Deputy Soulsby?

Deputy Soulsby: Sir, I have very little – Yes, Deputy Fallaize, ‘the timing’ – I understand what he is saying but we really did believe, given this policy letter is all about mandates and what was set out is something that, from Committees, I understand Deputy Jones and myself felt very strongly that this was something we should be addressing at this particular point in time. In terms of rights to compel, I mean I can confirm that when the joint committees lay their report, that will be dealt with in that policy letter.

3155 I would just like to thank Deputy Domaille for making a very good point, as usual, about legislation and I think really the importance of service level agreements in the next term is going to be quite fundamental actually and I think a lot of focus is going to need to be placed on that, if where we are going is more and more outsourcing and using third-party organisations.

So I just urge Members to support this amendment.

Thank you.

3160 **The Bailiff:** We vote then on the amendment posed by Deputy Soulsby, seconded by Deputy Robert Jones. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

3165 We move on to the amendment to be proposed by Deputy Hadley and seconded by Deputy Green.

Deputy Hadley.

Deputy Hadley: Could the Greffier read the amendment, Mr Bailiff, please?

The Greffier read the amendment.

Amendment:

To insert at the end of proposition 1, item k) after ‘Scrutiny Management Committee’ the following wording:

‘except to add between the third and fourth paragraphs under the heading ‘Duties & Powers’ (page 3204 of the Billet) the following paragraph:

“To appoint an Appointments Panel to develop, publish, implement and oversee fair and effective processes and procedures for the appointment of senior States’ employees: provided that the Committee shall at all times be responsible, and accountable to the States, for everything done by the Appointments Panel; and to constitute the Appointments Panel as follows: a President who shall be a member of the Scrutiny Management Committee, a minimum of four other States’ members, a minimum of two non-voting members who shall not be members of the States, and any number of additional and occasional non-voting members as the Scrutiny Management Committee sees fit for the purposes any particular appointment or class of appointments: provided that such additional and occasional non-voting members may or may not be members of the States and also provided that neither the President nor the members of the Policy & Resources Committee shall serve on the Appointments Panel.”

The Bailiff: Deputy Hadley.

3170

Deputy Hadley: Mr Bailiff, this amendment is to ensure that there is scrutiny, by the Scrutiny Management Committee of the appointment of senior employees of the State to Guernsey, and again extends of the powers and responsibilities of the Scrutiny Committee.

3175

Now, if I had seen this amendment a few months ago I would have wondered why it was necessary, as we are all aware that the Civil Service is, to a very large degree, independent of elective politicians, and at that time I was unaware that there is in fact no States-wide policy in the appointment of senior civil servants and the Chief Executive confirmed to me that appointments and the manner in which they are made are a matter for individual departments.

3180

In the case of Health & Social Services Department, the board has decided that this is an operational function, and in the case of Education I believe from the Minister that they have taken quite a different view.

3185

I became aware of the need for scrutiny when I received an email a few days before a HSSD board meeting to inform me that we had 11 suitable applicants for the post of Medical Director and that two civil servants with no medical experience were going to the UK to shortlist the candidates.

3190

Now, the Medical Director is the most senior medical practitioner in Guernsey and is one of the most highly paid employees of the States. I criticise the way in which the appointment had progressed so far and proposed that the appointment committee was strengthened by the inclusion of three local doctors: an MSG doctor, an HSSD doctor and a GP. I said that it was important that the new Medical Director had the support of his colleagues. I was told that the new Medical Director was not a colleague of local doctors, but a regulator reporting to the Chief Officer.

3195

Well, I am now told that in fact the new MD is going to work one day a week as an anaesthetist, and I am glad that is going to happen. Hopefully, for all concerned, he will be considered a colleague.

Now, it was extraordinary that such a senior clinical appointment is being made with the shortlisting done by civil servants from the UK who had no experience in the field of medicine and the final selection done without adequate, local medical input.

3200

Since the appointment was made, both the Minister, Deputy David Jones, and I have spoken to doctors who have confirmed that some local doctors were told that it was not worth them applying as it was most unlikely that a local candidate would be appointed as the wish was for a candidate from off-Island.

