



OFFICIAL REPORT

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STATES OF GUERNSEY

SCRUTINY MANAGEMENT

COMMITTEE

The Committee *for* Economic Development
Public Hearing

HANSARD

Guernsey, Tuesday, 7th March 2017

No. 2/2017

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Members Present:

Panel Chair: Deputy Chris Green
Deputy Peter Roffey
Mrs Gill Morris – Non-States Member
Advocate Peter Harwood – Non-States Member

Mr Mark Huntington – Principal Scrutiny Officer
Mr Alistair Doherty – Scrutiny Adviser
Miss Suzanne Randle – Scrutiny Officer
Ms Lisa Wonnacott – Scrutiny Officer
Mr Keith Russell – Executive Officer

Business transacted

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Scrutiny Management Committee

The Committee *for* Economic Development Public Hearing

*The Committee met at 10.00 a.m.
in The Harry Bound Room, Les Cotils*

[DEPUTY GREEN *in the Chair*]

Procedural – Remit of the Committee

The Chairman (Deputy Green): I would like to welcome elected representatives, senior public servants and members of the public. Our session today focuses on the Committee for Economic Development with the President of the Committee, Deputy Ferbrache.

5 The panel asking the questions today comprises myself, Deputy Chris Green, President of the Committee; the Vice-President, Deputy Peter Roffey; and our two non-States Members, Mrs Gill Morris and Advocate Peter Harwood.

10 This hearing is part of a sequence of question-and-answer sessions where the Committee will question Government Departments on their progress made to date. This hearing will focus on transport links, both air and sea, and the policy being followed to enable the development of a local economy.

15 Can I ask anybody who has mobile devices to please put them on silent whilst the hearing is in progress. It is essential during our session that the Committee is able to hear from our witnesses without any interruption from the Public Gallery. I should also make it clear that this is a parliamentary committee proceeding and members of the public are not permitted to speak or ask questions during the hearing.

EVIDENCE OF Deputy Peter Ferbrache, President and Mr Mike Hopkins, Interim Chief Secretary, Committee for Economic Development

The Chairman: I now turn to our two witnesses. Could you please introduce yourselves, starting with Mr Hopkins.

20 **Mr Hopkins:** Hello, my name is Mike Hopkins. I am the interim Chief Secretary for the Economic Development Committee.

The Chairman: Thank you.

25 **Deputy Ferbrache:** I am Peter Ferbrache. I am presently the President of the Economic Development Committee.

Deputy Roffey: Something we need to know?

30 **Deputy Ferbrache:** You never know, Deputy Roffey, when motions of no confidence will go flying – I am sure there is one just around the bend!

The Chairman: Thank you very much.

Right, okay, without any further ado, economic policy in Guernsey is very often framed in terms of what are the economic enablers that can help activity, and it is often said that economic policy in Guernsey is very much about creating the right framework for economic growth. So, with those key economic enablers in mind, Deputy Ferbrache, what do you consider to be the key economic enablers to Guernsey's economy, and perhaps in particular how does air connectivity fit within those key priorities?

40 **Deputy Ferbrache:** Well, I do not think it is just air connectivity, but clearly that is a key factor, because lots of visitors and family members come to and from the Island by air from various jurisdictions, but it is particularly business orientated, you are right. People coming to do business from the City come here via City Airport or Gatwick, or wherever, so it is an economic enabler, it has to be. But also sea links, because if people do not have good sea links to and from the Bailiwick, that really is a demerit A-plus, so therefore we have got to have good sea and air links.

45 There are other economic enablers – connectivity in the wider sense, which the States are looking at ... Colin Vaudin, who is not a member of our board, as it were, in the sense of being Civil Service attributed to us, but we work closely with Colin because of digital technology and the like, and that again is a key economic enabler, but there are lots of others. There are business factors, there is making sure that it is an economy that people want to work in and come and do business in.

50 **The Chairman:** Which of those economic enablers do you think Government and specifically your Committee for Economic Development can have a really positive impact on?

55 **Deputy Ferbrache:** Certainly the three I have mentioned. When I say the three I have mentioned, air links, sea links and connectivity – the computer bit, if I can call it that – because I was watching some programme on TV last night where the computers were the size of this room and they had half the capacity of the one that you probably carry in your pocket with your telephone.

60 But also it is creating ... I think our Committee, what we say ... and I am very fortunate to have four members of the Committee. Three of them are present today. The only one who is not is doing other States business because she is a member of the Education Committee and they are meeting today, otherwise she would be here too. Our view is ... we say to everybody, whether it is the construction industry or the trust industry, whoever it might be, 'You tell us what we can do to try and help you'. We are not experts in the trust industry or the building industry, or whatever it may be, so our job ... and it is our mandate – because I was rereading our purpose statement, or whatever the jargon is, again this morning; it should be actually in my memory now, but ... it is, but not necessarily verbatim – is to maintain and achieve prosperity. The only way we are going to do that as a society in Guernsey is not only to deal with the issues that you very properly have given us notice of, and thank you very much for that, by the way; it is by saying to the world at large and to the people who already occupy business here that we can do business with you and for you and help you.

The Chairman: Since you have been in office, all of you, since May 2016 with the new Committee, can I ask you: frankly, have you made any progress so far in improving our air connectivity in the Bailiwick?

80 **Deputy Ferbrache:** Some, but not enough. We have only been in office 10 months, but that is going to soon pass to say 'we've only been office for so and so'. There are not instant answers to any of the ... and no doubt you will be asking us, quite properly, questions about Condor and sea links etc. and we will do our best to answer those questions, but it is ... We are never going to get it perfect and we have still got a long way to go.

85 We believe that we have made some progress. We have identified the issues and between us, as a Committee – and with our able civil servants, whom we are very grateful to for this and the information they have given us over the last 10 months or so – we have got this wonderful phrase 'we've got a direction of travel', but whether we can get to Skegness or we get hidebound at Nottingham we have got to wait and see.

90 **The Chairman:** The former Scrutiny Committee did a review of air links in the last term, and one of their conclusions was that there was no strong economic case for extending Guernsey's runway. From some of the comments that I think you and some members of your Committee have made publicly, do you have evidence that leads you to a different view on that?

95 **Deputy Ferbrache:** Yes, we do, but we have not come to a Committee view yet, because there are five members of the Committee and, as the political members of the Scrutiny Committee will know and I am sure the other non-political members will also appreciate, you do not have executive powers as a President of the Committee. Sometimes you may think something and your colleagues will outvote you. I do not mean there is any dissention between the Committee. We have got to go through the process of capital prioritisation. That comes before the States in June. We have commissioned a report from an independent expert who says there is a business case, but we are still developing it and the States would expect us, in June, for example, to be able to say 'the business case is this' and then explain what the business case is. There is a case.

100 My own view is – I am expressing my own view now – I would think we would be crazy not to have the runway extension because we are otherwise going to be an economic backwater. I know nothing about aircraft, in the sense that I have only ever travelled in them as a passenger, but the world is a bigger place now. Guernsey is a smaller place. I can remember when British Airways used to come here. It has not been here now for 25, 30 years, whenever it may be. I have seen all these other airlines come and go. We are very fortunate we have got Aurigny; it was a good decision made by a previous States to purchase Aurigny. We have got other providers such as Blue Island and Flybe, but beyond that we have not got many. We have got some charterers that come during the summer season and spring season, but that is all we have got.

105 So my view – and it is my view; I am not saying it is the Committee view – is that it is something the States should seriously consider, but if the States make the decision not to do it we will have to do the best we can, but it will be a second best.

115 **The Chairman:** Are you at liberty today to tell us what your evidence is that supports certainly your view?

120 **Deputy Ferbrache:** Yes, I think we have, Mike, haven't we?

125 **Mr Hopkins:** Yes. We have conducted a number of pieces of work with aviation experts ASM Global. We have commissioned work to look at the opportunity for an increased number of air links to places using the current runway and the facilities available and we identified a number of new route opportunities which we have been discussing with carriers. Obviously, we cannot make the decision to operate those routes; all we can show is where we feel the opportunity is, based

on the analysis of markets available in the UK and the demand potential if that route is opened up, and obviously any implications as regards cannibalisation on existing routes. So there is a certain amount that we have identified there.

We have also commissioned a piece of work that Peter was referring to regarding the opportunity for stimulated demand in the event that we do increase the length of the runway. I understand the Scrutiny Committee based their conclusions on data that was available from reports back in 2008, and a certain amount of forecasts were considered as part of that as regards growth in aviation. We have revisited that. We have done a substantial amount of work looking at what potential new routes could be launched if there was an extension to the runway and what potential operators would consider operating to Guernsey if we extended the runway, so we are now working on analysing the true benefit to the economy in the event that we do propose an extension to the runway. That continues and there is still a lot of work to do.

The Chairman: Right. Deputy Roffey.

Deputy Roffey: Yes, if I could come in on that, you have talked a lot about looking at the potential for new routes if we had a longer runway, and Deputy Ferbrache said he thought it was a good idea that we purchased Aurigny. I am interested in the Gatwick route in particular, because that is why we bought Aurigny. Are you envisaging that a longer runway would allow competitors to come in and take a slice of the Gatwick trade, or are you looking to use the licensing to protect the position of Aurigny and simply trying to open up other destinations?

Deputy Ferbrache: Again, that is still ... I am answering as practically as I can. I will give you my own views and tell you what we are going to do – I will give my own views in just a minute – but as Mike was just explaining, that is still under consideration as to precisely what would happen in relation to that. And indeed we have got a report that we are considering about air licensing etc. in March – we only received it, I think, on 23rd or 24th February – which is again about how important is Gatwick, how important is Aurigny, how important is Southampton etc. My own view – this is my own view and it may change, as views can change when you get more information and things are explained to you by people who know more than you do – is that Gatwick should always be with Aurigny whilst we own Aurigny, and I would not want to envision, personally, Aurigny ever being sold, because the reason Aurigny was bought, as you have said, Deputy Roffey, was to make sure that the Gatwick routes were protected.

I can remember in my previous incarnation as a politician, if that is the right phrase, back in 1997-2000 when I was President of the Board of Industry, when Air UK, I think it was, just disappeared overnight. Heathrow went because they sold the slots to American Airlines, or whoever it was – I cannot remember the airline. They sold the slots and we lost Heathrow.

Deputy Roffey: Isn't the reality, though, that if we extend the runway and EasyJet or somebody says, 'We would like to operate this, we can operate lower fares', inevitably the political pressure will be there to allow competition on the Gatwick route and Aurigny will be a thing of the past?

Deputy Ferbrache: Well, politically ... Again, I mean no disrespect when I say to my political colleagues, both past and present, that courage and wisdom are not always encompassed in a politician and short-term decisions are made. I can only say that what I would advocate at this stage, should I be a States Member, is that even if EasyJet were on the scene, as they are in Jersey, it is a protected route – I am probably using the wrong phraseology, because we have got the phraseology in the report that I have just mentioned, so I am not using that in a technical sense – because it is such a lifeline for the business sector, the Guernsey-Gatwick/Gatwick-Guernsey route. So I would not envisage that that would happen.

180 What we have got in Guernsey are lots of people who have lots of knowledge from outside of
the Island and who lived outside of the Island – they are a part of our community and they want
to contribute. They do not want to be a States Member, they do not want to be a member of a
formal committee or a body, but they will give you their knowledge. There is one gentleman I
have spoken to several times in the last several months who lived in the Isle of Man for many
years. EasyJet went up to the Isle of Man, the local airlines were kicked asunder and they now
185 have an appalling service to Gatwick. I think it is something like six days a week, one flight a night.
I cannot remember which day, whether it is Saturday or Sunday, that they have not got a flight – I
cannot remember which – and they fly at something like six or seven o'clock in the evening. We
must never be in a position whereby we allow Guernsey to be in that position.

