



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Wednesday, 18th July 2018

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Present:

Richard J. McMahon, Deputy Bailiff and Deputy Presiding Officer

Law Officers

R. M. Titterington, Q.C. (H.M. Comptroller)

People's Deputies

St Peter Port South

Deputies P. T. R. Ferbrache, J. Kuttelwascher, D. A. Tindall,
B. L. Brehaut, R. H. Tooley

St Peter Port North

Deputies, J. A. B. Gollop, C. N. K. Parkinson, L. C. Queripel, M. K. Le Clerc,
M. P. Leadbeater, J. I. Mooney

St Sampson

Deputies L. S. Trott, P. R. Le Pelley, J. S. Merrett, G. A. St Pier,
T. J. Stephens, C. P. Meerveld

The Vale

Deputies M. J. Fallaize, N. R. Inder, M. M. Lowe, L. B. Queripel,
J. C. S. F. Smithies, S. T. Hansmann Rouxel

The Castel

Deputies R. Graham L.V.O, M. B. E, C. J. Green, B. J. E. Paint,
M. H. Dorey, J. P. Le Tocq

The West

Deputies A. C. Dudley-Owen, E. A. Yerby,
D. de G. de Lisle, S. L. Langlois

The South-East

Deputies H. J. R. Soulsby, H. L. de Sausmarez,
P. J. Roffey, R. G. Prow

Representatives of the Island of Alderney

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

The Clerk to the States of Deliberation

S. M. D. Ross (H.M. Deputy Greffier)

Absent at the Evocation

Miss M. M. E. Pullum, Q.C. (H.M. Procureur);
Deputy A. H. Brouard (*absent de l'île*); Deputy V. S. Oliver (*indisposée*)

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States of Deliberation

The States met at 9.30 a.m.

[THE BAILIFF *in the Chair*]

PRAYERS

The Deputy Greffier

EVOCATION

CONVOCATION

The Deputy Greffier: To the Members of the States of the Island of Guernsey, I hereby give notice that a meeting of the States of Deliberation will be held at the Royal Courthouse on Wednesday, 18th July 2018, at 9.30 a.m. to consider the items listed in this Billet d'État which have been submitted for debate.

Procedural –

Welcome to Alderney Representative Roberts

5 **The Deputy Bailiff:** Members of the States, good morning.

Those of you who were listening carefully will have noticed that we have with us today Alderney Representative Roberts and we give him a warm welcome to his first meeting of the States of Deliberation. (*Applause*) He is substituting for Alderney Representative Jean who is poorly at the moment and I am sure that you will join me in wishing Alderney Representative Jean
10 a speedy recovery and a return to this Assembly as soon as possible.

Several Members: Hear, hear.

Statements

POLICY & RESOURCES COMMITTEE

Update on financial situation – Statement by the President of Policy & Resources

The Deputy Bailiff: It is summer and therefore those of you who wish to remove jackets may do so. The first item of business is an update on the financial situation on behalf of the Policy & Resources Committee and I invite the President, Deputy St Pier, to make the Statement.

Deputy St Pier: Thank you, sir.

Perhaps I could begin by wishing happy birthday to Deputies Tooley and Trott, who have had birthdays since we have last met, and Deputy Ferbrache who I think has a birthday later this week.

Mr Deputy Bailiff, last September I updated the Assembly on the overall financial position to the end of July and was able to give exceptionally positive news, with a surplus emerging, being an £11 million improvement against the 2017 Budget. This year, I am updating on the position to the end of June and, while there is some good news to report, I have also to include a measured dose of caution.

Given that Income Tax is by far the largest source of revenues, I had hoped to give an update on those figures for the second quarter. Unfortunately, however, due to the timing of this meeting and the deadline for submission of ETI payments, I am having to base the forecasts on the information available at the end of May.

The first quarter was a strong quarter for ETI receipts with year-on-year growth of 3.4% which is 1% ahead of our Budget. If – and I stress *if* – this trend continues, the outturn would be ahead of budget by between £3 million and £4 million. There are still two weeks to go until first half payments are due with respect to all other income taxes and I will therefore take a cautious view and refrain from making any forecasts at this stage.

In terms of the other sources of income, Customs duties remain on track to deliver the budgeted revenues, with shortfalls on tobacco being offset by slightly higher than forecast receipts from fuel duties. Document Duty receipts and forecasts remain in line with budget. The first half of the year has seen a reduction in both the volume and value of local market transactions as compared with 2017. At the six-month point, the number of transactions is some 12% down on the same point last year with duty similarly down. However, the number of open market transactions has picked up significantly with a corresponding increase in revenues meaning that overall the Document Duty collected remains on track.

There is a small shortfall on housing rents in the first half of the year with both voids and rebates higher than anticipated. Although this is a small variance, I raise it as a note of caution as we understand that, as a result of the recently implemented changes to Income Support, the number of voids has increased further meaning that the rental income stream is likely to fall short by the end of the year.

The final income stream worthy of mention is investment income. Both 2016 and 2017 were exceptional years for this income but 2018 has been much more volatile to date and the overall return in the first half of this year is slightly negative. Building this caution into the forecasts means that there could be a shortfall of some £2 million at the year end.

The picture on the expenditure side of the equation when I updated the Assembly in September last year was an underspend against the Budget of some £5 million. The position is much tighter this year, as indeed it should be given we have kept the pressure up for a number of years. At the end of June there was a collective underspend of just under £1.5 million but with the forecast to the end of the year estimating an overall overspend approaching £2 million. This

worsening position is being driven by three Principal Committees now forecasting that they will spend more than budgeted this year.

60 The first is the Committee *for* Economic Development. While there is a small underspend on the underlying position, further expenditure is being incurred this year by the Office of the Public Trustee in relation to one specific case which may prove to be irrecoverable. The Office of the Public Trustee must, of course, act as an arm's length body, so while this is not strictly speaking an overspend by the Committee, as the Office of the Public Trustee is funded through the Committee
65 for Economic Development's budget, this means that, overall, an overspend of £500,000 is currently being forecast. The Policy & Resources Committee notes the work of the Committee, officers and the recently appointed Public Trustee to manage and contain costs incurred.

The second is the Committee *for* Home Affairs which has yet to deliver against its budget reduction for 2018, leading to a forecast overspend of over £400,000. I am pleased to be able to report that an oversight group has recently been established with the President and Vice-
70 President of that Committee meeting with myself and Deputy Trott on a fortnightly basis, at least in the first instance, to seek to address this position. The Committee *for* Home Affairs wishes to embark on a programme of transformation which will lead to public services better equipped and appropriate for the future while delivering lasting and real savings. The Policy & Resources Committee wholeheartedly supports this sustainable approach.

75 At the same time as developing these longer-term plans, the oversight group will also concentrate on the delivery of tactical savings, such as those identified through the costing, benchmarking and prioritisation work facilitated by PwC last year to try to ensure that annual budgets can be met.

The final area of concern regarding expenditure – and this is no surprise – is the Committee *for*
80 Education, Sport & Culture which is forecasting, as anticipated in the 2018 Budget, a significant overspend against its cash allocation by the end of the year. This has arisen largely due to the lack of delivery of savings in either 2017 or 2018 against the budget reductions agreed by the Assembly. This is as expected, but there is some good news. At the time of the Budget, it was anticipated that the overspend would be some £3.9 million. This has now reduced to £3.4 million
85 thanks to implementation of several savings initiatives, including the restructuring of the office to the Committee.