3205

Now, that does concern the Minister and me, because it does come very close to breaking our Housing Laws which require Housing Licences to be issued when there is no suitable local candidate – and there were suitable local candidates! In the last year, three other the senior appointments have been made at a senior level in the Health & Social Services Department without any proper selection process taking place.

3210

Now, Members of this Assembly are well aware that there has been considerable criticism of the increase of highly paid civil servants working in the States. This criticism may well be unjustified, but it is vital that in the future the process by which senior appointments are made is overseen and scrutinised by the Scrutiny Committee. They should ensure that the salary level is appropriate and that any selection board is properly constituted to ensure that the correct level of expertise is represented on the board, as well as appropriate representation at senior level from the civil service and politicians.

3215

I think the Committee should also satisfy itself that the appointment is necessary. So I ask members to vote for this amendment.

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

3220

Deputy Green: Indeed, sir.

The Bailiff: Deputy Fallaize, do you wish to speak now?

Deputy Fallaize: Yes please, sir.

This amendment is, to put it mildly, very unwise, for many reasons.

3225 First of all, it starts by asking the States to add to the mandate of the Scrutiny Management Committee, to appoint an appointments panel to develop, publish, implement and oversee fair and effective processes and procedures for the appointment of senior States' employees.

3230 Now, if a committee or a panel or whatever it is called is given the power to implement processes and procedures for the appointment of States' employees, I think that gives them the power to make the appointments. How else can they give effect to the power to implement processes and procedures for the appointment of senior States' employees? Who would stop them actually appointing the employees, if these words are in their mandate?

3235 So that is the first problem. Building on that, the proposal of the States' Review Committee, already agreed by the States – the decision of the States – is that the Policy & Resources Committee will have the role of the States as employer.

3240 Now, we could end up, if this amendment is successful, with an appointments panel, made by the Scrutiny Management Committee, taking responsibility for the appointment for senior States' employees, and for another Committee, the Policy & Resources Committee, to be responsible for the States' employment functions. Well, that would create not just a governance problem but it would be totally dysfunctional.

3245 I also think that this amendment would undermine the proper role of the Scrutiny Management Committee. This morning, the States decided that the role of the appointment of external auditors was too much of an executive function to give to the Scrutiny Management Committee and here we have an amendment which tries to give to the Scrutiny Management Committee the appointment of a panel to develop, publish, implement and oversee processes and procedures for the appointment for senior States' employees. This takes the Scrutiny Management Committee completely out of the area of scrutiny and smack bang in the middle of the executive arms of Government.

3250 Now that would be a highly unwise. The Scrutiny Management Committee must be able to scrutinise the processes, for the appointment of senior staff. Of course they must; that is part of the role of a scrutiny committee. But they must not have the responsibility for bringing into existence an appointments panel, which would effectively come to operate like a reincarnation of the Civil Service Board.

3255 On that point, the States have already agreed that the new Policy & Resources Committee, once constituted, must report to the States having reviewed the appropriate long-term governance arrangements for the States' employment functions, because the Review Committee has accepted that the Policy & Resources Committee is not the right place for it. The Policy & Resources Committee will probably be too busy for it, it will have a myriad of other functions and to take on the role of employer of all established staff is probably unnecessary and probably unwise in the long run.

3260 But this needs a very careful and considered analysis. It does not require what I think is a rather ill-considered attempt to move many of these functions into the Committee which, of all committees, is most ill-suited to this particular function.

3265 Finally, Deputy Hadley is wrong when he says that there is not a policy in place on the appointment of senior officers. There is! The appointments panel for senior officers usually consists of the Chief Executive of the States, the Head of HR and Organisational Development, the Chief Minister and the Minister of the Department concerned.

3270 Now, there is no proposal from the States' Review Committee to change that. In fact what has been proposed by the Review Committee and accepted by the States gives committees more teeth in the appointment, and potentially dis-appointment, of senior staff, and their appraisal. This is now completely factored in to the Machinery of Government, and if the States accept the

proposals of the States' Assembly & Constitution Committee on the next Billet, it will be included in the rules of procedure of the States.