190 **Deputy Roffey:** You are right. Everybody always quotes the Jersey situation and never the Isle
of Man situation, but we keep hearing from businesses that actually we are losing a lot of
potential investors, that they are going to Jersey rather than Guernsey because connectivity is
better and cheaper from there. Won't those pressures mean that once we have got a longer
runway, however frequent Aurigny is and reliable and there forever, short-termism will creep in?

195 **Deputy Ferbrache:** Well, there is always a danger of short-termism and that is where
government comes in, sensible government, to say ... But you can have a resilient government.
We have got an example – I am just using it as an example to answer your question; it may not be
entirely apposite that I am going to mention it. Because the present Policy & Resources
200 mentioned very recently in the States that we have now got a surplus of £15 million instead of a
deficit of £15 million, everybody is saying, 'Well we don't have to have this ...' No, lots of people
are saying, 'We don't have to have financial stringency anymore, we've turned a corner, the
promised land is not far away.' That is absolute bonkers, it is rubbish, it is crazy, because that is a
one-off figure. So Government has got to be resilient. If Government is not resilient and if the
205 Deputies who are elected both now and in the future, when these decisions will also have to be
made because they are never going to stop ... If they have not got the courage to make them,
then the people get the government they deserve.

Deputy Roffey: Just to be clear do you believe that there may be a business case for
210 extending the runway simply on the basis of other destinations other than Gatwick?

Deputy Ferbrache: That is my view, yes, and Mike was saying we have still got work to do.

Mr Hopkins: Yes, the analysis that has been conducted so far shows that there is opportunity
215 for a certain level of growth the market exists to allow for a certain level of competition on the
Gatwick route, but obviously all of the issues that President Ferbrache has just mentioned with
regard to Aurigny, meaning the long-term sustainability of Aurigny, and obviously the impact on
the frequency and availability of schedules to Gatwick. So that is all to be considered within the
analysis, but what we have seen, talking about the benchmark with Jersey, is their ... They have just
220 had their biggest year of air travel. All the analysis we had done on Jersey over the last five years
shows that their growth has come from the introduction of low-cost carriers on the five or six new
routes and the existing routes. The low-cost carrier routes that have been opened are Gatwick,
Liverpool, Belfast, Glasgow, Newcastle etc.

225 **The Chairman:** Okay. Just before I bring in Advocate Harwood, I think we welcome the
reassurance given about Aurigny and London Gatwick and I think you have just clarified now that
the investment, in your view, in a runway extension would be to encourage new traffic elsewhere
other than Gatwick. Is that realistic then, from what you are saying from the evidence you have
seen?

Deputy Ferbrache: Well, I think it is twofold. My support for the runway is not just extra new routes that Mr Hopkins just referred to. We believe that is the case. Of course, until it is actually done ... It is all right having business projects and forecasts etc. The proof of the pudding will be in the eating. We cannot give a guarantee. No States Committee can ever give a guarantee. As a litigation lawyer with 40-odd years' experience, I am referring to the civil test: on a balance of probability, rather than beyond reasonable doubt, I believe that there is a good case. What I am also concerned about ... and I mentioned my lack of practical knowledge in connection with how aircraft and airlines work, but what I am concerned about is Gatwick, just for example, in five or 10 years' time saying 'we don't want props anymore'. Or what they would probably do is price props out of the market. So instead of charging £80 or £100 to go to Gatwick one way it would be £300. I am using silly figures, but you know what I mean. It would be so prodigiously expensive that it just would not be practicable, and we could not do that. What would we do then? Would we say, 'Oh, okay, our main lifeline will be Stansted' – or Luton, or somewhere like that? I am sure as a society we could manage, but it would be with a small 'm'. The finance sector ... because a lot of it is perception. It is perception and actuality is not the same as perception often, but we would be seen as a finance sector which produces 33.4% of our GDP, employs over 6,800 people and produces ... That is the immediate result, the benefit to the economy. That would shrink. I have no doubt over a very short period of time that would shrink from 33% to 15% because, as Deputy Roffey was just saying before, we have already got people saying, 'Well, we can go to Jersey for £5 from Gatwick.' I am being slightly facetious, but I know what Deputy Roffey means. So we have already got that and we have got to face the fact that we are 63,000 people and they are 102,000 people. They have got 45 square miles and we have got 24. So the economic realities for us are different and we have got to manage them the best we can.

The Chairman: Advocate Harwood.

Advocate Harwood: Can I pick up on a couple of points. Firstly, on your desire for improved connectivity, which your colleague has mentioned, and also your business case, which says you can alter the runway, has your Committee considered whether or not it is appropriate to continue operating under a licensing regime or a blue skies regime? You mentioned Jersey. There are obvious differences there. Jersey has a blue skies regime, whereas we have operated with a licence. Oddly enough, in relation to sea links it is slightly different. There is a ramp licence in place. What is your Committee's view in relation to the degree of protectionism that licensing actually provides?

Deputy Ferbrache: Well, we just commissioned ... Well, we have not *just* commissioned, but the report that I mentioned that we received I think dated 23rd February we are going to debate as a Committee on 16th March. It is 141 pages; I have read every page. It is a detailed report that we are going to consider. It addresses exactly the issue that you have just put to us. Again, I cannot predict what the Committee will say but I think it will be a mixture. It will not be the blue skies policy that Jersey has got, for the reasons that I have addressed in Deputy Green and Deputy Roffey's questions, but there are certain other routes – Southampton, Manchester, various other routes, Leeds Bradford etc. – where there will be a mixture, and of course in connection with Aurigny that is imperative because it is a lifeline. The airline service to Aurigny is ... In reality that is the only way we can –

Advocate Harwood: You may have to have a mix.

Deputy Ferbrache: Yes, exactly. But we have received a very detailed report. We have only just received it in the last week or so, 10 days ago. I have read it, I know Mike has read it, we have had the briefest of chats about it, but I think really we are going to talk about that in the next couple of weeks, the next 10 days.

Mr Hopkins: That is right, yes.

285 **Mrs Morris:** I remain unsure that I can reconcile needing a longer runway with attracting new routes. I am not sure that I understand why we might need a longer runway to facilitate more routes. Can you explain?

290 **Deputy Ferbrache:** Because, for example ... and we have had no discussions with EasyJet of any materiality, but EasyJet ... I am just using that as a for-example, not as a likely example, as a likely consequence, because as this whole business ... we have already said we have had a report, we are considering it, we have had a business case put to us to say that it is ... a report from an expert saying there is a business case for the extension of the runway. But, for example, let's say ... EasyJet have only got one type of aircraft, basically. They are not going to change for us. Ryanair would be the same, any of those low-cost ... If they want to fly ... Mike has mentioned Liverpool, 295 which is a very successful Jersey route, and indeed a business colleague of mine flies there for about £20 regularly – he lives in Jersey – and it is full. He says every time he goes on it, it is full. It may just be a coincidence every time he goes on it –

300 **Mrs Morris:** There isn't a match on, by any chance, is there?

Deputy Ferbrache: Well, he is not a chap that ... I doubt if he would watch a football match, and of course being a Tottenham supporter I would never go to Liverpool to watch a football match; I would rather go to White Hart Lane when it is rebuilt. But anyway, that is an aside. But in connection with all of that, the answer is that there would be that facility. They are not going to 305 change for us and they could not land those planes, except in an emergency, on our current runway.

Also, we do not know what the future will bring. If there is a business case, once it is done, other developments may well come along that we simply cannot foresee at the moment – but they may not happen. But it is not just up in the air is it going to happen; if it were me ... As I say, I 310 am concerned ... The point I mentioned, I think to Deputy Roffey or Deputy Green – I cannot remember, one of the gentlemen – just before was the fact that Gatwick might well put up its charges so much in the next few years on the props or on jets of the size that we have got – because that is the biggest jet that we can get in and out, a 120-odd seater. My very able Vice-President tells me the next one is about a 150-seater and we cannot land that on our runway 315 except in an emergency. That might be the most economic that we could actually land in Gatwick in five or 10 years' time. What do we do then?

Deputy Roffey: We bought Aurigny to protect Gatwick. (**Deputy Ferbrache:** Yes.) We are told Aurigny makes a profit from the Gatwick route.

320 **Deputy Ferbrache:** It does. That is what we have been told.

Deputy Roffey: The airline operates to other places, so presumably it must make a loss there, otherwise there would not be a cumulative loss. (**Deputy Ferbrache:** Yes.) So are you thinking that 325 another runway would allow us to protect Aurigny through licensing on that core route, whereas opening up to new operators to perhaps take on the routes that they are obviously not making a profit on ...? (**Deputy Ferbrache:** Yes.) (*Interjections*) Do you see what I mean?

330 **Deputy Ferbrache:** I was just reading what Deputy Kuttelwascher has passed me! 'Aurigny could add Airbus – cheaper fares to Gatwick,' he says, for example. I think 150-odd people, that equates to another, what, 25% possibly... we are told that it is more likely than not – and it might be beyond reasonable doubt rather than on a balance of probability in this case – that at key times, Monday mornings and late Friday afternoons, you could fill that up comfortably. They

would not just buy it for Monday mornings and Friday afternoons, obviously, because they are quite expensive things to buy or to lease, but there would be that opportunity.

So the answer to your question is yes – and I know we are going to come on to the Aurigny review in a moment; we have not seen it yet and I will just mention that in a minute – I would hope in the Aurigny review they might deal with things like that. I do not know. Do you want me to mention the Aurigny review?

The Chairman: Just before we come on to that, my question was, to begin with, what progress has been made since May 2016, and it does sound like you have got a lot of things that are about to happen or things that you are looking at that may well happen in the future, but have you been able to make any real progress hitherto?

Mr Hopkins: The piece of work that we kicked off, which was just looking at what the alternatives would be with the current runway and the operators that we could attract. We identified three potential new routes – Luton, Leeds Bradford and also Dublin – and since then we have had a number of applications for the licence to operate the Luton route. It usually varies. Since those licences were applied for, the Luton-Jersey EasyJet route has been opened up, so that appears to have caused those operators that were considering the Luton route to reconsider, because basically their competitive capability is diminished because of EasyJet's low-cost operation.

We have also been talking to a number of carriers about the Dublin route. This is a long-term thing. Carriers do not decide to operate a route overnight. They are planning into 2018-19 now, so we are discussing those potential schedules with them.

We have also seen the launch of the Cardiff route. Blue Islands have announced that they are launching the Cardiff route, and that is on sale now.

The other thing is we have been protecting our charter routes. There has been a lot of activity within the charter market with our charters from Holland and from Germany, where the incumbent operators have basically changed their strategy and we have had to find alternative operators to ensure that we secure the routes. It is not just about expanding; it is about securing and maintaining our current business, so that work has continued.

The Chairman: Okay, thank you, I think that has clarified the position.

The ongoing review about Aurigny: as far as you are aware, Deputy Ferbrache, has that been progressing in a way that you have been happy with, and what role has the Committee for Economic Development played within that? There was some controversy, wasn't there, when the review was first announced?