I will repeat what I said in my last statement on this subject: these targets will never be met by tactical or one-off measures. They can only be delivered by wholesale transformation in the delivery of services. I am pleased to advise the Assembly that the Committee *for* Education, Sport
90 & Culture is working hard to put together a plan, with a clear line of sight to deliver these savings over the medium term, and I am confident that this will be finalised shortly. Its development continues to be challenged, monitored and supported through the established oversight group.

In summarising the overall position, sir, I would say that continued strength in the local economy is delivering the revenues we planned for this year although volatility in world markets is
95 providing a drag on this through disappointing investment returns. With regard to expenditure, the restraint on public sector expenditure remains successful overall but some pressures are beginning to show.

The pressures have arisen through the delivery of savings being seen as an exercise in their own right. Experience both in Guernsey over recent years and countless other public-sector
100 environments shows that sustainable public services will only be delivered through the wholesale transformation of services and through being bold rather than tinkering at the edges.

This means it is important to retain our unwavering commitment to public service reform and all that entails. It is only through the pursuit of such reform that the savings we identified as possible in the Medium Term Financial Plan will be delivered. Members will recall that the majority
105 of the savings identified will come through an overhaul of our approach to the procurement of goods and services and doing so on a States-wide basis, and through what has been termed 'service design'. That is, the redesign of public services, with technology at their core, which can

transform and improve the experience for all of us as public service customers whilst reducing the cost.

110 This requires a fundamental organisational redesign of the public service – for example, as the
Assembly recently agreed in respect of the creation of the Revenue Service for the collection of
Income Tax and Social Security contributions – alongside of course modernised and revised staff
terms and conditions. The Chief Executive is leading on this significant agenda and will require our
political support if this is to be successful to support delivery of the sustainable public services we
115 all aspire to.

I have said this before, but the need to deliver cost-effective and efficient public services will
not and should not change as a result of improvement in the economic and fiscal cycle. It is
incumbent on all of us to challenge the *status quo* and ensure that opportunities to change the
way public services are delivered are fully explored and implemented. It is only by doing this that
120 we will be able to begin to meet the challenges that the ageing demographic will have on our
longer-term revenues and the shape of public services.

In addition to the five themes for the delivery of savings identified in the Medium Term
Financial Plan, we should consider adding one more: working more closely with Jersey. The inter-
island meeting on 25th June demonstrated a clear commitment to work together on making
125 public services more efficient and effective.

In her statement on 27th June, the President of the Committee *for* Health & Social Care
referenced the agreement to introduce a shadow Channel Islands Health Authority to promote
joint working in health and care to support the improvements in the provision of those services in
both communities.

130 There will also be the establishment of a formal partnership for public sector procurement,
including contract and supplier management, to improve value for money and reduce costs across
the Channel Islands. In addition, we have agreed to set up a joint digital transformation board in
order to work together on the delivery of technology to speed up, if possible, online services for
islanders, which I mentioned earlier.

135 To ensure that we unlock the financial benefits from this work, we will now consider whether
the time is right to set specific targets for savings from joint island working in the Medium Term
Financial Plan and Jersey's equivalent. This will be the subject of discussion as part of our work on
the 2019 Budget.

The Policy & Resources Committee's focus is now firmly on the Budget for next year and in
140 particular delivering it in line with the Medium Term Financial Plan. All other things being equal, if
we choose to follow prior practice, the increase required in excise duties on alcohol would add
around 2p to a pint of beer. Fuel consumption continues to drop year on year, in line with
previous forecasts, highlighting once again that the current system for taxing motoring entirely
through fuel use is wholly unsustainable.

145 The States have directed this be reviewed and this review has begun, working with the
Committee *for the* Environment & Infrastructure. However, it will not have progressed sufficiently
far for any alternatives to be recommended in the Budget Report to take effect in 2019. In the
absence of this, if we simply choose to recommend maintaining the real value of motor fuel in our
tax system, we estimate that this would translate into an increase in duty of 3.2p per litre.

150 The extant States' policy on tobacco directs us to an increased duty by 5% in real terms. This
would add 35p to a packet of cigarettes. The States is also of course already committed to a 7.5%
real terms increase in domestic TRP. However, it should also come as no surprise to anybody in
this Assembly, or in our community, that in addition to those normal changes we will also need to
raise £3 million additional revenues next year to adhere to the Medium Term Financial Plan.

155 As I set out in my recent speech in opening the debate on the accounts, we provide a wide
range of services to our community, the overall standard of which undoubtedly compares
favourably with developed jurisdictions across the world and we do so at a level of aggregate
taxation which is substantially lower than the OECD average. Raising revenues is a key component
in the delivery of a sustainable financial position in the medium term, but so too is the continued

160 restraint on the size of the public sector and delivering the transformation in services to ensure that they are fit for the future.

In summary, this States has developed and approved for the first time a Medium Term Financial Plan to guide us in this term and I am pleased to say that, broadly, at this point, we appear to be on track to deliver against it; steady as she goes.

165 **The Deputy Bailiff:** Deputy Green.

Deputy Green: Sir, thank you very much.

170 The issue of transformation of public services is an issue of great interest to the Scrutiny Management Committee. I am grateful to Deputy St Pier for the update he has given, including the information on wholesale transformation, but the question I have got for him is this: as regards the Committee *for* Education, Sport & Culture and the Committee *for* Home Affairs, is Deputy St Pier in a position to be able to say when we will see plans from those two Committees, in terms of how they will deliver those transformational savings, both longer-term and tactical? In
175 Deputy St Pier's view, is there the political will there to actually deliver on those savings?

The Deputy Bailiff: Deputy St Pier.

180 **Deputy St Pier:** Sir, both Committees are under direction, as is Policy & Resources, to report back to the States through the Budget Report 2019 – in other words by October this year. That is a direction which all the Committees involved fully understand and appreciate. I would say there is the political will and understanding from everybody involved that we have to deliver against that. It is very clear that the Policy & Resources Committee, in presenting credible recommendations to the States as a whole needs to have a clear understanding of what the plans are and when they
185 can be delivered and that is what we are all working hard to ensure that we are in a position to deliver.

The Deputy Bailiff: Deputy Gollop.

190 **Deputy Gollop:** Thank you very much, sir.

I appreciate Deputy St Pier and his colleagues do not have crystal balls, but in view of the fact that we will enter a significant housing debate later this week, what predictions are the Committee making for the uplift, if any, in the local market housing volume of transactions for the rest of the year?

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

Deputy St Pier: Sir, Deputy Gollop is right, I do not have a crystal ball and I therefore will not attempt to make any prediction for that. That is not something that forms part of our thinking.

200 **The Deputy Bailiff:** Deputy Lester Queripel.

Deputy Lester Queripel: Sir, I think Deputy St Pier said ESC had saved £500,000 by restructuring the office, or words to that effect. What does that mean, exactly? Does it mean staff
205 who were considered superfluous to requirements were relocated to other departments or does it mean something entirely different?

The Deputy Bailiff: Deputy St Pier.

210 **Deputy St Pier:** Sir, the £500,000 I referred to included a number of initiatives, including the changes to the composition of the office to the Committee and it involves a number of changes,

exactly as Deputy Queripel has suggested, including people leaving the public service and indeed some people moving out of the Committee into other areas. But they are no longer a part of the budget for the Committee. In other words, the number of people employed at a particular level have been removed, which enables the budget to be reduced accordingly and that is what has produced the saving.