3275 So Deputy Hadley in a sense is pushing an open door. The reforms of the States' Review Committee do provide more oversight in terms of the appointment of senior staff; they do provide more scrutiny. We are clear that the Scrutiny Management Committee must have proper oversight and the right to scrutinise the appointments process, but this amendment would give them the power to appoint an appointments panel which would come to take over a significant part of the employment functions of the States; and that is so obviously not the job of the
3280 Scrutiny Management Committee that this amendment must be rejected.

Thank you, sir.

The Bailiff: Deputy Soulsby.

3285 **Deputy Soulsby:** Sir, this is rather a confused amendment. Deputy Hadley is asking what is meant to be an independent scrutiny committee to actually act as executive. Is there not a potential conflict going on here? If Members do not think the Scrutiny Management Committee should recommend the appointment of auditors – which can really be argued either way; it is not that clear cut – how on earth can we support this amendment?

3290 This amendment gets even more confusing when it implies that this panel looks at every appointment as it comes up. Does that mean the panel has to give the okay for each appointment? It is not clear and I am quite surprised that Deputy Hadley has laid this amendment, given how much he has criticised how slow the recruitment process is, when what he is proposing is likely to significantly increase the time it takes to recruit.

3295 This has been a concern expressed in other jurisdictions that have involved additional political scrutiny, not least the United States of America, and this would add more time at a time when, as Deputy Wilkie said on Tuesday, it has taken 30 months to recruit a Disability and Inclusion Officer!

Now, the ironic thing is that this came out of what he believed was a flawed process. I have to say that it is the most comprehensive recruitment process that I have ever witnessed in the public
3300 and private sector.

Processes will vary, and should vary, depending on who you are appointing. Should the interview process for the CEO or Chief Information Officer be the same as for a nurse? It does not mean one should be less robust than the other, but there is no reason why it should be exactly the same. I welcome the fact that the process is tailored to the role, particularly for the most
3305 senior positions. It is even more ironic when during the debate on Deputy St Piers' amendment yesterday he said, 'to set up another tier of bureaucracy would be heavy handed.'

Actually a few months ago I did look into an aspect of this area, more specifically whether some form of pre-appointment hearings similar to Westminster could be adopted over here. Basically, this is where the Public Administration Select Committee grills potential appointees to
3310 public offices. They have no right to veto but can, and have, influenced the subsequent appointment through the scrutiny process.

In its report of 2008 the Public Administration Select Committee stated that the value the committees can add, over and above that provided rigorous selection process, is to expose a candidate to parliamentary and public scrutiny. It follows that hearings should normally apply only
3315 to posts for which accountability to Parliament and the public are an important part of the role. A positive outcome of holding pre-appointment hearings for such a post, there is a likelihood that appointees will perform this accountably function more effectively.

The Committee maintained, however, that pre-appointment hearings would only be appropriate in cases where the final decision on the appointment remains in the hands of a
3320 politician – and that is a process there today.

Now, when the Commissioner for Public Appointments gave evidence for the Public Administration Select Committee in June 2007 she repeated a concern she had picked up from recruitment consultants. There is a concern that if select committees are involved in the process,

3325 people may be tempted, in the questioning of candidates, to do that questioning very much with their political bias in mind.

3330 With the best will in the world, that may lead to a perceived politicisation or further politicisation of the process which may not be there at the moment. Whilst politicians should be asked their opinion about such appointments, where they do not make the decision, it really should be for the executive to determine the best person for the job and I cannot support this amendment.

The Bailiff: Deputy Gollop.

3335 **Deputy Gollop:** If we had a bit more time, I might come round to supporting this amendment, inasmuch that it probably contains the germ of a good idea, but I kind of think it has been bolted on to a debate on a completely different set of subjects, whereas it really should be, and could be, a requête or separate report in itself.

3340 There are a lot of things... I, for many years, have been slightly dissatisfied with some elements of the States' recruitment for senior officers, which varies from committee to committee, and we are not talking necessarily of Chief Officers here, by which the process is clear – as Deputy Fallaize has identified – but certain other roles. But, as Deputy Soulsby says, it probably would be best to work on a relevant job specification. Not one size would fit all and I think it requires a lot of work and consideration and this amendment is too prescriptive, at the wrong time and would potentially slow up procedures and, I completely concur with Deputy Fallaize, add an executive function to scrutiny which would be extremely confusing.