Deputy Ferbrache: The States Members will recall that I said confidently on 1st February, when I was making a general statement that Presidents make from time to time to the States about what we have done generally as a Committee in the eight or nine months, whatever it may be, and Deputy Trott sits just two to my right – he may be more right than I am anyway, but he sits two to my right in the States – and I said, because that is what I had been told before, that we would be seeing the Aurigny review in February, in two or three weeks from that date. I remember Deputy Trott, who does gesticulate occasionally, nodding very affirmatively that that would be the case. Well, we know, for circumstances ... that he put himself in purdah for a period of time, as we know, for reasons not connected with that. Mike and I had a conversation this morning: we are expecting it, I think, this month now, Mike, is that right? *(Laughter and interjections)* Hopefully by the end of the month, because when you wrote to us on 9th February we fully expected to be able to say, 'We have now received the review and our views on it are x, y, z.' We fully expected to be able to do that, perfectly reasonable thing. Sadly, through no fault of ours, we cannot tell you that. We have not had that much input really, have we, particularly?

Mr Hopkins: There has been a certain amount of consultation, there have been interviews with the Committee and with those that have a genuine involvement in the interests of Aurigny and their operation, so there has been some input, but we have not been part of the review panel or the writing and production of the report.

The Chairman: Are you satisfied with the process that was adopted in terms of consultation with your Committee? At the end of the day it is your Committee that has the mandate for connectivity. Are you satisfied with the process and the consultation that has been adopted?

Deputy Ferbrache: It is difficult. You can always be critical. I have confidence ... I will answer your question as best I can. Mike has referred to the degree of consultation we have had. You always think you could have had more, but that is not just on Aurigny – it is on most things that you are involved in. We will perhaps have a view when we see the report, the review, but I have got confidence in the panel members because they do have different skills, different abilities, different perspectives.

It is the best answer I can give to your question, really. Do not forget it is not an Economic Development thing; it is a Policy & Resources decision and it is a Policy & Resources led, if I can call it that, because the Vice-President for Policy & Resources is the chairman of the review board. It is more their baby than ours, but we hope it will be released soon. There was a degree of hesitation in Mike's answer because we have been wrong before and we have not seen it.

The Chairman: In your view, Deputy Ferbrache, would it have been perhaps more sensible to have included an aviation expert with knowledge of the airline industry on that panel, rather than just somebody with financial expertise in the industry?

Deputy Ferbrache: I think it probably would have been. The composition again was not up to us, but it has got, for example – and I am just giving a for-example – Tim Robins, who is an experienced commercial pilot, lives in Guernsey and has the interests of Guernsey at heart, so he knows ... He is not an expert in the sense that you would like, but he definitely has a detailed practical knowledge of the aircraft industry, or how airlines work. And so I am confident that somebody, for example, like him – and I am not just saying he is going to be the one that is going to be the Promised Land – is on that review panel.

The Chairman: Deputy Roffey.

Deputy Roffey: Isn't it a bit extraordinary though ... You said you have had limited input and yet at the beginning it was announced that one of the key things was whether Aurigny should be an economic driver – and economic drivers are your bag, if you like – and to the outsider hearing you this morning talking about the fact that you are looking in-depth at the economic case for extending the runway, another group are looking at the future of Aurigny... but they are so interlinked! – isn't this just fragmented government?

Deputy Ferbrache: Well, one of the disappointments I have had in the 10 months or so that I have been back in the States is that we still have not broken down the silo mentality that we have in the States. I had a very early example of that when, as President of the Economic Development Committee and a person who has done more planning cases as a lawyer than any other Guernsey advocate by and large, by a multiple of about three, but I wanted a draft of the ... I wanted to see the inspector's report. You will remember, Deputy Roffey, that that went through ... Effectively, I was not provided with it because 'it hadn't happened like that in the past', and we are still in that sense of government, that we ... Even though I am President of the Economic Development Committee, even though somebody might be President of the Education Committee, there are not the crossovers that there should be. Government should be seen as ... Clearly people need

mandates. We need mandates to do what we are going to do. I would not like to use the very strong adjective that you used in relation to ... whether it is extraordinary or not, but I would say perhaps it could have been dealt with in a different way.

Life is like politics: it is the art of the practical, it is dealing with what you have got. When I look back, I am sure ... I would be surprised if this is the case ... we will come on to sea links in due course. *(Interjection)* You ask me the questions and I will do my best to answer them, but if I had been in the States years ago with the issue of the ... When the *Liberation* was brought in and it went from five vessels to four vessels, if I had been sitting in the appropriate seat at the time, whether I would have nodded affirmatively for that, no, I would not, not without clear evidence, but I have got to deal with the situation that there are only four vessels – *(Interjections)*

The Chairman: I can tell you are raring to go on to this. Just before we get on board Condor –

Deputy Ferbrache: Sorry, I was not trying to digress.

The Chairman: Just coming back to the initial comments I made about economic enablers, and obviously you have consulted quite widely with business and industry since you have been in office, and I think for that you deserve credit – but what has business actually been asking you to do that you could do but currently are not doing?

Deputy Ferbrache: Generally or just in relation to air links?

The Chairman: Primarily air links, but generally if you feel that is also an issue.

Deputy Ferbrache: Let me give you primarily first. Primarily they are saying ... the clear majority view from business – and there may be others, so it is a majority view but it is a significant majority – is that we should be extending the runway, because they think that would be an economic enabler and show Guernsey is open for business. That is the clear view – finance sector, tourist sector etc.

The Chairman: So it is a variety of businesses?

Deputy Ferbrache: A variety, yes. It is not going to bother the construction sector because clearly they are building houses, and they get planning permission, and office blocks if anybody wants to build an office block in Guernsey. So it does not affect them, but that is the clear view.

Generally, the final part of your question is that the States has not been seen in recent times as being open to business. It has made it difficult for them and indeed we as a Committee will be discussing later this week what response we should be making to the States – probably on 29th March, when the various ordinances which I anticipate will be popular with the Open Market will come before the States, because if they are not approved then we cannot commence it all on 3rd April. So I do not know whether that has been fixed for 29th March yet, but I cannot see it being any date other than 29th March. I do not know what view we are going to take yet, but we are going to be discussing that at a specially convened meeting on Friday because we want to do it responsibly. I do not know whether we are going to have a view of the Committee. Certainly people may say, 'Oh, I want to do this,' and others ... We will announce that view early next week so that people can be ... say this is what we intend to do. We may be intending to do nothing. But it has generally been seen that the States has put a bar to Guernsey being open for business and we have heard that from nearly every sector of the economy, whether it is the construction sector, who do not like anything about the planning process – hopefully that will improve now, and I think it has improved, frankly, since the IDP came into force. I think that has been very good, and there was a particular amendment that I voted for, that was passed by one vote, that gave confidence to the building industry. I commend the Deputy – I have forgotten his name just for

490 the moment – who brought that amendment. But it is giving confidence, it is taking barriers away
and to stop putting barriers up.

The Chairman: So, in terms of those other enablers, absent air connectivity the other
economic enablers, what is it that business wants you to do on those other enablers that you are
495 currently not doing but you could do in future?

Deputy Ferbrache: I mentioned connectivity in the wider sense before. The States are likely ...
and it is a wider decision, but clearly we are part of that. As the Economic Development
Committee, we are being consulted Colin Vaudin and his colleagues in that regard. Connectivity is
500 very important to business – to very many businesses, not just the finance sector. Guernsey has
got okay connectivity at the moment, and what Colin has said to us is that Guernsey needs to go
so we have got Singapore-type connectivity. In other words, we have got to be at the cutting
edge on connectivity. That is still a work in progress but I am confident that ... We would need the
States' support too. There are going to be many millions of pounds that would need to be spent
505 on that, but I am confident that the States would see the value of that.

There are other little things like ... One of my colleagues behind me, Darren Stevens, speaks to
me regularly, because Darren is not only a civil servant and a director of that particular part of
financial services in my department but he is also an experienced commercial lawyer in private
practice for x number of years. We are always looking ... because it is little things that you can do:
510 if we sign this regulation, could it help this part of the finance sector? We have got to have regard
to our regulatory responsibilities, wider responsibilities too. So it is little things on a day-to-day or
periodic basis that we do.

The Chairman: Thank you.
515 Mrs Morris.

Mrs Morris: You have talked about connectivity and the need to be like Singapore. My
understanding is that actually what is coming in the pipeline into the Island is quite well used, but
the pipeline going out is underused. Are you doing anything to explore how we might better use
520 the pipeline going out for economic activity?

Deputy Ferbrache: Yes, personally me... no! but – *(Laughter)*

Mrs Morris: You as a Committee.
525

Deputy Ferbrache: I know what you mean, yes. Well, I think, as I say, this is where there is
close ... This is where consultation is working as it should work between us and P&R and people
like Colin Vaudin. So that kind of issue ... Correct me if I am wrong, Mike – Colin is addressing this,
isn't he? **(Mr Hopkins: Yes.)** He is not only using the current technology, if I can use that, but
530 developing further. **(Mr Hopkins: Yes.)** So that issue that you have just talked about is under
consideration by him and his team.

Mr Hopkins: Yes. Obviously there is a lot of work taking place within Economic Development,
but also working with the Education and P&R team with regard to the digital strategic framework
535 and developing a world-leading infrastructure that is critical and will add to our ability to offer
resilience of connectivity, speed and capacity. At the moment we are not there, Colin Vaudin,
Chief Technology Officer, has been looking at options to provide the Island with that so that we
can compete not just within the specific digital sector but within all sectors that rely on digital
capability and the quality of connectivity.

540 So we are working closely with Colin to ensure that the infrastructure programme and strategy
put in place supports our economic development strategy, and that work was kicked off at the

beginning of the term. The Digital Strategic Framework has been approved by the Committee, it will be published within the coming weeks, and it sets out three core strands which look at skills capability, infrastructure and also the digital sectors that we feel Guernsey could have serious competitive advantage over. That will increase our competitive position.

Mrs Morris: Going back to my question, is that all about needing the big pipeline coming in, or are we actually looking at industries that would use the pipeline going out? I am putting it in very simplistic terms.

Mr Hopkins: Well, I am not sure there is literally a pipeline that serves into the Island and out of the Island for connectivity, but Colin Vaudin is looking at the options –there are a number of options that we are looking at – to increase the resilience and the capability of our current infrastructure. He may be the one to question in terms of the detail of that, but what we are saying is that at the end of the day whatever solution there is it needs to be futureproof, it needs to put us at the leading edge of the digital connectivity and it needs to provide the flexibility and resilience to grow the specific sectors where we feel we will have a competitive edge for the future. So, in terms of the detail, I am sure Colin can provide you with that.

The Chairman: Okay, thank you. I am just mindful of the fact that we have got a few more questions on air connectivity which we have to ask before we can move over to my colleague's questions about sea connectivity. So let's just finish up on air connectivity.

It is specifically about Alderney, actually. I feel we have to ask. Deputy Ferbrache, in your view is there a case for extending the runway in Alderney, and how do you think it is best to enhance the air connectivity of Alderney?

Deputy Ferbrache: We have had a report very recently, which we have considered as a Committee, which shows that it would be wholly unrealistic, uneconomic and would not give any extra benefits to Alderney if the Alderney runway was extended. So certainly our view, having considered it – and we have recently considered it – in the last month, I think, Mike?

Mr Hopkins: That is right, yes.

Deputy Ferbrache: We have had a report and we have made the decision that no, there just is not the case to do that. But of course we are concerned because our mandate is to preserve, enhance, whatever it is, air links in the Bailiwick.

The Chairman: In the Bailiwick, yes.