The Deputy Bailiff: Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

With current volatility and public service reform, together with private sector rationalisation, would Deputy St Pier agree with me that it would be a dangerous time to take more from home-owners and taxpayers in the forthcoming Budget?

The Bailiff: Deputy St Pier.

Deputy St Pier: Well there is clearly some particularly political uncertainty which exists beyond our shores. We have obviously been living with that now for a number of years. I think in the absence of a substantial external shock between now and the Budget, it is the Committee's plan to continue to work, as I suggested in my statement, to the Medium Term Financial Plan. That is what is driving the Committee during this term.

The Deputy Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, the President has spoken about the problems in savings as an end in itself rather than the need for wholesale transformation – something I totally agree with. But on that basis does he agree with me that Principal Committees therefore need revenue budgets that enable them to have the capacity to transform and therefore for some – and I include HSC – a 1% cut in budget per the Medium Term Financial Plan is inconsistent with such transformational opportunities?

The Deputy Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I certainly agree that it is necessary that Committees are given sufficient resources to enable them to transform and that is certainly what the Transformation and Transition Fund is all about. I think the Committee *for* Health & Social Care and a number of other committees have successfully accessed that in order to enable them to progress on that journey. Clearly the key to that, as with the dialogue that is currently going on with Education and with Home Affairs, is to ensure we do have a clear plan of how that is going to be delivered in order that it is a valid decision to support that through additional funding through the Transformation and Transition Fund to enable that to happen.

The Deputy Bailiff: Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir.

Bearing in mind the reported shortfall in investment returns, can it be estimated yet what effect the shortfall may have and, if so, where will the impact be felt and might the bond reserve be affected, for example, and to what extent?

Thank you.

The Deputy Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I cannot put any particular numbers to that. The bond reserve will be affected but of course it is in substantial surplus at the moment as a result of the last two years' returns. Of all the numbers that I have spoken to today, the investment return is the one that is the most volatile because clearly, going back to Deputy Gollop, we do not have a crystal ball as to what the markets will do.

They could go up substantially in the next six months, or they could go down substantially in the next six months, or they could do broadly nothing. So I think it would be fairly fruitless to attempt to pin a number to that. We will have to take that into account as the Budget approaches and as we move into next year.

The Deputy Bailiff: Deputy Dudley Owen.

Deputy Dudley Owen: Thank you, yes, sir.

Would the President of Policy & Resources please comment on the decision to make such profound changes at the Education Office in regard to their senior staff, in order to make savings, at such a crucial time in developing educational policy going forward? Would he not agree with me that this is a very risky strategy to undertake at such an important time?

The Deputy Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I think it is difficult and I do not think necessarily it would be appropriate for me to comment on that. That clearly is a matter for the Committee themselves, but also of course for the line management of those individuals, for the Civil Service who are ultimately responsible for providing the organisation in order to deliver against the Committee's requirements and indeed that of the States of Deliberation. There are clear lines of management and I am not sure that actually it is appropriate for me to comment in the way that Deputy Dudley Owen is asking.

The Deputy Bailiff: Deputy Inder.

Deputy Inder: Sir, I have got some figures in front of me, provided by a private individual. According to this, the gross private sector salaries over the last 10 years have risen by 24.89%, but you move along to the gross cost of the public sector salaries, it has risen by 47.47% in 10 years. Is transformation, as described by Deputy St Pier, really a myth?

The Deputy Bailiff: Deputy St Pier.

Deputy St Pier: I am not sure that the first part of the question was necessarily linked to the question itself. I cannot comment on the numbers that Deputy Inder has provided, because I do not know what the source is. What I can say is that transformation is very definitely not a myth. That absolutely underpins the work of Partnership for Purpose in Health & Social Care and indeed the work that both Education and Home Affairs are now embarked on.

Public service reform also envisages substantial changes in the service, through the deployment of digital technologies, as I explained and we have seen that again with the decision of the States to support the revenue service, which will be a substantial piece of Transformation and, in addition, of course, as I referenced in my statement, the need to reform the terms and conditions of staff, is a substantial piece of work. A lot of preparation has been done for that. We now need to deliver against it, which is going to be a substantial challenge for the Chief Executive, which is why he will need our political support to deliver that.

The Deputy Bailiff: Deputy Gollop.

315 **Deputy Gollop:** Sir, I very much welcome and have always supported moves where appropriate for us to work more closely with the Jersey political assembly and the public sector. I support the moves made by Deputy St Pier and Deputy Soulsby. Following on the transformation issues raised by Deputy Inder, is he aware that in Jersey they are cutting out one third of senior level management positions, the new chief executive and Council of Ministers, and could
320 Guernsey look at their initiatives and see whether we can make similar moves in terms of reorganisation, capping and restructuring the senior end of our public system?

The Deputy Bailiff: Deputy St Pier.

325 **Deputy St Pier:** Sir, again I do not think it is appropriate for me to comment on what is happening in another jurisdiction. They clearly start from a different point. They have a different history and a different structure. I think we have to have confidence in the public service reform programme, which has now been underway for a couple of years, led by the Chief Executive.

330 That has been presented to the States and there is a substantial amount of change, as indicated in response to the question from Deputy Inder, which is following as a result of that. We have, as I said in my statement, to stay true to that course and I am confident it will deliver the change that is expected.

The Deputy Bailiff: Deputy Laurie Queripel.

335 **Deputy Laurie Queripel:** Thank you, sir.

Deputy St Pier spoke about challenging the norm in the context of public sector reform. Could he state clearly, now, whether that might involve outsourcing the delivery of services and, if so, along the lines of Deputy Gollop's question, will the impact be felt at higher levels, i.e. administration and management, or will it only be those who work on the front-line and deliver the services who will feel the burn?

The Deputy Bailiff: Deputy St Pier.

345 **Deputy St Pier:** Sir, again, I understand the premise of the question. I think it is quite difficult to give a specific answer without referencing any particular area of work and how it might be re-organised and potentially outsourced. Certainly, there is a substantial piece of work going on at the moment, which is looking at the future of our digital services.

350 A number of Members have been closely involved in that. That is not yet shaped in terms of what it will finally look like and what impact it will have on the people in the service, but that is something that is very clearly forming a part of the process of consideration as to what is appropriate for us in the future.

The Deputy Bailiff: No one else is rising, so thank you very much, Deputy St Pier.

COMMITTEE FOR HOME AFFAIRS

General update – Statement by the President of Home Affairs

355 **The Deputy Bailiff:** We turn now to the update Statement on behalf of the Committee for Home Affairs by its President, Deputy Lowe.

Deputy Lowe: Thank you, Mr Deputy Bailiff.

Sir, I am grateful for the opportunity to update the States and the wider community on what has been happening within Home Affairs so far this year. As stated in my previous update, the Committee is clear in its view that as a Government our primary duty must be to maintain the security and wellbeing of our people. As such we focus on ensuring Guernsey is a safe and secure place to live, work and do business.

The Committee's mandate is wide-ranging and it would not be wise use of the limited time available to seek to cover every aspect of its portfolio. We recognise that Home Affairs, in common with most other Committees, can only be truly effective when working in partnership with others. In Government there are very few issues which can be progressed in isolation. To this end I would like to reiterate the Committee's desire to work collaboratively with other States' Committees and would encourage Members to contact me should they wish to discuss the detail of any aspect of the Committee's mandate.