3345 Yes, let's look at, perhaps in the next term, the matters of how you can, not necessarily politicise recruitment but hold the civil service more accountable and maybe look at the pay scales and look at the gradings and work on your budgets that way. But do not do it this way.

3350 **The Bailiff:** Deputy Brehaut, then Deputy James.

Deputy Brehaut: Thank you sir.

This amendment is far from perfect but it does, for me, raise a number of issues that I think give me the opportunity just to say things that are pertinent to this amendment.

3355 When I was a Member of HSSD, and HSSD – well, isn't it always? – but when it was going through a particularly difficult time (*Laughter*) with real pressure, real financial pressure, real external pressure from the *Press*, I walked into a meeting expecting to see the then gentleman who is no longer employed by the States at one end of the table; but I did not, I saw the then Chief Executive at the end of the table, to be told that the Chief Officer was no longer the Chief Officer. Our first question, 'Which Department has he moved to?' 'No, no, no. You have no Chief Officer in place.'

3365 Now, we are not the private sector and the relationship you have when you are working at that level with the Chief Officer is so important. If you can imagine the ties that Deputy Sillars will have with his Chief Officer, with everything that is happening at the moment, how closely they work together, you need to know that that is going to work, you need to be confident that that dynamic is going to be something that is going to work for both parties.

3370 Now, if we then go to the next appointment, which was the replacement for the then Chief Officer, I had not met that individual. We were given a brief resume of the... obviously the person's CV and their obvious skills and abilities, but nevertheless, politically, from where I sat it felt like the imposition of a new individual that was going to meet challenges that were unique to Guernsey and that would be a shared journey between the senior politicians and the senior staff.

3375 I made an observation then, and it was true at that time: I observed that the Chief Officer was closely – I will not be specific... At times, Chief Officers can closely identify with senior civil servants and the Chief Executive, and do not as closely identify with politicians who really are trying to deliver things with and for the community, and how do you deal with that when it does not work?

3380 One way could be that at the employment stage you have those who are going to work with this person just drilling down a little bit deeper – just a little bit deeper – to see what are the issues? What is the potential for conflict? Will this person do as well on Guernsey as they did outside of Guernsey? I wonder sometimes whether we get that absolutely right and obviously I would argue we do not get it right because there has been a turnover of senior staff at a high level from time to time.

3385 However, I do not know, I do not think this amendment remedies that situation and I think this mechanism is not the right mechanism. But I fully identify with Deputy Hadley, with his concerns, over appointments that you believe you have a knowledge base, you believe there are other people that have a knowledge base, yet other people have made these appointments and there you are and you have to work with these people to deliver policy on behalf of you and your community.

Thank you.

3390 **The Bailiff:** Deputy James, and then Deputy Conder

Deputy James: Thank you, sir.

3395 Sir, I think this is an incredibly dangerous path to tread. Deputy Gollop has just referred to it as a germ – a little germ; well, what I would say to you is that little germ should be given a very heavy dose of antibiotics! (*Laughter*) (**A Member:** Hear, hear.)

This is, indeed, a personal hobbyhorse of Deputy Hadley. He was unhappy with the process. What we have seen... what we *have not* seen is any indication, any desire, any objection, any communication whatsoever from the MSG about the recruitment process, no communication or objection from the GPs about the process etc.

3400 Deputy Hadley seems to have embraced the role of go-between, between the MSG and the Health & Social Services board. Yesterday, he admitted to you all, he is a flag waver. I would go further than that, I would say that he is almost like a public relations officer for the MSG, and that is not acceptable. This is a personal hobbyhorse. This is a HR responsibility – Human Resources responsibility – and I have every faith that Paul Whitfield will address and ensure that robust processes are in place.

3405 HSSD Board were kept fully informed about the process. We had an open evening with all the candidates that were shortlisted, all the board had plenty of opportunity to meet with them and discuss with them.

Please do not fall for this amendment. I ask you to roundly throw it out.