Deputy Ferbrache: Not just Guernsey, in the Bailiwick, and Alderney ... We have not had ... earlier on in the question, quite properly ... We have not had an Alderney review yet, but that, we anticipate, will ... It is our anticipation we will consider that issue very clearly, because I would be very surprised indeed if the current operation of the Guernsey-Alderney route has lost anything other than many hundreds of thousands into the millions of pounds. You are never going to be able to turn that round. Whether we have got the right planes, whether we have got the right service, I am not sure. When I say that, I am not equivocating in relation to that – I genuinely am not sure. It is certainly not working. It is not providing Alderney what it needs, and of course more than anything else it is more of a lifeline than anywhere else in the Bailiwick – because Sark has not got an airport, so it is more of a lifeline than anywhere else in the Bailiwick than even here.

590 **The Chairman:** Obviously, the current strategic review of Aurigny will be picking up these issues, but there is nothing specific that you can see at the moment to actually enhance connectivity at this stage?

Deputy Ferbrache: No. I think if I can explain what might happen in June-July time – we call them the ‘uber’ airline, if I can explain it that way.

Mr Hopkins: Yes, I think recently in the media there was something about the air taxi proposal ... Again, they are working on the detail to put the air taxi service into operation, and that potentially can provide for greater flexibility of inter-island connectivity and also into the Continent and into the UK. So that is another alternative and flexible option for travel between the islands.

The Chairman: And your Committee is supportive of that as part of the picture?

605 **Deputy Ferbrache:** We are supportive because we have seen ... We have taken advice and the advice is that it is going to be perfectly safe. The aircraft are going to be good, new aircraft; the pilots are experienced. This is one that should work – of course, until it is tried and tested we do not know. It is not going to give an answer, it is not going to give all the answers, but as Mike says, it gives flexibility.

610 It may be that Aurigny has to go back to – and I am not even suggesting this, because how are Alderney, I should say, not Aurigny, to go back to a Trislander-type service? I await the Aurigny review to see how that is going to work, but it does seem to me it is going to be a problem. It is a massive financial drain on the resources of Aurigny, and indeed the States of Guernsey because the States of Guernsey have got to pick up the tab eventually. But whether that deficit could be ...
615 I am just making the figure up. I am not saying it is an accurate figure of £1.5 million or £2 million or £1 million. I do not know. It is going to be very difficult to do because there are only 2,000 people on Alderney. The population has been falling. It is not going to grow to great numbers, but it is vital that they have a proper air service.

620 **The Chairman:** Obviously you describe the connectivity with Alderney as not working, but obviously it is probably always going to require some level of public subsidy to support it, actually.

Deputy Roffey, shall we come on to sea connectivity?

625 **Deputy Roffey:** I would love to come back to Jersey air links, but I think we do need to move on, actually.

Coming on to sea travel, yourself and some of your Committee members have said a number of times that Condor’s fleet on the northern route needs to be reconfigured. Can you just explain what you mean by that?

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Deputy Ferbrache: Well, it is not only the Committee members, it is me.

Deputy Roffey: Yes, I said yourself and some of your Committee members.

635 **Deputy Ferbrache:** Frankly, we need a fifth vessel on the northern route. We need a second vessel and a conventional ferry on the northern route – England-Guernsey-Jersey etc. We need that because, I am sure in all good faith, the *Liberation* was purchased hoping it would work and provide a service that was for the benefit of, obviously, Condor. They are a commercial entity. It is perfectly proper for them to want to make money. They are not providing a service that they want
640 to lose money on, but it has got to provide, and the intention was that it would provide, a good service for Guernsey and Jersey.

Well, we can argue about whether it has or it has not. I think even Condor in their brightest days and at their most optimistic would have to accept that there have been considerable problems with *Liberation*, and whether it is right or wrong a large measure of the traveling public both inside and outside the Bailiwick have lost confidence in *Liberation*. Perhaps you could rename it something else – I do not know, I am not being completely facetious, but they have lost confidence in that.

The overwhelming response we have been getting, and Mike has done a great deal of work on that, is that people want to be assured that if they turn up at three o'clock for a sailing from Guernsey, or whatever the time might be, unless we have got sea conditions that would be beyond the realms of anybody, it is going to sail at three o'clock and it is going to get in two and a half or three hours later. The perception now is – and the actuality in a lot of cases – that that has not happened. If you had got a conventional ferry, I think there would greater confidence.

Deputy Roffey: So you have got concerns about the current fleet being adequate, but what levers do you really have with Condor about what ships they have or how they operate on the route? It is a private company, it is not licensed in the same that air links are, really.

Deputy Ferbrache: No, well, they will be in the Ro-Ro legislation in due course, but we want to bring that in sync with the operating agreement currently we do not have.

What I was told – and am not talking about by my wife, but what I am told generally; and sometimes you get information that is wrong, but I can only tell you what I was told – is that Guernsey was very keen to sign an operating agreement, more keen than Jersey. But because of the Ro-Ro legislation – and the States I think passed that this side of the summer of 2015 and then it had to be granted, and we are where we are today but we did not get round to doing it. Wow, aren't we lucky, because Jersey have got an operating agreement that is a legally binding agreement with Condor. We have got a memorandum of understanding which originally ran to the end of 2018 – it has now been extended until 2020 – signed by the relevant Ministers at the time, Deputy Luxon, who was President of PSD at the time, and Deputy Kevin Stewart, who was President of Commerce & Employment at the time.

A memorandum of understanding is not a legally binding document; it is an act of faith, as it were: in good faith we are going to do this, in good faith we are going to do that. But the relevant documents that I have seen and I asked about – because I had read them some time ago and I asked for copies and I have read them again this morning to make sure that my memory is not playing tricks on me – effectively say we walk away. So our lever is –

Deputy Roffey: Jersey cannot, because they –

Deputy Ferbrache: No, Jersey cannot because they have got a binding legal agreement. They have got an operating agreement.

Deputy Roffey: And isn't the reality that a ferry service to Guernsey really only works for volumes if it is provided they run to Jersey as well? Or do you envisage that –

Deputy Ferbrache: Well, let me go back in history, if I can. I can remember when I was elected President of the Board of Industry, which was the previous States version of the subsequent Commerce & Employment, in May 1997. I was then automatically Vice-President of the Transport Board, as it was then called, and lots of people were talking about who was going to provide the ferry service to the Channel Islands. There was Condor and two others. My Vice-President was the late great Deputy Eric Walters, and because at that time I was a full-time advocate I had to go into court on this particular day so Eric Walters went to this particular meeting and we ended up with somebody other than Condor.

The reason we then had to think again in relation to that decision was because the only company, in real terms, that was going to provide the year-round service that we needed to service the interests of the Bailiwicks of Guernsey and Jersey – we were particularly concerned with Guernsey – was Condor. Mike has reminded me this morning again – I had seen them previously – of two reports. I think they were commissioned ... independent reports commissioned in 2014 in the light of that states there is not enough meat on the bone for there to be two ferry operators.

But if we look at the commercial realities, there are limits. It is exactly as you said, and indeed we made certain representations to Condor about the scheduling for this year, this season starting in January, February, March, and they did not take note of our comments. They did not do what we asked them to do. So there are limits. Frankly, I was not very pleased about that. I appreciate they have got commercial imperatives, but one thing ... In my tenure as President of the Economic Development Committee I will not be coming to the States and asking the States to sign up to any agreement ... or allow us to sign up to any agreement unless I believe it is in the best interests of the Bailiwick of Guernsey, and I am a long way from that yet. We have made progress, but have a long way to go.

So the answer is Condor is a company that has been in existence for many years but it has had different owners. It is currently owned by a company called Macquarie. Macquarie are a very big investment vehicle. Advocate Harwood will probably know of them better than me. He has considerable experience as a corporate lawyer over many years, but I know of them because I can read newspapers. I did not believe it when they were described in the *Sunday Times* just 10 days ago as the 'Vampire Kangaroo' when they talk about British ... I do not believe that, but that is the designation that has been given to them. I believe that they would probably, in the due passage of time, want to, in a proper and considered way, want to divest themselves of their ownership of Condor. Perfectly proper, perfectly good business decision. At the moment, they would have to say to a prospective purchaser, 'We've got an agreement with Jersey but we haven't got an agreement with Guernsey and the only way that the arithmetic is going to stack up is if we've got binding legal agreements with both of these islands.' Of course, Jersey is always bigger, more people go to Jersey and it has got more freight because it is bigger than us.

We would never breach any confidentiality with our discussions with Condor, because they have clearly provided us, in the course of our discussions, with confidential information that it would be wholly wrong of us to breach – and I know you would not ask us that and if you did we would not answer it – but in relation to that the position is that – it is obvious – freight, whether it is Guernsey freight or Jersey freight, is more ... they make more money from that than they do from passengers... because people do not complain ... If your tin of peaches is being shipped to Jersey you do not really complain too much if the boats have been late. (*Interjections*) But I think generally – I hope I am not saying anything controversial – the freight services have been well done and nobody can have any real complaint, I am sure, about that. You may have a different view; I accept that.

So they need us, but we need to get a better deal. We have had ... and it is a confidential document, so I cannot disclose it to you. I received it on Friday afternoon, dated 28th February, so it is hot off the press and we intend to discuss it this afternoon because it is the first opportunity that we will have as a Committee to discuss this document. It is an interim report on the discussions that we have had with Condor and, as I say, really hot off the press: it is dated 28th February, delivered to us as Committee members latish on Friday afternoon. So we have not had a chance to get together to discuss it yet. I am sure we have all read it, and we will discuss it this afternoon. I cannot say too much about it because it is a confidential report.

The Chairman: No, that is understood. I think – (*Interjections*)

Deputy Roffey: What I was trying to really get at is in fact to understand how much Guernsey is wearing the emperor's new clothes here, because basically we may have a ramp licence that we have not issued yet and they may need that to sell the company on eventually, but –

Deputy Ferbrache: Well, they have not had any ... It is not only the ramp licence; they need an operating agreement. They have got no legally binding agreement with Guernsey for that. We have got a memorandum –

Deputy Roffey: So you think you actually have real powers and real levers, even though you do not see anybody else out there wanting to come?

Deputy Ferbrache: That is a very fair point. We have got commercial leverage. Again, how much we could use that, how much advantage it gives to us is a matter of negotiation and that is a matter of discussion, and I do not want to be ... I am not ... Condor are a commercial operation. They are going to do the best that they reasonably can for themselves. There can be no criticism of that for them as operators, but we as the politicians on behalf of the States of Guernsey and our colleagues in Jersey too ... because there is great liaison between us. I have spoken to Senator Farnham, who is my broad equivalent, quite regularly and actually physically met him on two occasions. I have not discussed that with him yet because hopefully he has not received it and I want to discuss it with my Committee members, my colleagues on the Economic Development Committee, first. This is a fast-moving thing, but our view is that Jersey, despite it has got this binding legal agreement, would also want to have a different arrangement to the one they have presently got. I cannot speak for Jersey, but that is just my feeling from my discussions...

The Chairman: Advocate Harwood.

Advocate Harwood: You mentioned the previous term and I think initially you said the Members slept walked into this arrangement... Actually, one thing that I think you do acknowledge is that in the previous term the politicians did not sign up to the legally binding agreement, (**Deputy Ferbrache:** I agree.) and thank heavens for that. (**Deputy Ferbrache:** Absolutely.)

In 2014, before Jersey signed up their operator's agreement on their Ro-Ro, their people commissioned CICRA to do a report. Maybe some of that, the work that CICRA did, is repeated in your report. Would you envisage actually before a committing to a Ro-Ro licensing regime that you would commission CICRA, or some other organisation such as that, to delve into the finances of the entire operation? My understanding is that what the CICRA report bore out is that actually Condor are losing money even operating two vessels on the passenger route and it has only been subsidised heavily by the freight.