I will first of all address Law Enforcement, which encompasses both policing and the border agency. In addition to ensuring a secure border which facilitates the legitimate movement of people and goods, protecting the vulnerable, community engagement and multiple other outcomes – Law Enforcement also continues to tackle crime and anti-social behaviour and this of course includes economic crime and discharging our international obligations to combat money laundering and the financing of terrorism and wherever possible to confiscate the proceeds of crime.

A key focus is also on the increase in public awareness of cybercrime. Law Enforcement took part in Digital Ace, which coincided with Safer Internet Day where officers provided advice on staying safe online. Law Enforcement have also continued to invest in the Get Safe Online campaign for 2018 on a pan-island basis with Jersey. This involves a link on the Guernsey Police website which takes you to the Get Safe Online website which provides a wide range of useful information relating to online security and also details how to get in touch with Law Enforcement with any related concerns. This initiative is soon to be driven using a Crown Dependency approach.

I turn my attention to Brexit, which achieving the best outcomes for the businesses and people of the Bailiwick must be our highest priority and biggest challenge. The Committee remains heavily involved with this at both political and staff level, particularly in relation to the rights and movement of EU nationals, maintaining the Common Travel Area and in ensuring that trade agreements and new customs arrangements are in place when Brexit occurs.

As Members will appreciate from today's Billet, Home Affairs is presenting its first Brexit-related policy letter dealing with future Customs duties and powers. Of course this work will not be stopping anytime soon but will continue to gather momentum as we approach exit day. The workload of Brexit is undeniably complex and demanding and something which is not helped by the uncertainty which naturally continues around the whole theme. This is a problem common throughout the Crown Dependencies and Whitehall and one we simply have to face and deal with.

Also operating as part of the Law Enforcement Team is Trading Standards which is a small but committed team which recently concluded a consultation exercise looking at the options for changing aspects of the weights and measures legislation. Importantly this was followed up at officer level with conversations with Jersey to explore the possibility of common standards, regulations and the like across both Bailiwicks.

JESCC as a multi-service emergency control centre is one of only a very few of its kind in the world. Nonetheless it reflects a growing trend worldwide to maximise the co-ordination and co-location of critical services. It does however come at a cost and work is progressing to ensure these costs are apportioned in the fairest way to the various services which use it.

New staff members have recently been trained and deployed. We are currently recruiting new operators and hope to be fully staffed shortly. It is fully acknowledged that JESCC's financial teething problems have continued longer than any would have hoped for, and there is a recognition that the original aspirations were overly optimistic – something which we continue to

address. This however should not detract for one moment from the vitally important service provided by the operational team 24 hours a day, 365 days a year.

415 I now move on to Probation and FPAS. The team at Probation continue to provide a service to the courts and the prison, which is something which will be further aided when the Committee is able to present the new Probation Law to this Assembly in the year ahead.

The Committee also oversees the Family Proceedings Advisory Service, known as FPAS. A new manager of the FPAS was recently appointed. Her primary focus from the outset will be the implementation of the Ofsted inspection recommendations, taking into account stakeholder consultation and engagement.

420 Next I turn to population management. The Population Management Regime has now been in place for 15 months and I am pleased to report that after the well-documented problems, the team has been able to catch up with most of the backlog of applications and is now running as business as usual. The Committee is considering further enhancements to ensure the delivery of the service is continuously improved for the public.

425 The Prison is another important service. In recent months the Prison population has seen an increase in the number of longer-term sentences which means the higher prison population numbers are not set to decline any time soon. If this trend continues other options for holding prisoners will need to be explored. The Prison has also installed computer terminals within the cells. These terminals do not allow prisoners to make contact with the outside world, nor the
430 internet. They do however provide valuable educational opportunities and better equip the prisoners for their return to society.

I will focus now on the Fire and Rescue Service and on Emergency Planning. Fire and Rescue continues to provide the Island with a wholly dependable and yet proportionate service. Thankfully, fires are few and far between but as we will have all seen in the national news fire
435 services must be ready and able to deal with any situation, whether that be a high-rise tower block or wildfires across open countryside.

I am pleased to report that in the area close liaison is taking place with officers of the States of Jersey to explore ways of delivering better services and to do so more efficiently. We are, for example, looking into the prospect of running the Emergency Planning operation on a pan-island
440 basis. When preparing for major emergencies, the synergies between the islands are clear to see. For example, each island needs to consider how best to respond to incidents such as coastal flooding, fire at a fuel depot, ferry collision, flu pandemic, oil pollution, the list goes on.

While there are certain elements which are bound to be specific to one island, the reality is that most challenges we face, and need to prepare for, are common. It is early days yet but we will
445 know more in the autumn once further discussions & costings have been established with Jersey.

Last but by no means least, I need to talk about money, the financials. In this respect the Committee continues to pursue opportunities to make savings and deliver services more efficiently. As I mentioned in my statement last month during the P&R Plan debate, the Committee is delighted to be working together with P&R.

450 Jointly we have established an Oversight Board to ensure Home Affairs can deliver its services in the most efficient manner and where possible generate savings. A key part of this is looking at a transformation programme which we hope will improve our service delivery. As an example, the Committee fully recognises that through well-managed property rationalisation further savings can be achieved. On this we will be working closely with STSB to ensure we can vacate rented
455 accommodation as soon as possible, but not leaving it standing empty at public expense.

Reducing expenditure on key services upon which individuals, families and the whole society relies is not easy; it never has been and never will. Nonetheless Home Affairs is committed to ensure the Bailiwick remains a safe and secure place to live and do business. Working with P&R Oversight Board will enable us to achieve the aims of the P&R Plan endorsed by the States.

460 Finally, I am pleased to report that the Committee is due to attend a Scrutiny Management public hearing in September at which it looks forward to the opportunity for a constructive dialogue and to be able to share relevant information in an open forum.

Sir, that concludes my update on a number of matters falling under the mandate of the Committee *for* Home Affairs.

465 I am happy to take questions.

The Deputy Bailiff: Thank you, Deputy Lowe.

Does anyone have a question for the President of the Committee *for* Home Affairs about anything in its mandate?

470 Deputy Green.

Deputy Green: Sir, thank you.

Yesterday the 999 emergency line was out of action for a period of time when both devices responsible for routing the calls failed at the same time. Is Deputy Lowe in a position to comment on that matter? Is she able to provide assurance to the community that the resilience of that system will be better in the future?

The Deputy Bailiff: Deputy Lowe.

480 **Deputy Lowe:** Yes I do and I thank Deputy Green for his question because obviously we were very concerned about that and there is the back-up through the phone system and that failed as well. However, whilst that was taking place to address the concerns and be able to fix it, there was only one 999 call and that was transferred through the other route with the co-operation of Sure and indeed with the IT services here. It is very unusual that both actually collapsed and it is certainly not something we relish, but I am delighted to say that there was not too much of a problem, because it was diverted.

The Deputy Bailiff: Deputy de Lisle.

490 **Deputy de Lisle:** Sir, I wanted to ask the President for an update with respect to progress with community policing and working with the Douzaines to combat crime and break-ins. Can the President give us some indication as to what resources are being placed in this community policing area?

Thank you.

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The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

I thank Deputy de Lisle for his question. I know he has raised this before and he has concerns about the community policing, are there enough and are they in the right areas. We could probably quadruple, put loads and loads more police in the community because that is really where we would like to see the police, but owing to the resources we have to prioritise where is the best place for them to operate on a day-to-day basis.