3410

The Bailiff: Deputy Conder, then Deputy Bebb.

Deputy Conder: Thank you, sir.

3415 Like many speakers, I find this a strange amendment. If I may again refer to my experience on the Audit, Risk & Governance Committee at Bournemouth University, which is the nearest equivalent I can think of a scrutiny committee, no way would you allow a committee responsible for scrutiny to take responsibility for appointment of a senior post, or be engaged in the way that this amendment... It is just the wrong place. So I think it was Deputy Gollop who said it is the wrong vehicle, the wrong time to put this in place, and actually I do agree entirely with Deputy Gollop.

3420 If this is an issue that some States' Members have a concern with then the right way to deal with it is to bring a well-structured requête with a set of proposals which have been properly tested.

3425 I think there are issues in terms of our appointment process. Again, I have been involved in a lot of senior appointments, including the appointment of the head teacher of Elizabeth College, with Deputy Trott.

3430 That is a very carefully worked through process, but the one thing I would ask for any... and indeed as I do at the university as well. What I am always surprised about – and if colleagues want to bring this back as a more considered process – is we do not use the support and help of external assessors – non-voting external assessors – on our senior appointments. I find that surprising. Or at least we do not use them to the extent that I would expect. We certainly did on the appointment of Elizabeth College head teacher, and that was a very, very powerful additional support for a certain process and might address some of the issues that Deputy Hadley has raised.

3435 So I cannot possibly support this amendment. I would urge colleagues not to. It is in the wrong place. It might have some merit, I do not know. I am certainly not going to allude to anything that has happened in HSSD. There might be issues, but until I see a properly structured, properly thought through set of proposals that addresses issues outside of a scrutiny committee which is entirely the most inappropriate place for it to be, I could not possibly support this. It may have merit; this does not tell me whether it does or not.

3440 Thank you.

The Bailiff: Deputy Bebb.

3445 **Deputy Bebb:** Thank you, Monsieur le Bailli.

I find the *kvetching* from Members of the States' Review Committee about this issue appearing a little rich.

3450 **Deputy Fallaize:** May I ask Deputy Bebb to clarify what on earth he has just said? What is that word? What does that mean?

Deputy Bebb: *Kvetch*. Sorry, *kvetch* is a complaint – belly aching.

Deputy Fallaize: Oh I see. Okay, may I ask in which language that is?

3455 **Deputy Bebb:** Sorry, my time of living in East London amongst lots of Yiddish speakers and hearing that interminably. (*Laughter*) Evidently, everybody understood *chutzpah* but *kvetch* seems to be a little bit more difficult! (*Interjection*)

3460 Indeed, Members may well remember that, having heard Deputy Conder adjust a well-crafted requête in order to deal with the issue, that the well-crafted requête in order to try to deal with the issue said that the States' Review Committee would look into the issue and the States' Review Committee looked into the issue and said that they did not want to deal with the issue, because – No, I do not give way to Deputy Fallaize.

3465 **Deputy Fallaize:** Point of Correction, sir.

He is now speaking double Dutch! (*Laughter*) The States' Review Committee has not failed to look into the issue; it has looked into the issue and it has recommended changes, and there are proposals to add roles of procedure which would put beyond doubt the powers that elected members have, in terms of senior civil servants, including the appointment of civil servants.

3470 **Deputy Bebb:** I saw the recommendations. I just feel that they do not deal with all the situations.

3475 For instance, I was the chairman of the panel that appointed the current reporting officer – one which we heard yesterday had 'great merit', was a 'wonderful appointment'. There was a panel convened, containing one person from each of the consultants groups, the States-employed consultants, the MSG and Primary Care and, with me as Chairman and an external person there, we came to a conclusion. That seems to have been something that worked.

Then we talk about the situation that Deputy Brehaut was talking about – and I was also there at HSSD and I have to say, to my surprise, not only was the appointment made without regard to

3480 the current board, but also the removal of someone from... despite the current board not knowing about it.

I will give way to Deputy Lowe.