Deputy Ferbrache: Yes, but if I could add ... You and I were closely connected as legal partners for many years and I was always told that the corporate department earned a lot more than the litigation department, (*Laughter*) but both of our departments earned more than other parts of the practice. It is the same in any business. You have some parts of your business that are more profitable than others and the point is, in relation to this, the freight service has made money.

If I were to answer your question more fully, I can only say that I have seen the passenger figures, I have seen them. I cannot answer your question without breaching confidentiality. As soon as I am free to do that I will report it. I will tell the States. It is just that I am not allowed to at the moment.

Advocate Harwood: But having the CICRA report ... I think it was probably... (**Deputy Ferbrache:** It is, yes.) It predated the Jersey agreement certainly... It did actually identify some of their financials –

795 **Deputy Ferbrache:** Yes, but we have seen financial statements –

Mr Hopkins: It is the Oxera report that you are referring to, which was commissioned by CICRA, and that clearly shows that with the demands of the Islands in terms of the daily freight service to both Islands, together with the daily passenger service during the full year, but also the daily fast ferry service that the Islands demand on the northern routes to and from the UK, and also to France, the only sustainable route that would cover its costs and make a contribution on its own would be the northern freight route, it requires the combination of all routes between all Islands to make it a commercially viable proposition for any ferry operator. Yes, of course there could be services that could be between Guernsey and the UK only that could be sustainable, but it would not offer the service levels that the Islands demand and we demand a lot.

Advocate Harwood: And the freight service is critical... (**Mr Hopkins:** Absolutely, yes.)

The Chairman: Many of the points you have made in relation to how far you think sea connectivity could be improved again were very much in terms of what you think we will be able to do in the future. But can I ask a similar question to the one I asked on air connectivity, which is: since May, since you have been in office, have you really been able to hammer out any real achievements in improving sea connectivity?

Deputy Ferbrache: Very little, a very small 'yes' in that we have had regular meetings with Condor both at officer level and I have met former Deputy Luxon on many occasions. Whenever we have had complaints – and there have been quite a lot in the past and there are some now but they are being addressed – from users, whether it is somebody from Essex or somebody from Guernsey, we have addressed those and I think they have improved. So we have made a small step forward but there is still a long way to go.

We need to be able to come to the States with the best deal we can and we need to be able to do that this year and say, 'This is the deal.' If we cannot come to a good deal with Condor – and again I am expressing my own view, not necessarily ... I am not saying my colleagues on the Committee take a different view, but we have not discussed it in that detail. My own view is that the best deal would be to come to a sensible deal with Condor which embraces both Islands, for the reasons that Deputy Roffey alluded to. That is the best solution, but we can only come ... We are not going to be surrendering. We are not going to do what Mr Chamberlain did in 1938 or whenever it was ... I am certainly not going to do that. So, if we cannot come to a proper commercial deal that we believe will be acceptable or should be acceptable to the people of the Bailiwick, then we are not going to do it.

Mike has touched on a point with his comment about 'the people expect a lot' – of course they do. Bearing in mind we are only a Bailiwick of less than 70,000 people – sorry, 65,000, 66,000, if you add the other people from the other Islands – we are expecting a lot.

The Chairman: My own analysis of the problem, Deputy Roffey, and my own analysis of the problems with sea connectivity is, as we have been discussing, the Government has not had the levers, historically, to do much in terms of having a legal framework to work off. It is also because, potentially, the States has not, historically, set out its strategic aims for sea connectivity specifically. Is that something that the States needs to set right? Presumably that will be done in the P&R plan.

Deputy Ferbrache: It should be our responsibility to come to the States to say this is what we recommend and then the States will, of course, say yes, no, or amend it in some way, but that I think should be ...

Life, to me, is practical in the sense that I leave the philosophy to other people – I am too limited in intellect to think otherwise. In connection with that, what I want to provide and what I

know that Economic Development want to provide, and Mike and Gareth Jones want to provide – and they have put in considerable work, as has Captain Murray, the Harbour Master – is a service that people can come and go within the bounds of reason, and for a cost that has been within the bounds of reason for a long period of time. We are still some way – as I said in answer to your earlier question – away from achieving that, but that is what we want.

As to the general policy, I think in practical terms we are only – Deputy Roffey touched on it before and I mentioned my experience 20 years ago. There is only enough traffic really, whether it is freight traffic or passengers and cars, etc. to support one main provider. That is both for Guernsey and Jersey.

The Chairman: So it is always going to be a monopoly situation?

Deputy Ferbrache: Well, I am only speaking, again, from my own ... I have got to bear in mind CICRA, as you mentioned. CICRA has responsibility too.
I cannot see any other practical way round it.

The Chairman: The reality is, if it is a monopoly, sometimes – as you say that is probably inevitable in the circumstances – you have to have, or at least the Government has to have, some controls and some levers in place to ensure some level of public interest.

Deputy Ferbrache: Well that is right and we would, wouldn't we, because we have got the ro-ro registration? That says who can come and go, if you like. We would have a binding – assuming we got to that stage – legal agreement, with e.g. hopefully Condor, where it is like any contract and we would be able to enforce terms against them and they would enforce those terms against us.

The Chairman: Why do you think the States have taken so long to realise that and do anything about it? It is quite frustrating really.

Deputy Ferbrache: I think that is an excellent question. I know every States is supposed to be the worst States there ever was. Well, I was in in the 1990s and they said we were terrible; in 1994 we were terrible and we are terrible now.

The practicality is that the States has got to wake up to the fact that it has got to be more commercial. It has got to be more proactive. It has got to be more realistic. I do not actually think this States, in the 10 months or so that I have been a Member of it, has grasped that nettle as much as it should and could.

We can talk about lovely green things; we can talk about social policies, but if we do not have money in the kitty we are not going to be able to do any of those things. I want to do them just as much as everybody else. Just because I am not a tree-hugger or a social policy person, I want people to have good schools, good hospitals, good public services, as much as Deputy Roffey, Deputy de Sausmarez and others – just as much as them, just as passionately as them. But if we do not have a proper economic basis, then we are not going to be able to do that. The States has not grasped that very much.

Mr Hopkins: Can I just make some comments about the level of service that we have seen from Condor? If we think back to 2014 we had one of our best years in terms of sea traffic, especially with visitors, and that obviously predates the introduction of the Liberation.

The decision to replace two vessels with the Liberation was based on the long-term sustainability of Condor and the service, and providing the Island with the service that we need: freight and also passengers. Condor will be the first to admit that 2015, following the launch of the Liberation, and also in 2016, was not a good year or eighteen months for Condor, and we have seen a significant decline in overall sea visitors.

900 However, there has been an improvement. We have not seen the fault issues that we saw in
 2015, early 2016. In fact, I have been given numbers by Condor, which they are happy for me to
 share. The forward bookings for 2017 are looking extremely healthy. The forward bookings into
 the mainland, for example, are up 48% on last year and the inter-Island are up 80%. So the signs
 are looking positive. Whether we will get back to the same volumes that we saw in 2014, I doubt,
 905 but we are on the right trajectory. That is assuming that we have no more technical issues and
 reliability issues, but that is where we are. Up until 2014 Condor and sea travel was all looking fine,
 but obviously Condor have had a difficult number of years.

Deputy Ferbrache: Dependent on Condor's performance is the local tourist development as
 well.

910

Mr Hopkins: Absolutely, yes.

Just reiterating Deputy Ferbrache's point, we want to work very closely with Condor to make
 sure that Condor can provide the resilience of service to both Islands so that we can see a
 recovery in sea traffic.

915 With regard to the monopoly position, there are certain exceptions to the services that can be
 provided. A passenger-only service can be provided between the two Islands – to Alderney and to
 other Islands – that does not breach the operating agreement with Jersey, so there are
 opportunities for additional resilience, but on a passenger-only basis.

920 **Deputy Ferbrache:** You do not want to read too much into the second – sorry ... (*Interjection*)

Mrs Morris: Same topic, different angle: we talked a lot about Condor and the actual getting
 to and from the Island, but has Visit Guernsey, as part of your Committee, or even Guernsey
 Harbours, made any request to upgrade the ferry terminal? If I was a foot passenger coming in to
 925 that, it would not be the best impression I have ever had for landing on an Island, frankly. We put
 a lot of effort into liner passengers, but I am not sure that we are putting as much effort into ferry
 passengers.

Deputy Ferbrache: Well, again, we would like to see that upgraded but, frankly, I do not know
 930 where it would come in the capitalisation priority, because it would cost several millions. I have
 seen the figures, it was several ... I cannot remember the precise figure. It would cost several
 millions and one of the things the States will be debating in June is there are requests for
 something like £600-odd million-worth of capital projects and there is about £250 million,
 £260 million – the figures might be slightly off – of money available, so 40%. The best the States
 935 can do is give approbation to the simple scale of some of the projects.

Certainly we would like it dealt with tomorrow if it could be, but we have got to be practical.
 The actual Committee responsible would be the States' Trading Supervisory, because they are
 responsible for harbours and the Airport.

940 **Mrs Morris:** I am thinking more –

Deputy Ferbrache: No, I accept that – for me it is a silo point that I mentioned before. If the
 States had plenty of money, it should be done tomorrow. The States does not have plenty of
 money and that is the truth. I do not think my colleagues here will be debating it in June. I doubt
 945 it will be high on the priority list, but that is for the States debate in June.

Deputy Roffey: I do not want to eat too much into the second hour, but I do have a couple of very brief questions still that I want to ask.

950 **The Chairman:** Okay. I think we are just going to take a five-minute break, but did you just want to ask those questions now? *(Interjection)* Okay, yes.

Deputy Roffey: First of all we have talked a lot about the northern route, but what about the southern route to France? A lot of Islanders hold that route there. I remember Condor saying once that if only Guernsey actually tried to promote the market in France they would actually provide
955 better services, so promoting it presumably under your Department. Have you talked to them about that and whether that is ...?

Deputy Ferbrache: We have talked to them about that.

960 **Mr Hopkins:** Yes, there have been a number of discussions with Condor about the southern route. The facts are that the load factors on the southern route are very, very low. The majority of the journeys are between 20% and 30% load factor, which clearly is not sustainable for any commercial operation, but they provide the service.

We said we want to work with Condor to try and target the French market. It is not our most important market; the majority of Visit Guernsey's advertising and marketing budget is focused on
965 the UK, and that is our core market.

We have a limited amount of budget, so we do work closely with Condor in trying to target the main catchment area around St Malo, the port. So there is a limited amount that we can do with the resources that we have.

970 Clearly it is one of the most, if not the most, important groups for Jersey. They do invest a lot more and they get a lot of day traffic and overnight staying traffic from France, but we do work together to try and increase the amount of traffic from France.

Condor have committed to investing more in the French market, to work with us, and again we are working with them; our departments are in collaborative activity. It is early days, but we do
975 hope to see some improvements for the season.

Deputy Ferbrache: If I could just ... I think what might be behind Deputy Roffey's question: there are less direct routes this coming year to St Malo than there were last year. We were not happy with that; we would have preferred them to stay as they were, but they make the point, as
980 Mr Hopkins made the point, that we have made no money and there is only 20% to 30% usage. You have had their service and only 20% to 30% of them are full. We are losing bucket loads of money by providing that service, but that is an ongoing discussion.

Deputy Roffey: Last question before going to a break: the freight service is absolutely critical,
985 not just for the Co-op but for businesses throughout the Island. What is plan B, if Condor ever did disappear? What contingency plans do you have?

Deputy Ferbrache: We believe that there – again, I refer to the confidentiality points. We believe that we would have no difficulty at very short notice in providing adequate freight
990 services, because they are vital, especially with people like the Co-op and others not having the big storage facilities that used to exist. It is important; it is absolutely vital.