505 However the invite still goes out to Deputy de Lisle and indeed to his Douzaine, through Deputy de Lisle, if he does have concerns about a particular area, please do contact the Police and they will do their utmost to come and talk to the Douzaine and also raise it through the Douzaine Liaison Council where they also will do their utmost with his areas of concern to address it.

The Deputy Bailiff: Deputy Roffey.

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Deputy Roffey: Thank you, sir.

At the risk of sounding like a broken record can I ask the President of Home Affairs for the latest predicted timescale for a report to be brought to this Assembly on the position of Alderney

and Sark youngsters under the population control regime, given that we did request one as soon as possible, 16 months ago?

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you and I do not mind you repeating it any time, Deputy Roffey, because owing to the backlog that we had at Population Management – and I believe we have explained that to you through a letter, but I am happy to say it publicly as well – we need to put our resources into that area to make sure that we caught up on that backlog. I can assure you and indeed any of those listening, including the Alderney Reps that are sitting in the Assembly, it is now a priority for us and they are in the preparation of coming back with a report for us to bring to this States, which hopefully will be here by year end.

The Deputy Bailiff: Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

The Committee *for* Health and Social Care has declared their intention to review the interaction of the health and justice systems, with respect to drug systems, and to investigate the potential for decriminalisation and legalisation. Does the President of Home Affairs agree that this review is necessary and will her Committee be co-operating with Health & Social Care on the review?

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, Deputy de Sausmarez.

Of course we will co-operate. That was right at the very beginning of my speech. If there is crossover between Committees, please contact us. We have not had anything from Health & Social Care but I am sure if we do it will certainly be something that we will be considering as a Committee.

The Deputy Bailiff: Deputy Gollop.

Deputy Gollop: Thank you very much, sir.

There have recently been changes of leadership at Guernsey Chamber of Commerce, the Institute of Directors, amongst other key business organisations; would the Department *for* Home Affairs welcome meeting representatives of the business community to discuss improvements or changes they might wish to see involving population management?

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, Deputy Gollop.

We continue to send out messages for all the business community to please contact the Population Employment Advisory Panel. They have got their representatives on there – six representatives – from all the industry, and it is important that the businesses contact them. Indeed, I am sure that the Chairman of PEAP would welcome meeting the Chairman of the Chamber of Commerce. If he wishes to contact us as a Committee, I am more than happy to meet him as well.

The Deputy Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

The President mentioned in her speech the prison population and alluded to a situation, potentially, where we would have a full prison. At that stage what actually happens? Can prisoners

be sent off-Island? Is it a review of sentencing policy, although I appreciate that sits somewhere else? What would happen if this situation arose where we did have a full prison?

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: As I alluded to in my speech, Deputy Brehaut, that is something that we are currently reviewing, bearing in mind the long-term sentences that are taking place at the moment. We have got some options which we are going to look at, we are going to consult and we are also going to get some costings in, but it is something that the Committee wish to make the States aware of.

We are not there yet, but it is something that is on the radar. If you have got the prison filling up with prisoners that are there on long-term jail sentences, we cannot leave that unless we take notice of that. You cannot leave it to the last minute to decide what you are going to do if the prison population carries on increasing. We are not saying it should not. What we are saying is that good planning has to be in place.

The Deputy Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

The prison population would not be as large as it is, were it restricted to long-term sentences. There remain several prisoners on short-term sentences, which the prison authorities have consistently advised are of very little use in terms of retribution or rehabilitation.

Now 12 months ago, I laid an amendment trying to encourage the Committee to review custodial short-term sentences and I believe at the time the Committee said they would report back to the States over the course of the next 12 months, with their thoughts on the issue. But they have not done so. Is Deputy Lowe able to advise the States whether the Committee will report on this matter in the next 12 months, which could as a consequence, have the effect of assisting the challenge she has outlined in respect of the prison population?

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, Deputy Fallaize.

It is certainly part of the justice policy, which is one of the priorities set by this States on the P&R Plan and it is quite broad. So it is on the agenda that they are looking at this. They are formulating the working party for it, to be able to cover this work, and it will be down to other options.

I have mentioned it before that we could probably look at tagging. There are different options that are available to the courts currently but, of course, ultimately, it is down to the courts to make that judgement as to whether they send a person to prison or not. It is not for politicians to say whether they should or they should not. They have got all the options before them and we leave that to the courts. We will accommodate people short-term, if that is the courts' decision. However, it is part of the consultation taking place with the courts and wider than that, on the Justice Strategy Group.

The Deputy Bailiff: Deputy Yerby.

Deputy Yerby: Sir, would Deputy Lowe not agree with me that a booming prison population is symptomatic of the failure of upstream preventative policy and would she undertake to bring a comprehensive criminal justice policy back to the States for debate as a matter of urgency?

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: It is something that we have agreed with as the P&R Plan. It is not something that we have left. We saw that as a priority. That is why the States agreed with it as a priority. But we were hoping that we could cherry pick some areas to be able to get on with it, but it is not going to happen overnight. There is an awful lot involved with justice policy and that is right. We are going to do the job, we are going to do the job properly, but we will be able to bring some things forward to you before hopefully the end of this term, but certainly next year.

The Deputy Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, sir.

Just briefly, when the President mentioned the Population Management Regime, she mentioned that most of the backlog was done. Could the President please clarify whether there is still outstanding backlog within the Population Management Regime?

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: As I mentioned in my Statement, there are a few. I think we are talking probably around 30 of the complicated ones which are still being addressed. But we sent out a media release, which you will have all had. They cleared more than 8,000 in the last year. That is a huge amount of permits to get through and the backlog was very high at that time, of the complicated cases as well. So we are delighted we are down to, I think, it is around 30 now of the complex ones.

People are actually getting back to us. Companies are saying, 'This is great. We have a permit within 48 hours.' Never happened before, because it is now all electronically dealt with. Indeed our customers, both businesses and individuals, have given us enormous feedback of saying how great they find the new system.

The Deputy Bailiff: Deputy Lester Queripel.

Deputy Lester Queripel: Sir, in the past Deputy Lowe has expressed concerns about the States' departments spending taxpayers' money, leasing buildings to operate from and she did once say, I think I am right in saying, her own department leases a building, which is funded by taxpayers. She said she had concerns about that; I am wondering can she give us an update, please, on where Home Affairs are, if they still are leasing a building which is funded by taxpayers' money?

Thank you, sir.

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, Deputy Queripel.

We have moved out of property which was operated by STSB, so I believe that is down to STSB to actually find a tenant to go into these properties and then it will be a saving to Home Affairs. In the meantime, we are charged with paying the rent, because it is still part of Home Affairs and, until we can get a tenant in there, that is the way that it operates, sadly.

The Deputy Bailiff: Deputy Inder.

Deputy Inder: Thank you, sir.

Deputy Lowe, with JESCC, the maritime community still have quite significant concerns about the positioning of the coastguard and there is a preference for it to be back down the harbour, where it sensibly should be. We have spoken about this a number of times. Is there any

670 movement, is there any thinking within the Committee on that subject and whether the coastguard should be still handled by JESCC?

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, Deputy Inder.

675 Certainly there has been a review and that is part, again, of STSB and we have been asking for the feedback on that review. I think they may have had it in draft, I am not really sure. But we have been asking for that because it is important we have that so we can see how it will go forward in the future, whether it remains there or whether it is moved. But that is out of our hands until we have actually got the outcome of the review.