3485 **Deputy Lowe:** That is very kind of you, because I wish Members to have a look – and I know it is in the next report, but actually the SACC Report on pages 3415 to 3416 covers exactly what Deputy Brehaut and yourself are actually talking about. I mean I know we are coming to it, but I could read it. They are very short. They could read it.

3490 It is taking it back to virtually how it used to be, in as much as, States' Members will be responsible for appointments; States' Members will even have more clout, power or whatever you want to call it, than what they had previously, because now they can actually take it to the Chief Executive and they can have a staff member removed because it will actually be, if you approve the next report, in here; whereas before that was a little bit wishy-washy.

I really recommend you read pages 3415 and 3416, the next one, because it covers exactly those situations that you are talking about, because you will be involved – there will be no choice about it, you will be – all the way along the line.

3495

Deputy Bebb: I recognise what Deputy Lowe says. What I am saying is that there has been, and there continues to be... and even then there are questions to be asked about the appointments processes that we undertake in the States of Guernsey.

3500 I have to say that I am deeply uncomfortable that at the moment, for instance, I see certain people – very high civil servants – appointing other high ranking civil servants in their own image. If we do not put in place a better procedure for dealing with this, then it really will cause a problem. Now, what the amendment seeks to deal with is exactly that. The one issue with the amendment is that obviously it seeks to place it in the wrong place and that is the one issue that I have.

3505 But the question has to be asked, as Deputy Lowe was suggesting... is that we place faith in the States' to pass the next report and if that does not happen, the question to my mind is, 'Would this be better than nothing?' I am sure.

3510 Now the only thing is that I do recognise that it does not feel like the right place, but it feels better than it is now and therefore let's not dismiss certain issues according to the personal experiences of certain Members and look at the fact that there is merit in this amendment. It may not be perfect, but I would contest that it is better than where we are now.

Thank you.

The Bailiff: Deputy Adam.

3515

Deputy Adam: Thank you, sir.

I was interested by Deputy Conder's comments on external assessors for senior positions – *external assessors* for senior positions.

3520 Now, Deputy Hadley mentioned a specific case: this was a Medical Director. There has to be, in the majority, in Guernsey, if you are appointing a medical person there are external assessors routinely appointed to that committee. That is the policy... Deputy Fallaize said. There is a policy in place. You have the Chief Officer, HR, Chief Minister, Minister of Department, but with a medical appointment, you also have an external assessor. Any that I have been on and the last Medical Officer of Health is advertised; there are two or three people, routine system going through and then the external assessor was someone who taught in public health and came from the UK and was not employed by the States of Guernsey.

3525 Now, there may have been a medical person on that board to assess particularly the field that you are looking at, but they were employed by the board of Health – HSSD. Therefore, that committee was not properly formed. It did not follow the processes laid down as you stated.

3530 So that –

Deputy Luxon: A point of correction.

May I ask: is Deputy Adam talking about the recent appointment of the Medical Director?

Deputy Adam: Well, I am asking if there was an external assessor?

3535

Deputy Luxon: There were two.

Deputy Adam: There were two external assessors not employed by HSSD?

3540

Deputy Luxon: Correct, sir.

Deputy Adam: I apologise. I did not realise there were two external assessors employed by HSSD.

3545

Deputy Hadley: May I make another point of correction, sir?

The Bailiff: Deputy Hadley.

Deputy Hadley: There were 11 good candidates for this post and the shortlisting was done by two civil servants, down to an initial long list of five and then a shortlist of three. On the final –

3550

The Bailiff: I think we need to be a bit careful about not going into too much specific detail about individual appointments, and hence about individual civil servants. (**Several Members:** Hear, hear.) So I am not sure that we need this detail in order to debate the amendment, but it would certainly not be right to go into that sort of detail.

3555

Deputy Luxon: Thank you, sir. Point of correction on that anyway. That is not correct. It is on *Hansard*. It is not correct. (*Interjection*)

3560

The Bailiff: Deputy Adam.

Deputy Adam: Through you, sir, can I ask which wasn't correct? What you said about two assessors or what Deputy Hadley said?

3565

The Bailiff: I think what he was saying was what Deputy Hadley said was not correct.