Deputy Roffey: But you are saying you have –

995 **Deputy Ferbrache:** We have. We would be very surprised also if we had any difficulty because the freight services are profitable.

The Chairman: All right, we will just take a five-minute break and then we will come back and talk more generally about economic policy.

1000

*The Committee adjourned at 11.15 a.m.
and resumed its sitting at 11.20 a.m.*

The Chairman: [*Inaudible*] ... air and sea connectivity, so we will move on now to matters of more general economic policy, which of course we have touched upon already with the enablers.

1005 Can I start by saying it would appear that Jersey seems to be adopting quite a different approach to economic policy for their Island – quite different from our own approach. Are there any lessons for Guernsey to learn from the Jersey economic approach, do you think, in terms of investment in infrastructure, in terms of population policy?

1010 **Deputy Ferbrache:** Well, again, it is difficult, isn't it, to draw a direct analogy because they are much bigger and just the pure rule of basic economics?

The Chairman: So, are there any lessons?

1015 **Deputy Ferbrache:** Yes, I think there are. I think it is generally ... It is a bit like, when you are a young boy and you first go to law school, you learn laws – we have all done it; all of us who are lawyers have done it – and 10 years later they are out of date, but you have learned them and you know what section 323 of the Companies Act 1948 says – because that is what I was learning when I was a law student back in those days. Deputy Harwood is slightly older than me, so it might be the 1842 statute he learned – I do not know! (*Laughter*)

1020 That is irrelevant; that just teaches you how to form your views as a lawyer. The actual policies are not so much ... They are important, but they are going to change over time because they will evolve. I think the general approach Jersey is giving – whether it is right or wrong, and the perception is often the soon-to-be-the-actuality, as I said before – is that they are open for business. We as a States' Assembly in the last 10 months have not shown that. The States, 1025 certainly in the last term, did not show that.

I think the message that we have got to show is that we should not be putting up barriers of any kind to business, unless we have to as an imperative. If we do not encourage business we are in trouble. Our economy is stagnant; our GDP is £2.4 billion – it has hardly gone up in the last three or four years. I know it has grown in real terms by about 20% in the last ten years, but we 1030 are not in a position whereby people are banging on the door to buy open-market properties or to operate businesses. But, for that, I am optimistic; I think we can change it, but we just need to change some things.

1035 The general position in relation to Jersey is that they have got far more of a land mass: 102,000 people on 45 m² is much less densely populated than our 63,000 on 24 m². Nobody wants to see the fields of Torteval turned into office blocks or housing estates – there are limits.

The Chairman: The two elements that I referred to, in terms of Jersey's approach, seems to be a more assertive investment in infrastructure on-Island, plus, perhaps, a more liberal approach to population.

1040 On that second element, the population, what is your own Committee's view on what Guernsey should be doing about population policy?

1045 **Deputy Ferbrache:** Well, again not side-tracking the question, as I said earlier we are going to be discussing population on Friday, because we have had both from business sectors and the open-market sector ... What will be coming before the States – it has not been fixed yet, but I am sure it will be – on 29th March are the various Ordinances to enact those pieces of legislation. If they are passed, they will come into force on 3rd April, just a few days afterwards.

We have had businesses say they have got concerns about it; we have had Open Market people say they have got concerns about it; we have had estate agents say they have got concerns about it.

Can I commend the excellent work done by people like Esther Ingrouille and their team; they have done a fantastic job, but they are officers and they are implementing. They are saying, 'This is what the States has passed; this is the way we are going to try and make it work' and they have done a blinking good job of that, I have to say, but the policy is for us as politicians, and the law is for us as politicians, and I think there are some problems.

I think that the population law was passed in good faith several years ago. When I say 'passed', the process was set in train. It was several years ago when the world's economy was a bit different to what it is today. I think we could be dealing with a piece of legislation on 3rd April – I think it comes into force – which frankly is more likely than not already out of date.

Deputy Roffey: Would you like to see a delay to try and address some of the issues?

Deputy Ferbrache: I would. Let me just say this, though, the current situation is not satisfactory: the housing laws are ... I am very surprised they have not been before the European Court on more than one occasion. I would like to see a delay, frankly – this is my view and I have not discussed it with Committee members but we will be discussing it shortly – for a short period of time – say six months or perhaps a year; no more than a year – to say ... It will be our responsibility if we ask the States to do that and the States accepted that and we say, 'We think these are amendments that could be made to the laws.'

I have got certain ideas, but again I have not had a chance yet, through the fault of no one, to discuss it with my colleagues.

The Chairman: Mrs Morris.

Mrs Morris: It seems to me that businesses that are now coming to you and saying this is not fit for purpose are coming late to the party, because this has been going on for six years. Do you really believe that the uncertainty that this has caused for the Island generally is something that we want to prolong?

Deputy Ferbrache: Well, frankly, I would rather get it right. The fact that they have come late is undoubtedly the case. The fact that they have not, perhaps, applied their minds earlier is regrettable, but that does not matter if it is the right thing to do.

Whether a delay is the right thing to do, I know not. But there are two points – I can see you raising your eyebrows – in relation to that: there is a population law and there is the open-market law. They are separate pieces of legislation, but they will come into force at the same time.

Now, frankly, you could speak to any sensible estate agent and they will tell you the open market is on its backside, and it has been on its backside for years, and it is on its backside partly because of a silly statement made by a senior politician years ago that, 'We are looking at the open market.' That threw the whole thing into turmoil; people were well worried. I think we have got over that. Then we could be – and probably will be – bringing in a piece of legislation in three or four weeks' time on 3rd April which is going to make it even more difficult, I am told by estate agents. Now, I know they want to sell open-market properties; I do not see any problem with that.

The statistics – and I have asked for the statistics to be prepared, because I have got them in time, but I have not got them to hand. The statistics say that there were fewer houses sold in the open market last year than the year before. I am told by estate agents – we are only two months into the New Year – that the situation has not improved much at all. If that is not the case and people are not buying on the open market or coming on the open market, you have got a situation which is going to cause considerable difficulty.

1100 With regard to the population thing, a lot of it is good work; I am not saying it is bad work – in relation to Deputy Roffey's point – but just as a for example in relation to the population thing – and I accept they should have done it before, but this is not a schoolboy exercise; this is dealing with people's lives and people's business. I would rather get it right than do something that is wrong just because they should have spoken to somebody two or three years ago.

1105 The consistent theme that we have heard from the hospitality and tourism sectors is that ... There are going to be three types of permit, as you know. There is going to be the short-term permit, which is one year and you can renew for up to five years. There is the medium-term, which is five years, and then there is a long-term, which is eight years.

1110 A lot of the workers in the hospitality sector are on the short-term one, the one year. That sounds great in theory: you can come for a year; you can have it renewed and you could be here for five years. There are a lot of people in Guernsey from all over the world. I can think of the various places that I have visited, the various places I know – various business and various types – where people have come on the nine-month, three-months, and they have done that for donkey's years. They do that because they have got families in the Philippines or families in Latvia or families in Madeira and they do not want to live in Guernsey; they want to earn their living in
1115 Guernsey because they can earn far more money here than they can earn in their home jurisdiction, but they have got children, parents, and other responsibilities back home. They could buy a house back home but they have got no chance of buying here. So their lives will generally, when they eventually finish work, be back in Madeira, Latvia or wherever it may be.

1120 **The Chairman:** I think the question Mrs Morris was asking was about the risk of uncertainty. Uncertainty generally is a bit of a killer for business, isn't it? You have seen it with Brexit in the UK, probably in Guernsey as well. The issue of whether we are going to delay the Population Management Regime or not, potentially, could be a further level of uncertainty. Do you accept that uncertainty generally is bad for business and bad for the economy?

1125 **Deputy Ferbrache:** Of course. People want, in life and in business, is certainty – I accept that completely. But what I was saying – obviously in too verbose a way, but I just say it again without uttering the words – is you do not bring in a bad law if it is seen to be a bad law for that purpose.

1130 If there was to be a period, it should be a short period. I have said six to 12 months; no more than 12 months, but on the basis that those that then think that those laws should be changed come back and say, 'They should be changed by doing A, B, C and D.' Then that would give certainty, but it would give, e.g. 12 months of uncertainty, I accept that.

1135 **The Chairman:** Advocate Harwood.

Advocate Harwood: Can I just follow up, just to put the final nails in the population issue? Has your Department considered the impact of these sorts of post-Brexit issues, particularly the restrictions on freedom of movement when they arise?

1140 **Deputy Ferbrache:** Freedom of what – sorry?

Advocate Harwood: Freedom of movement, which actually will probably bring an even greater uncertainty than Guernsey's population management regime.

1145 **Deputy Ferbrache:** We have considered that.

As you will know, immigration policy is not a matter for ... Guernsey has got no real independence in relation to immigration policy; it is the policy of the UK. If the UK says X we have got to do X.

We have got to have regard to the practicalities. Yes, we have considered that.

1150 I think there may well be an amendment to debate laid this week – which I think I will probably
be supporting, but I cannot say – which basically says, ‘Look, make sure, British Government, that
you consider the type of people we are talking about and that you consider their rights, their
status, their wellbeing.’ I would be very surprised if that is not given serious consideration by the
1155 States – whether they pass it or not, I know not – but again, whether that “was the mouse that
roared”... whether that is borne out by the British Government will ultimately be the case. Frankly,
how can I say that...

In relation to that, our view is, yes, it is a consideration; yes, we are trying to address it; yes, we
will make representations. What we have been told so far – when I say ‘we’ this is a wider stage
now – is that our interests in relation to such matters will be strongly considered by the British
1160 Government and they will advocate our interests in the Brexit negotiations. Frankly, nobody knows
what the results will be, but I would be very surprised – because in Britain, if you go into a
restaurant in London, if you go into a hotel in London, there is a Latvian or a Pole or somebody
else who is not a natural born Englishman who is serving in those places – that they do not come to
a sensible accommodation.

1165 It is a concern and, to use Deputy Green’s point earlier, it is an uncertainty.

The Chairman: How involved has your Committee been in the discussions about Brexit so far?

1170 **Deputy Ferbrache:** Very much so.

The Chairman: As much as you would have –

Deputy Ferbrache: Yes, I am very pleased. It is open door with Policy & Resources in relation
to that. It tends to be me, as the President, but other members of my Committee have also been
1175 involved. I have got to say the response from P&R, as our senior Committee, and their discussion
with us as the Economic Committee, has been very good.

Advocate Harwood: Can I move the debate forward? The economy generally and the
importance of diversification – virtually every States’ Member has probably committed to having
1180 diversification. I suppose the question is, having now been in post for the period of time you have
been, what do you think the States can – and your Committee in particular – realistically do to
diversify?

1185 **Deputy Ferbrache:** There are certain bits ... I think quite a lot.

Deputy Harwood: The main thing I was going to ask, are there any particular additional
enablers – I am going back to Deputy Green’s earlier point – that you need in order to get to –

1190 **Deputy Ferbrache:** It would depend on the nature of the business as well. What I frankly
would like to do ... Again, it was a point I mentioned earlier. There are lots of people in Guernsey
who have considerable experience from both inside and outside of our shores. They do not want
to be a States’ Member and they do not want to be on a formal Board, but they could give – like a
Brain Trust, an informal Brain Trust.

1195 I personally have received lots of good ideas in connection with that. What they are basically
saying; they just want to make sure that the planning regime is fair and easy to deal with – and I
think it is a lot better, as I said earlier, over the last few months; that connectivity of every kind is
as good as it can be; that we do have a proper employment regime in the sense of, if they need to
bring people in to do jobs, they can bring people in to do jobs without too much bureaucracy;
and that we are as competitive as we can be.