680 **The Deputy Bailiff:** Deputy Green.

Deputy Green: Thank you, sir.

685 Deputy Lowe mentioned the Family Proceedings Advisory Service (FPAS) in her Statement and she talked about the appointments that have just been made there and the implementation of the Ofsted review. Is there any timeframe as to when we can expect to see at least a plan to implement the recommendations in the Ofsted review of the FPAS?

The Deputy Bailiff: Deputy Lowe.

690 **Deputy Lowe:** Thank you, Deputy Green.

It is a priority and the new appointment of the manager actually takes place, I think, in September, full-time. So that is the top of the list for her to be dealing and getting on with. Some have actually taken place but there are other areas that need to be looked at as a priority, so I am hopeful that, certainly in the next few months, we will have an outcome of that.

The Deputy Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

700 I think in passing the Committee deserves great credit for the improvements that they have made at the Population Management Office. Returning to this issue of the prison population and sentences, Deputy Lowe said it was for the courts to determine who should be in prison, not for politicians. Of course she is right. But does she accept that the States, through passing legislation, do put all sorts of constraints and guidelines in place? The courts do not have complete *carte*
705 *blanche* when determining sentences.

With that in mind, does her Committee not feel that it would be wise to review sentencing guidelines, in particular to invite the States to consider whether the courts ought to be encouraged to use alternatives to custodial sentences where they are currently using short-term prison sentences, which all the evidence suggests are of very little use, either to the individual or
710 to the community?

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you.

715 Yes I fully accept it is down to us to actually see about the options that are available to the courts and for us to review those, but that is part of the working group that is taking place at the moment and I think last time you asked that question, it might have been during a debate rather than question time, because Deputy Ferbrache jumped to his feet straight away and listed all the alternatives, which I thought was very helpful. I am not sure people are always aware of the
720 alternatives available to the courts at this current time.

The Deputy Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

725 I have been advised, I know not whether accurately or otherwise, that each cell at our prison now has its own telephone. Can the President confirm that there have been no difficulties with the operation of this system and neither have there been any problems with the Sky television network? (*Laughter*)

The Deputy Bailiff: Deputy Lowe.

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Deputy Lowe: I am not sure about the Sky television network, Deputy Trott, but I can say that the telephone system that was put in place has worked extremely well and we have seen a good response from that. We are very much in this States wanting to say we want to look after people with difficulties, whether it is mental illness or other areas of concern, looking after individuals. 735 This has worked well, where they can talk to their family and get that reassurance. The attempted suicide rate has gone down.

The Deputy Bailiff: Deputy Ferbrache.

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Deputy Ferbrache: Does Deputy Lowe accept the well-trodden ethos of separation of powers, which means that sentencing policy should be and must always be a matter for the courts and not for transient politicians?

The Deputy Bailiff: Deputy Lowe.

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Deputy Lowe: I totally agree with Deputy Ferbrache.

The Deputy Bailiff: Deputy Laurie Queripel.

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Deputy Laurie Queripel: Thank you, sir.

I just wanted to ask the President might the developing or fast-developing justice policy strategy perhaps contain something within it that might help to resolve the backlog of cases for trial in the Magistrates' Court?

Thank you.

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The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: All of the questions that have come up today, if they are not already being considered at the justice policy, we will actually take on board and look at those areas. It is very wide. It is not that easy and it is very complex. It might need Law changes, as well. But we are keen to do it. That is why it was a priority for Home Affairs. That is why the States actually backed us and said, 'Yes please, get on with that.' Because we have to do something to make sure that we are giving a good service to our customers and indeed to those that are facing the justice system. 760

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The Deputy Bailiff: Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

Does the President know what percentage of the current prison population have been incarcerated because of drug-related offences?

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The Deputy Bailiff: Deputy Lowe.

775 **Deputy Lowe:** I have not got the numbers actually in front of me at the moment, but they are published. They are on the website. They are published fortnightly. There is a breakdown of how many are in the prison, whether it is drug-related, whether it is violence, whether it is sexual abuse. They are all listed. They give you a breakdown of the age of the people in there. It will give you a breakdown of whether they are from Guernsey or whether they have come from elsewhere. It is all there. It is on the website and it is interesting that the highest intake at the prison are drug-related offences.

780 **The Deputy Bailiff:** Deputy Prow.

Deputy Prow: Thank you, sir.

785 Following on from Deputy Queripel's question, would the President agree with me that Home Affairs still await the receipt of the HMIC report on Law Enforcement and that the time to review the work of the Criminal Justice Unit would be once the Committee has studied this review?

Thank you, sir.

The Deputy Bailiff: Deputy Lowe.

790 **Deputy Lowe:** Yes, it is all part of that as well, that we are waiting for. We took the initiative to actually have reviews because it was important. We should not just tick along. If we are actually doing a transformation and so many of the services have not had inspections for over 10 years, that is not good governance and so we have taken it at Home Affairs that we will make sure that we have these inspections, have these reviews, see what other alternative ways we can operate, because that is all part and parcel with regarding justice policy for the future.

The Deputy Bailiff: Deputy Gollop.

800 **Deputy Gollop:** In relation to Deputy Green's second question and the Home Affairs' Department's responsibility for Probation, how far will the Home Affairs Department be open-minded in working with other departments to see whether we can have in Guernsey a similar role to Jersey's Child Commissioner?

805 **The Deputy Bailiff:** Deputy Lowe.

Deputy Lowe: Thank you.

810 Just going back to the question that was raised by Deputy Queripel, the FPAS has actually been published as well – the plan for that. So Members will be able to see what FPAS are trying to do as part of that report and how we are coming back with that. Whether we went down the route Deputy Gollop was talking about, I cannot answer that at this stage.

The Deputy Bailiff: Deputy Soulsby.

815 **Deputy Soulsby:** Sir, yes. I wonder whether the President would be interested to know that 34% of the prison population, according to the website, have been convicted on a drugs-related offence?

The Deputy Bailiff: Deputy Lowe.

820 **Deputy Lowe:** Yes, thank you.

Added to that, it is drug traffickers. No longer do the courts actually send somebody to the prison if they have just been caught with a small part of drugs in their pocket. The population that

825 we have got in there are those that are trafficking drugs in Guernsey and I thank Deputy Soulsby for giving out that number. I encourage Members to have a look on the website.

The Deputy Bailiff: That concludes questions to the President of the Committee *for* Home Affairs.

Questions for Oral Answer

POLICY & RESOURCES COMMITTEE

Brexit – Preparations

830 **The Deputy Bailiff:** We now move into Question Time proper. The first Question is to be posed by Deputy Gollop to the Policy & Resources Committee.
Deputy Gollop.

Deputy Gollop: Thank you very much, Deputy Bailiff.
My Question is, Deputy St Pier, in view of the rapidly changing political situation occurring with
835 the UK Conservative-led government in Westminster, are we preparing for the possible policy and legislative consequences of an evolving scenario whereby the United Kingdom maintains European Union full access and rules for agricultural and industrial goods but not for services, which potentially might affect some offshore aspects of the economics of Crown Dependencies?

840 **The Deputy Bailiff:** In the absence of the President, I understand that the lead Member on external relations and constitutional affairs, Deputy Le Tocq, will respond on behalf of the Committee. Deputy Le Tocq.

Deputy Le Tocq: Thank you, Mr Deputy Bailiff.
845 I am pleased to have the opportunity to address the Assembly on behalf of P&R on the evolving situation following the UK's cabinet meeting at Chequers on 6th July. The political and negotiating landscape is constantly changing. Guernsey has to consider many varying views and scenarios.