Deputy Luxon: You have quite rightly indicated – and may I re-enforce – the importance of keeping this debate on matters of process (**Several Members:** Hear, hear.) and not discussions of what has happened in each individual cases. (**Several Members:** Hear, hear.)

3570

The Bailiff: Yes.

Deputy Adam: Well, sir, I consider having an external assessor for appointment of any medical appointment is a routine part of the process and normally, for example, if it was an obstetrician, gynaecologist, it would be someone appointed by the Royal College of Obstetricians and Gynaecologists etc. and that applied for most consultant posts in it and this was a senior post which someone has stated was for a regular issue appointment reporting to the Chief Officer, as we have had the debate just – I cannot remember if it was yesterday or the day before – that person is now going to be Responsible Officer, who has basically will be employed by, or responsible to, the GMC.

3580

But, as far as communications with GPs or MSG is concerned, again, it would be normal practise that if it was an appointment that affected these people, you would make sure that they had a wee small input.

3585 So it is unfortunate that it deals with the one appointment, but there are policies in place. There is policy in place for all senior staff within the Civil Service. What happens is the appointment is advertised internally first of all and then it goes externally; and I think it is important if we did have a process to ensure these policies were adhered to – or at least to look at them and make sure there is sufficient scrutiny – that they are followed clearly to everyone's satisfaction, without any names or anything.

3590 Thank you, sir.

The Bailiff: Does anyone else wish to speak on this amendment?
Deputy Paint.

3595 **Deputy Paint:** Sir and Members of the States, I was not going to speak, but I know that there is quite a lot of public unease on the system we have at the moment on employing senior staff and something has to be done to reduce this. I do not want to go into any particular department or anywhere, but there is a lot of worry about how the staff is employed.

I personally will vote for this because it is better than what we have got now.

3600 Thank you, sir.

The Bailiff: Deputy Green.

3605 **Deputy Green:** Yes, very briefly, as a number of other Members have said, this is imperfect. I am seconding it, but it is clearly far from perfect. It is far from a solution and I will tell you the reason, Mr Bailiff, why I agreed to second this was for one simple principle which is very similar to what my Castel colleague just mentioned actually, which is about the public disquiet – if I can put it that way.

3610 There is a view that there are issues with some of our appointments process. There are questions being asked in our community. I make no comment whatsoever about any particular appointments or any particular processes or any particular departments, because I do not know the details that Deputy Hadley talked about. I know nothing about that.

3615 But there is a view out there which is basically a certain amount of discomfiture about some of the processes and the principle that there should be some political oversight of appointments made, particularly of the senior positions, and a level of accountability in that regard as a principle – that is a sound principle.

This amendment may not achieve that principle, this amendment maybe... flawed, yes. *(Laughter)* Well, let's be honest about this; yes, it probably is, but nonetheless that principle is an important principle and that principle will probably survive even if this amendment does not.

3620

The Bailiff: Deputy Hadley.

3625 **Deputy Hadley:** Well, first of all, Mr Bailiff, I would say that before laying this amendment I took the advice of Deputy Fallaize as to where this amendment should go and he asked me to – *(Laughter and interjection)* This is disgruntled from St Martin here! *(Laughter)* So I followed his advice and consulted the Law Officers, and was told that this was the correct place to put the amendment and so that is where I have put it. If it is in the wrong place then all I can say is I followed the process Deputy Fallaize told me to follow. *(Interjection)* And again I am not being prescriptive about how far the Scrutiny Committee go to oversee the process, but I do believe
3630 there should be some scrutiny somewhere. It might be that the Committee decide it is a light touch – that they approve the constitution of committees depending on the particular level of appointment.

3635 It has been mentioned that there is a States-wide policy and people have been talking about a Minister or a Chief Officer being there. Well, they are talking about very senior appointments in the States of Guernsey, such as Chief Officers and that level, but people well below the Chief Officer level are on six-figure salaries or indeed salaries £150,000 or more; and these appointments can be made virtually by a single person and once that person has got a permanent appointment in the States they are there until they want to go, because we all know how difficult it is and how expensive it is to dismiss poorly performing senior appointments. Of course that is not necessarily just an issue for the States of Guernsey; it is for many organisations.