1200 I am encouraged – and clearly, again, with confidentiality, it would be a problem for me to say otherwise – that there could be – we are far from there – businesses of a different type to the finance sector – which is very important and we want to continue to promote that.

Advocate Harwood: How useful has the success of Locate Guernsey been?

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Deputy Ferbrache: Well Locate Guernsey has got a wide role. It has only been in operation, as we all know, for just over a year, since January of last year. It started from a standing start and it was miles behind Jersey. I think it has done a pretty good job in the first 13 months or so of its life, but it could improve – and I do not mean a criticism of the people involved, because they have worked very hard and they are good people. You learn as you go along.

1210

Although one of their *raison d'être* is to bring in high-net-worth individuals, they are not limited to that at all. If somebody wanted to bring in a widget factory – if that was approved as a business – then they would do everything they could to encourage the widget factory.

1215

Mrs Morris: So other than Locate Guernsey, what is the Committee doing to encourage young people who leave the Island for further education and work experience to come back to the Island? Do we need to offer any further incentives?

We want an education system that supports our young people, whether they want to stay on the Island or whether they want to go. So how do we stop that brain drain or reverse the brain drain?

1220

Deputy Ferbrache: An excellent point. It is close work with Education as well, because just coincidentally we happen to have a member of our Committee who is also a member of Education in Deputy Dudley-Owen – she is not here today. So we do have that interaction.

1225

It is a very difficult question to answer, but it is a goal that I am sure we all, as States' Members, would like to achieve. We want to provide a good education system; we want to provide a good system of incentives for people to come back – local people that go and train as whatever it may be and spend five years as a teacher, or whatever it might be, whatever skill they might have.

I do not think it is so much Locate Guernsey because Locate Guernsey is to go out and bring business in.

1230

Mrs Morris: That is what I meant.

Deputy Ferbrache: It is not really a Locate Guernsey topic, albeit no doubt they would if somebody came along and said, 'I am a Guernsey woman. I have worked in the UK for ten years. I do this kind of thing. I want to establish a business in Guernsey and I want to come back', of course they will do their best to assist her, but it really is a wider issue.

1235

Because one of the things that we commonly hear, both in Economic Development and I am sure my other colleagues in the States do, is that there is a skill shortage in Guernsey and that is an impediment to business. We need to do more about that.

1240

The Chairman: We have the Skills Guernsey initiative, don't we, which has been going for quite a few years now? Do you think that is working? Are we measuring the effectiveness of that skill strategy?

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Deputy Ferbrache: I am not sure we are measuring it as effectively as we can. I think it is working in the sense it is making improvement, so therefore it has probably not been as – I do not know, really and again, this should not be termed as a criticism, but – effective as we hoped it would be. Again, it is thinking what can we do to improve? What can we do to encourage young people to train and to go away, come back, or if they are going to stay here to enhance their skills?

1250

Part of it would be improving – but again that is a States' expenditure – the College of Further Education. It does its best; it is very good; it provides good service for Guernsey, but it needs extra resources and extra facilities to help us.

1255

Advocate Harwood: Do you support the initiative of the university concept?

Deputy Ferbrache: I am not sure. I do not know enough about that. I do not like not giving an answer, but I do not know enough about it yet.

1260

Deputy Parkinson has only ... It is two or three months away; it is only a few months. I do not think we have got sufficient detail yet. If it could be an economic enabler for Guernsey; if it could help the question Mrs Morris has asked, yes, but we are not far enough along the road yet, are we Mike?

1265

Mr Hopkins: No. I think as regards diversification the areas that we feel we should be focusing on are those areas that provide high value, low footprint economic sectors. We can see diversification within the finance sector which is obviously a larger sector, as well as other sectors such as the digital and creative sectors. These are two big areas that we feel we have the ability to develop further and provide diversification.

1270

But there were three key elements to enable that. One is infrastructure – digital infrastructure – which we have talked about, and again our Committee is highly focused on ensuring that we develop. Availability of the skills is critical, and skills in the areas that I have just discussed.

1275

The Island has announced a major initiative in Blockchain. That puts us at the forefront of digital finance or the FinTech sector. We are leading here but we need to be able to attract the specific skills and capabilities not just from the European market, but wider afield because they are not available in the UK and that goes back to a point about Brexit and the implications on the ability to attract skilled people onto the Island. What we do not want is have a new Law that creates another barrier that is a law we have control over and is perceived as a barrier, to bringing those skills in.

1280

Advocate Harwood: Can I just go back to Blockchain? (**Mr Hopkins:** Sorry.)

1285

Sorry, you mentioned Blockchain. I am in agreement with my former colleague in understanding technology, but my impression of Blockchain actually is that it is a wonderful technological achievement but actually is it going to add to employment? The danger is that you drive forward productivity, which by definition means you actually are reducing the number of people who –

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Mr Hopkins: It depends how you look at the opportunity. You are right, it does provide for greater efficiencies and therefore could be perceived as potentially reducing the amount of employment required for auditing and accounting or whatever, because that technology will help in that area, but if you look at it as an opportunity to be a centre of excellence and to export those skills and those services and capabilities then there is great growth opportunity within Guernsey to be able to become a centre of excellence regarding that technology and export its services to the wider world.

1295

The Chairman: Is it likely to result in more revenue for the States though? One could say it is a fantastic, seemingly positive, innovative solution, but is it actually going to result in more jobs; is it actually going to result in more revenue for the States?

1300

Deputy Ferbrache: The answer to that is it is going to be done anyway. You cannot stop technology; it is going to be done anyway. It might as well be done here because we are seen as the world leader. We are seen as the world leader. I know it can be said we will come second, third and fourth, you are not a leader forever, but we are seen as the world leader in that technology.

1305 The idea is it could attract more funds to Guernsey, which means more work for Guernsey,
which means more revenue, directly and indirectly. I think both of you are right in the inference of
your question. I think certain jobs will be lost as a result of it, but they would be lost anyway
because if the technology started in the Bahamas or somewhere, it would come here anyway, we
would lose those jobs. The idea is to be at the front of the race so that we can encourage other
1310 jobs which, as Mike has said, hopefully will be more productive, more income bearing for the
Island.

The Chairman: Is there any potential reputational risk associated with it, bearing in mind the
technology affords a certain amount of anonymity? Is that potential –? (*Interjection*) Yes, the
connection with Bitcoin – is that a concern that your Committee has considered?

1315 **Deputy Ferbrache:** Look at the people – really a rhetorical question – behind it: Northern
Trusts and IBM. They have got a pretty good reputation; they are not going to do anything
disreputable ... They are so big, they are not going to do anything that is going to ... The way I
always think of Northern Trust – probably wrongly – is that they are the Coutts of America. They
1320 were a private bank that has grown and grown, they have still got a strong family influence.

Can we guarantee that there will not be a reputational risk? I cannot guarantee that. You
cannot guarantee with any new product that there is not going to be, but what is your alternative?
If you want to take no risk – and that is what Government has been very good at doing, not only
in Guernsey but elsewhere – you take no risk, you do nothing, in which case we would all be living
1325 in tents and riding our pushbikes down to L'Ancrese to get our vegetables – well, we cannot
anymore because they have removed ... but you know what I mean, we would be doing that.

The Chairman: But is not the focus of your economic policy to try to generate more revenue
for the States, or is it to diversify *per se*?

1330 **Deputy Ferbrache:** It is both. You can diversify but also we are the Economic Development
Committee, our job is to promote business. You want to promote businesses that are going to
make money for the benefit of Guernsey: employ people so they pay tax and insurance. We still
do have some people who pay tax, companies that pay tax. (**The Chairman:** We do.) That may
1335 have to be looked at again, I anticipate in the future.

So it is all that kind of thing. Those people use aircraft, they buy services. It is the multiplier
factor.

Advocate Harwood: Just one point, how do you measure successful economic development?
1340 What is your key performance indicator?

Deputy Ferbrache: I think in a way, I started off as a member of a law firm that was productive,
profitable and forward-looking; I ended up at the end of my time at that law firm as a box ticker,
because we brought in policies and we had compliance manuals and we had to do this, that and
1345 the other, and it tore out what little hair I had left, (*Laughter*) and I moved on.

So I do not look at them. The idea of the Economic Development Committee – it should be at
the end of its term, in three and a bit years' time; it will not have achieved all that it should have
achieved, it will still be a work in progress – is that it has protected a lot of the jobs that are here
and kept a lot of businesses here as best it can and it has encouraged new businesses to come to
1350 the Island. That is the way I look at it.

As I said, we are not one of the social committees.

The Chairman: Just before I bring in Mrs Morris, just one final question, while I think of it, on
this for me.

1355 Other than the Blockchain initiative, is there anything else that you can point to in terms of positive achievements on diversification since you came into office in May of last year?

I know I keep on harping on about Blockchain. (**Deputy Ferbrache:** No, that's fine.) It is one of the things that people like to talk about.

1360 **Deputy Ferbrache:** Of course.

Have we diversified much or at all? The answer is, no, not yet. When I say 'only', again there comes a time when you cannot say that anymore: we have only been in office 10 months, we are a particular part of the cycle, we have got to be realistic and, frankly, what we have got to do ... I have found the biggest bar to me in the 10 months or so I have been President of this Committee is the perception that the outside world has of Guernsey... That the States are – to use a phrase Mrs Morris used in a different form earlier – a bit 'numpty'. We are a bit anti-friendly, we are a bit too tree-hugging, we are bit unrealistic, and we are a bit complacent. We have got to try to change that. I am very fortunate, as I have said, not only with the quality of the excellent civil servants that we have got, but with the four people on the Committee who are doing that.

1370 We are not just projecting it on the basis of saying 'confidence, confidence, confidence and all is well'; we are saying there are more good things than bad. So we are laying the ground. We have other things in mind but 10 months in we cannot say there has been a lot of diversification yet, unless Mike is going to correct me.

1375 **Mr Hopkins:** I think the work that the Committee has done so far is obviously to support the development of the digital sector. We have the work that Locate Guernsey are doing and the Digital Greenhouse, and this is about stimulating interest and investment in those sectors. So it is early days, but there have definitely been successes within Locate and also the Digital Greenhouse – the work that they have been doing – to make it clear to the wider world that we are developing as a centre of excellence in those areas and encouraging new entrants into the market.

1380 We talked about the example of the air taxi. That is not a normal air taxi business, it is a digitally driven air taxi business and they decided to come here specifically to start up their business rather than going to other jurisdictions, because of the skills and capabilities and the support that we provide, and there are other examples that we can provide afterwards too...

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The Chairman: Obviously, you were not starting in May from a standing start, because there was the previous Commerce and Employment Department that had done certain work. Deputy Ferbrache, what is your assessment of the legacy that you were left by the previous Commerce and Employment Department? A positive one or a negative one?

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Deputy Ferbrache: In some ways positive, in some ways negative.

Negative: I could say in relation to the situation that we talked about to a degree. I do not think that was handled as best as it could be. Positive: Locate Guernsey – positive, Digital Greenhouse – positive. Those are positive things. They are still new babies, they are still not toddlers yet, but those were new things that they sent out, or they were largely instrumental in sending out. Their fiduciary sector policy was pretty good. We are looking at it again. We are going to develop that.

1395 There were quite a few positives that they left us with, but the thing about economic policy is it soon changes; economic policy and economic development policy, obviously it soon changes. Again, we are reviewing various things as quickly as we can.