Clearly the process for the UK to leave the European Union remains extremely complex. In its
850 recent announcement, the UK proposed maintaining a common rule book for all goods, including agri-food, with the EU. This aligns with our own existing trading relationship with the EU. Guernsey's officials are assessing whether we could join the UK's membership of the World Trade Organisation, which in essence provides internationally agreed rules for the trading services.

855 There are still challenges to overcome, but we can plan for many of them. Timescales for Brexit negotiations are increasingly compressed and accordingly our readiness preparations have accelerated across the relevant committees. Guernsey's excellent ongoing engagement with the Department for Exiting the EU, the Ministry of Justice and other UK departments is critical to our success.

860 Over the coming months, irrespective of any political outcome within the UK, we remain committed to ensuring that we are adequately prepared, the current level and pace of engagement is maintained, our interests continue to be understood and that the UK honours its responsibility to ensure our interests are properly represented, even if different to their own.

865 **The Deputy Bailiff:** Supplementary, Deputy Gollop.

Deputy Gollop: I have got two, if I may, sir. The first is that although it was gratifying to hear robust and positive perspectives from leading financial organisations in Guernsey and pundits in Guernsey and indeed our Government over the last week or two, there has been, perhaps in England, greater concern over where the City of London is going. How far do we need to develop our links to ensure that our offshore finance remains in an extremely competitive place, with access, if needed, to the European Union markets?

The Deputy Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Sir, the Brexit sub-committee, which includes Members of other committees, meets fortnightly and met just yesterday and has representatives as well, of Guernsey financial institutions, as well as the regulator and Guernsey Finance. It is obviously of great concern, but we have an opportunity, and we have done so right from the very beginning, to monitor and to be involved and engaged at every level. So the concerns are real. As many Members might be aware, Deputy Trott also sits in the City UK grouping. We have many opportunities to make our views known and clearly, as the changing scenarios continue to change, maybe even as I am speaking, we need to be aware and well-planned in order for Guernsey to be in the best position.

The Deputy Bailiff: Deputy Gollop, second supplementary.

Deputy Gollop: My other supplementary is a bit more of a wild card and arguably should be directed at Deputies Le Clerc or Soulsby. Recently it was announced that the United Kingdom will remain within the European Union for the purposes of pharmaceutical regulation. Is that a matter that Policy & Resources have monitored as part of your Brexit external relations oversight?

The Deputy Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Sir, we are fortunate in that the States of Guernsey, along with the States of Jersey, planned well in advance for the types of scenarios and the effects that it might have on our current way of life, our legislation and all those implications. So we have an increasing understanding of the risks and the implications of that, and issues such as pharmaceutical goods, medical supplies, etc. are on that list and we know the implications that are involved. If the scenario continues to change in the UK, we have to update what our plans would be and indeed in many cases we have got more than one plan. We have a plan A and a plan B. That will continue as we see the deadlines approach.

The Deputy Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I have a supplementary. It seems increasingly possible that the Government will fall and there will be a general election. Is Deputy Le Tocq able to assure the States that the ordinary process of engagement that the Committee has always undertaken prior to the events around Brexit is continuing in order that the Island is well-placed to respond quickly, in the event that there is a change of government or perhaps a change of faces in government following an election?

The Deputy Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Sir, I thank Deputy Fallaize for his question and whilst it would not be wise for us to speculate here as to what may or may not happen in the UK, I can assure him that our relationships right across all the parties in the UK, with parliament in the UK, is better than I have known for a long period of time. We have far more regular engagement and, as I said earlier, with

far more cross-party members on a number of different issues. I am pleased to say that we are probably as best placed as we possibly can for all essential scenarios.

920 **The Deputy Bailiff:** Deputy de Lisle.

Deputy de Lisle: Can I ask, with respect to the fisheries sector, sir, there are concerns out there, particularly in terms of access to market for fish in France and I would like to find out what the latest is in terms of our comfort with negotiations with respect to the fisheries sector?

925 Thank you, sir.

The Deputy Bailiff: Deputy Le Tocq.

930 **Deputy Le Tocq:** Once again, I cannot go into great detail here. I am pleased to be able to say that whilst, with regard to any agreement for the future, on fisheries, we rely on the UK government and the French national government agreeing to terms on our behalf, we have been able to develop a very good understanding with our neighbours in Normandy, particularly the Département de la Manche, which has enabled us to move, particularly in recent weeks, quite a degree towards a place where we hope that whatever scenario comes about as a result of Brexit, 935 we will be able to continue to see our fisheries land their catches in France.

COMMITTEE FOR ECONOMIC DEVELOPMENT

Digital connectivity –

Funding to enhance connectivity; barriers to accessing digital services

The Deputy Bailiff: I now turn to Deputy Gollop, who is the questioner to the Committee *for* Economic Development to pose the first of his Questions to the President.
Deputy Gollop.

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

My first Question is: much, rightly, has been made of the importance and vision behind the new Digital Connectivity Strategy of the States of Guernsey launched by Deputy Dudley Owen on behalf of Economic Development Department. However, what monies will be made available in the short term to ensure leading telecommunications providers can provide enhanced connectivity cheaply and quickly for the consumer and smaller business entrepreneurs? 945

The Deputy Bailiff: Deputy Parkinson to respond.

950 **Deputy Parkinson:** Firstly, it should be noted that Government will not interfere in well-regulated and working competitive markets, such as the residential broadband market. However, the Government does have a role in supporting telcos in bringing the relevant infrastructure to more remote areas where a commercial economic business case cannot be justified.

Currently the market is expected to fully meet the requirement of the provision of fibre to business districts over two to three years. It is also expected to expand its residential broadband offering to provide super-fast services to around 85% of the population. The Guernsey Competition and Regulatory Authority, with Government, will define the basis on which public funds could be made available to ensure that the residual 15% of residential properties can also have access to super-fast broadband. 955

For 5G, Government and the regulator have important roles to play, working with telcos to provide the effective and efficient model for either a single network or network-sharing that 960

enables the right investment decisions to be made. The Medium Term Financial Plan identifies digital connectivity as a large-scale project and once the structures for appropriate Government support are agreed, we will be bringing forward the business case for funding.

965 **The Deputy Bailiff:** Supplementary, is it, Deputy Gollop?

Deputy Gollop: Yes, I have attended seminars where, perhaps inaccurately, some people have suggested that if they were in some of the more remote parts of the Island, or even St Peter Port, running smaller-scale businesses, as distinct from commercial-scale, but access to faster
970 communication services, especially broadband, are limited and expensive. Will that point be taken up, perhaps, by a start-up business?

The Deputy Bailiff: Deputy Parkinson.

975 **Deputy Parkinson:** Yes, sir, my Committee is acutely interested in ensuring that all businesses and as many of the population as possible have connection to super-fast broadband services and we will encourage the telcos to supply them.

The Deputy Bailiff: No one else is rising, so Deputy Gollop, if you would turn to your second
980 Question to the President, please?

Deputy Gollop: Thank you very much.

 It is a different topic in some ways, but my Question is: some of the world's leading providers of software, apps and information technology equipment and indeed, I find one or two
985 networking sites, block Channel Island residents from directly using, downloading or receiving their services. Why can't this bizarre situation be remedied by the States of Guernsey? I would cite, for example, Apple-type products, but it may apply to other buy-type websites, as well.