3640 Again, yes, I am told I should not... Mr Bailiff was no doubt cautioning me about dealing with particular cases, but the trouble is, unless you refer to the way particular appointments are being made, it is not possible to make people realise there is a problem.

3645 So all I can say then, without going into too much detail, is I believe there is a problem; I believe that the people of Guernsey feel there are far too many highly paid people working for the States of Guernsey. And I am not, as I stress, saying that that is correct, but what I am saying is that the process should be scrutinised so that the people of Guernsey are satisfied that the appointments that are being made are being made appropriately and at the right level and with the right degree of scrutiny – which is what we are talking about.

3650 I am sorry but, if the whole of the States disagree with me, my feeling is that there is an awful lot of people on this Island who feel we should be much more careful about how we appoint people at such senior level and I do not believe there is a consistent policy – I am sure there is not a consistent policy – and it is something that needs to be addressed.

3655 **The Bailiff:** Members, we are voting on the amendment proposed by Deputy –

Deputy Lester Queripel: A recorded vote please, sir.

3660 **The Bailiff:** – the amendment proposed by Deputy Hadley, seconded by Deputy Green.
(*Laughter*)

There was a recorded vote.

The Bailiff: Members, it is now very close to 5.30 p.m. I suspect the next amendment is going to take more than just two or three minutes, so I suggest we come back in the morning.

3665 But I think some Members are now of the opinion that we may not finish the business tomorrow – in which event, what I would be proposing is that we come back in two weeks' time when we are due to sit anyway for a four-day meeting – the December meeting in a fortnight's time – complete any unfinished business at that meeting and then if that meeting does not complete the business, the option could be to come back in January on, I would suggest, the second Wednesday of January – 13th January – and continue for as long as necessary.
(*Interjection*)

3670 Well, if you wish me to put that formally to you now, (**Several Members:** Yes.) I will put that to you now. I put to you now then that any unfinished business as of tomorrow evening will be held over to the meeting in a fortnight's time – the December meeting – which is already scheduled to start on the Tuesday rather than the Wednesday; and any unfinished business from that meeting be held over to 13th January. Those in favour; those against.

Members voted Pour.

3675 **The Bailiff:** Right, that is what we will do then.

I do not know if the Greffier has more or less completed the... No, in that case we will... If people wish to wait for the vote... otherwise we will rise now and have the result of the – Have you counted, Greffier, or not?

The Greffier: Nearly.

3680

The Bailiff: Nearly. Well, let's just complete that today – it's not quite 5.30 p.m.

Amendment by Deputies Hadley and Green:

Not carried – Pour 9, Contre 30, Ne vote pas 0, Absent 7

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Green	Deputy Fallaize	None	Deputy David Jones
Deputy Paint	Deputy Laurie Queripel		Deputy Spruce
Deputy Adam	Deputy Lowe		Deputy Le Tocq
Deputy Brouard	Deputy Le Lièvre		Deputy Perrot
Deputy Hadley	Deputy Collins		Deputy Luxon
Alderney Rep. Jean	Deputy Duquemin		Deputy Sherbourne
Alderney Rep. McKinley	Deputy Dorey		Deputy Stewart
Deputy Bebb	Deputy James		
Deputy Lester Queripel	Deputy Wilkie		
	Deputy De Lisle		
	Deputy Burford		
	Deputy Inglis		
	Deputy Soulsby		
	Deputy Sillars		
	Deputy O'Hara		
	Deputy Quin		
	Deputy Harwood		
	Deputy Kuttelwascher		
	Deputy Brehaut		
	Deputy Domaille		
	Deputy Langlois		
	Deputy Robert Jones		
	Deputy Le Clerc		
	Deputy Gollop		
	Deputy Conder		
	Deputy St Pier		
	Deputy Gillson		
	Deputy Le Pelley		
	Deputy Ogier		
	Deputy Trott		

3685

The Bailiff: Members, the result of the voting on the Deputy Hadley/Deputy Green amendment was 9 votes in favour, with 30 against. I declare it lost.

We will rise now and resume tomorrow at 9.30 a.m.

The Assembly adjourned at 5.29 p.m.