1400 One of the things that the political members of this Committee will know, and indeed every committee will know is that there are limited resources, you cannot do everything at once and our mandate is very wide. That is not an excuse for us doing nothing and I commend the diligence of the people who I work with, but it takes a time to do things and things are being done. Everybody works diligently, everybody works purposefully and we are moving forward.

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So there were some good things and there were some other things that I thought were not so good.

The Chairman: Mrs Morris?

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Advocate Harwood: You mentioned earlier that one of the critical issues was removing barriers and that sort of thing...you can remove barriers, but are there any other new positive initiatives that you and your department are actively looking at to encourage development? You have mentioned Digital Greenhouse is one and Locate Guernsey is another; are there any other similar things that you could look at which you could share with us?

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Deputy Ferbrache: Again, it is reviewing. Yes, we are reviewing in various parts – because as you know as an experienced corporate lawyer, there are various parts to the finance services industry; it is not just *the* finance services industry. We are reviewing our policies in relation to that. We are reviewing our tourist policy; we will review that next year – our sectors. We have got an idea. We are not sitting with an empty page. Some will say we are thinking about it now and we will think about it in 2018. We think those will be beneficial for the community.

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Mr Hopkins: To me, one example, during the period that the Committee has been in office there has been a full review by Darren, behind me, and his team of the insurance sector. So there are significant findings and recommendations there, and now they are being looked at to implement to provide further growth within the insurance sector for Guernsey. There is great opportunity there.

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So within finance there are specific areas of focus and reviews taking place. Obviously these reviews cannot be done overnight, they take time; and, as Deputy Ferbrache says, a number of them are now coming to a sort of conclusion and therefore we can start to implement the programmes and the action plans to deliver results.

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The Chairman: Mrs Morris. *(Laughter)* Sorry.

1435

Mrs Morris: Deputy Ferbrache, you mentioned in passing before the contribution of new business to the economy; I was just wondering how important you think Zero-10 is to our competitive position, and is there anything else we can do that would make us more competitive?

Deputy Ferbrache: What I have got to say in connection to that is – and this is not a long answer to your question – that we are not the finance department; the finance department are P&R, effectively, so they decide whether it should be Zero-10 or Zero-20 or whatever it may be.

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So my own view, in answer to your question, is I think the world has moved on from Zero-10 and we have to move on. I do not mean all of a sudden we then have 20% for all companies in Guernsey, all businesses in Guernsey, but I think we will need to tweak it. As to how we tweak it, that is going to be a matter for further discussion.

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The Chairman: It is reconciling the need to raise more income whilst remaining competitive, which is by no means an easy thing.

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Deputy Ferbrache: It is very difficult. *(Laughter)*

The Chairman: Have we got any other questions on economic policy?
Mrs Morris.

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Mrs Morris: No, but I do have another question. .

Mrs Morris: This was not my original question, but I have heard it asked before and it bore fruit. Is there anything about the Island's economy that keeps you awake at night, and if so what are you doing about it?

Deputy Ferbrache: Nothing keeps me awake at night! I am fortunate; I am both a lawyer and a politician so I do not have a conscience! *(Laughter)*

Deputy Green: Speak for yourself! *(Laughter)*

Deputy Ferbrache: But the serious part of your question – what concerns me? – I am concerned as a Guernseyman that we have lost a little bit – and I am generalising; you have got to when you are answering one question like this – we have lost a little bit of our work ethic. The Guernseyman and woman – it might not have been as financially productive and economic as the finance sector – used to have a day job, they used to pack tomatoes and flowers of an evening. They used to steam until three o'clock in the morning. It may seem Dickensian and all that kind of stuff.

The finance industry has really grown in the last 30 years, significantly. It existed before but it really has mushroomed in the last 30 years; and the example I give is when I came back to Guernsey in 1980-1981, when I was called to the Guernsey Bar in March 1981 I think I was the 20th advocate at the Guernsey Bar – there are now 220. No more people fall off pavements or get divorced, or punch policemen on the nose – it may seem like that, but it is not the case – than happened all those years ago.

The growth is in ... those are all finance sector-type matters, if you like. It might be litigation because there is a trust that goes wrong or a corporate structure that needs people to argue about, or whatever. Therefore we have a generation of people, excellent people, good people, but they have never really known poverty. They have never had an outside toilet and I know my colleagues – *(Laughter)*

Deputy Roffey: I was wondering when we were going to get that! *(Interjections)* I thought we were going to get through a whole session without reference to an outside toilet ...!

Deputy Ferbrache: My Deputy colleagues in the States would be disappointed if I did not mention it!

But seriously, and putting it in a serious context, we have just perhaps lost that bit of an edge, that is what worries me, and we have got to get that back. I do not mean everybody has got to work 24 hours a day. I think it is right that people can work from home and fit it in around their families and businesses can do that more and more – and lots of businesses do that – and that is fantastic. You actually get more out of your community by doing that. A mum who has got to pick her kids up from school at 3 p.m. or 3.30 p.m. does her work perhaps until 2 p.m. and works again at 7 p.m. when the kids – depending on their age – go to bed or look after themselves, or whatever it may be. They can do that and that is fantastic.

So to answer your question – I will answer it shortly – that is what worries me a bit. We have just lost a bit – and we can get it back again – of that extra x factor that we had.

Mrs Morris: So is that the work ethic, or is that the entrepreneurial spirit of Guernsey?

Deputy Ferbrache: I would say both. I think work ethic *and* entrepreneurial spirit. We do have lots of entrepreneurs, lots of hard-working people and I am generalising. That is the issue that concerns me the most.

There are other practical issues and they will change, will have to develop ... we will make decisions now. Just giving an example of that, really: I have been a litigation lawyer of all sorts, I have represented people who were charged with murder, I have dealt with civil cases where

1510 people have been suing each other for hundreds and hundreds of millions of dollars – I have done
the whole caboodle in my time as a lawyer. I have done divorces. I would give different divorce
advice now about financial settlement than I would have given 20 years ago because the Law has
moved on – there have been various things. So therefore the position in relation to any policies,
this is the policy for *today* and it may be a perfectly good and acceptable policy for today, but it
1515 may well change in the next two, or three, or four years.

Mrs Morris: So do you think your Committee is doing enough to support small businesses
and start-up businesses? And do you think that the States as a whole is working collaboratively to
support those businesses? Who knows who is going to be the next Moonpig or Specsavers, or
1520 whatever?

Deputy Ferbrache: Absolutely. Exactly. I think we are working collaboratively and well with
them, but are we doing enough? No, because you are never going to do enough. Whatever you
are doing you are never doing enough. And as you say you do not know who the next Bill Gates
1525 or Peter Harwood or Peter Roffey ... (*Laughter*) You do not know where they are going to come
along from next.

I often say as well, I think back to my own schooldays and for some people their golden days
ended when the last school bell rang because they might have been the head boy, they might
have scored 300 against Victoria College, or whatever it may have been. They have gone and they
1530 have led reasonable lives and they have led productive and decent lives. But the stars have come
from somewhere else. So you are right, you have got to continually encourage those.

What I would be disappointed about is that the people who have got an idea, if they do not
think they have got a vehicle, to be able to come and talk to us about it, then that would
disappoint me because our doors are open. They can phone up – e.g. Mike, he would probably
1535 ask one of his colleagues to deal with it because of all the things he has got to do – or me, or
Milly Dudley-Owen or Jennifer Merrett. We are there to listen.

Advocate Harwood: Just to follow on from that. What is your view? Should the States be
more proactive at getting out and encouraging that sort of entrepreneurial spirit to come to
1540 Guernsey? Or should we just be sitting ... historically, I think we have sat there and we have been
fortunate that they have come.

I sense a sea change, we actually have to be far more proactive, and we are going to have to
spend money on actually getting out and trying to develop.

1545 **Deputy Ferbrache:** Yes, I agree with that, I think you are right.

Advocate Harwood: What sort of budget have you got?

1550 **Deputy Ferbrache:** Very little actually.

Mr Hopkins: The focus ... and again to return it back to the digital strategy. Every business
now requires digital capability – leading edge digital capability – and I think one of the biggest
ways that we can show that we are open for business for small entrepreneurs as well as large
sophisticated businesses, is to really focus on them and make sure that we invest as an Island in
1555 infrastructure and the skills capability to actually become the leading force within that market
space. That is critical for us and that is why that is one of the priorities for the Committee.

Just referring to Deputy Ferbrache's comments about having an open door policy, the
Committee has had many, many meetings with industry, with the Chamber of Commerce and with
a number of individual groups who have ideas and concepts that they want to develop. And again
1560 it is important that we have open doors so that we can discuss those things and understand

where the perceived barriers are and see where we can facilitate lowering those barriers, but also understanding where there are opportunities that perhaps we need to focus on.

Again, there are discussions taking place, for example with regard to the Town Seafront, the Harbours Estate and what can be done with a public and private partnership to really develop and exploit those opportunities. All those discussions are taking place, obviously confidentially and behind closed doors at the moment. But many discussions are taking place so it is not as if nothing is happening at all.

Deputy Ferbrache: Again, you make the point about budgets. One thing where the States is under pressure – all Departments, including ours – is our budgets. There is not going to be, for our Department, any more money than we have currently got. We have just got to try and spend it as best we can.

The Chairman: Okay, just before we wrap up can I ask one question about CICRA, which has been in the news recently about the specific issue of a complaint that was made, which was not pursued in the end, and the funding of special investigations which comes from your Committee?

Some might say that in recent years, with the reductions in funding to CICRA, that it has been somewhat emasculated in effect, with restructuring and less financing. What is your view on the current funding arrangements for CICRA and do you have any concerns about the current structure?

Deputy Ferbrache: As you know, we have got a relatively new President, or Chairman, or whatever the title is – I cannot even remember what my title is – of CICRA, who is a good guy. In the time he has been holding his post I have had various conversations with him. He has not raised that issue.

That was a historical issue was it? (**The Chairman:** It was.) I know the one you are talking about.

If he came to us and said, 'There is something that I really need to look at it but it is going to cost a million quid' – we have not got a million quid. We would have to come to the States and say, 'We are told this is such an important issue, it will affect the reputation of Guernsey and it is going to cost a millions pounds' – and then the States would have to decide. We have got a limited budget and we had to reduce it by 3% last year, 5% this year, 5% in the year coming forward and we intend to do that if at all possible. But the CICRA thing, you could have an investigation as you would know as an experienced lawyer, that could cost a million pounds, and that's not beyond the realms of possibility...

We cannot do that as an open cheque book, we have to say to CICRA, 'What do think it is going to cost?' They give us their best estimate. We might think 'We can't afford that'. We would then, if we thought it was an appropriate issue, we have got to exercise our judgement but we would be very much influenced by what CICRA said, and come to the States and say, 'We need a million pounds.'

The Chairman: Do you think they have been emasculated though?

Deputy Ferbrache: They have probably had their tails trimmed, (*Laughter*) if I can use that, in the past. Like I say this new Chairman has only been in I think six, seven, eight months – I cannot remember – but not very long. He has not raised that with me yet and I have got a good relationship with him, because he is a good chap and he is doing a good job.

The Chairman: The door is always open.

Deputy Ferbrache: Absolutely. I do not think he feels emasculated and if he does then, Michael, you may hear this, give me a call.

1615 **The Chairman:** Thank you very much, and unless there are any further questions I would like to take this opportunity to thank our witnesses very much this morning. Deputy Ferbrache and Mr Hopkins, thank you very much for taking part and the spirit in which you have answered the questions on our panel today.

So thank you very much for attending.

The Committee adjourned at 12 noon