The Deputy Bailiff: Deputy Parkinson.

990 **Deputy Parkinson:** In some cases, access to digital media is limited for Channel Island residents. This is a commercial decision for the suppliers of digital media, ranging from on-demand video to internet shopping and smartphone application stores. This can present itself, in some cases, as either a lack of access to digital content or VAT not automatically being deducted.

995 No doubt we would all like access to every digital media platform and for VAT to be removed, but it is a commercial decision for providers to access into a jurisdiction. In some cases, the large internet companies have complex internal compliance requirements and therefore the cost to them of entering a new and small jurisdiction such as Guernsey is not cost-effective. We continue to work with suppliers of digital media to ensure as many as possible supply into Guernsey and
1000 will continue to do so.

The Deputy Bailiff: Supplementary, Deputy Gollop.

Deputy Gollop: Thank you very much, sir.

1005 I appreciate and thank Deputy Parkinson for his Answer. Is the next stage not about Government taking this out at both the British-Irish Council and with the United Kingdom Government to act on our behalf, as we are technically not a mini-state but a Crown Dependency who really requires international connectivity, both commercially and socially?

1010 **The Deputy Bailiff:** Deputy Parkinson.

Deputy Parkinson: Sir, I am afraid the States of Guernsey has limited influence over Apple and Google and similar enterprises. These are commercial decisions for those organisations and if they find it too expensive, in their view, to provide services into Guernsey, they will choose not to.

The Deputy Bailiff: Deputy Inder.

Deputy Inder: Thanks for the opportunity. There are 1,600 postcodes in Guernsey. On Google Maps, my postcode is actually in the middle of L'Ancrese Bay. *(Laughter)* Right next to the wall! I believe there is an issue between the Post Office and Digimap over the access and release of that data to some of the larger mapping technologies and I am wondering, I know I have caught Deputy Parkinson on the hoof here, because he will not be aware of this, but I am wondering if his Department could give some consideration to releasing this to some of the larger mapping platforms that are out there?

The Deputy Bailiff: Deputy Parkinson.

Deputy Parkinson: Well, sir, I think Digimap has some connection to Guernsey Post, I am not entirely sure. But in that case, no doubt my colleagues on the States' Trading Supervisory Board will be interested in taking up Deputy Inder's suggestion. I am afraid I have no influence over Digimap.

The Deputy Bailiff: Members of the States, that concludes Question Time. We move onto the first item of business.

Deputy Greffier.

Billet d'État XIX

ELECTIONS AND APPOINTMENTS

I. Overseas Aid & Development Commission – Appointment of Commissioners – Six Commissioners appointed

Article I.

The States are asked to decide:

Whether, after consideration of the policy letter entitled "Overseas Aid & Development Commission - Appointment of Commissioners" dated 24th May 2018, they are of the opinion:

- (i) To appoint Mr Philip Bodman as a Commissioner on the Overseas Aid and Development Commission for a further 4 year term from 1st August 2018 until 31st July 2022;*
- (ii) To appoint Ms Teresa de Nobrega as a Commissioner on the Overseas Aid and Development Commission for a further 4 year term from 1st August 2018 until 31st July 2022;*
- (iii) To appoint Miss Judith Moore as a Commissioner on the Overseas Aid and Development Commission for a further 4 year term from 1st August 2018 until 31st July 2022;*
- (iv) To appoint Dr Nicholas Paluch as a Commissioner on the Overseas Aid and Development Commission for a further 4 year term from 1st August 2018 until 31st July 2022;*
- (v) To appoint Mr Bryan Pill as a Commissioner on the Overseas Aid and Development Commission for a 4 year term from 1st August 2018 until 31st July 2022; and*

(vi) *To appoint Mrs Margaret McGuinness as a Commissioner on the Overseas Aid and Development Commission for a 4 year term from 1st August 2018 until 31st July 2022.*

The Deputy Greffier: Article I, Overseas Aid & Development Commission – Appointment of Commissioners.

1040 **The Deputy Bailiff:** I invite the President of the Overseas Aid & Development Commission, Deputy Yerby, to open debate on this.

Deputy Yerby: Thank you, sir.

1045 Just briefly, the policy letter asks the States to reappoint four of our serving Commissioners, Philip Bodman, Teresa de Nobrega, Judy Moore and Dr Nicholas Paluch, as Commissioners and to appoint two new Commissioners, Bryan Pill and Margaret McGuinness, who have been appointed following a competitive appointment process.

1050 It is also an opportunity for me to say thank you to Steve Mauger and Tim Peet, the Vice-President of the Commission, who are both retiring after 10 years of service for the Commission and I just want to put their long and dedicated voluntary service on record and to thank them very much for it.

The Deputy Bailiff: I put to you then, Members of the States, the Proposition to appoint the six persons mentioned in it. All those in favour; all those against.

Members voted Pour.

1055 **The Deputy Bailiff:** I declare the six of them duly appointed as Commissioners on the Overseas Aid & Development Commission.

COMMITTEE FOR HOME AFFAIRS

II. Police Complaints Commission – Robert Steven Jordan appointed as member

Article II.

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled "Police Complaints Commission - Appointment of Member", dated 14th May 2018, they are of the opinion:

1. To appoint Mr. Robert Steven Jordan as an ordinary member of the Police Complaints Commission for a period of 4 years with immediate effect.

The Deputy Greffier: Article II, Committee for Home Affairs, Police Complaints Commission – appointment of member.

1060 **The Deputy Bailiff:** Deputy Lowe.

Deputy Lowe: Thank you, sir.

1065 This brief policy letter asks Members to approve Robert Steven Jordan for four years, with immediate effect, onto the Police Complaints Commission; and this gives me the opportunity as well to thank those members who are on the Police Complaints Commission for their time and very valuable work that operate within the Police Complaints Commission. I ask Members to support the report.

The Deputy Bailiff: I do not see anyone rising, again, so I put to you the Proposition that Mr Robert Steven Jordan be appointed to the Police Complaints Commission. Those in favour; those against.

Members voted Pour.

1070 **The Deputy Bailiff:** I declare Mr Jordan duly appointed.

**Guernsey Banking Deposit Compensation Board –
Appointment of Mrs Diane Colton as ordinary member**

The Deputy Greffier: The following appointment has been laid before the States, the appointment of an ordinary member of the Guernsey Banking Deposit Compensation Board.

1075 **The Deputy Bailiff:** We note that the appointment is laid before the meeting of the States, this time. So there is an opportunity if anyone wants to move a motion to annul on the next occasion, but then the opportunity disappears.

**The Road Traffic (Miscellaneous Amendments) Ordinance 2018;
The Aviation Registry (Fees) Regulations, 2018;
The Air Navigation (Fees) Regulations, 2018;
The Electoral System Referendum (Referendum Period) Regulations, 2018**

1080 **The Deputy Greffier:** The following legislation is laid before the States: The Road Traffic (Miscellaneous Amendments) Ordinance, 2018; the Aviation Registry (Fees) Regulations, 2018; the Air Navigation (Fees) Regulations, 2018; and the Electoral System Referendum (Referendum Period) Regulations, 2018.

The Deputy Bailiff: Members of the States, once again, we note that four items of legislation have been laid at this meeting. There are no motions to annul.

III. The Alderney (Application of Legislation) (Adoption) Ordinance, 2018 approved

Article III.

The States are asked to decide:

Whether they are of the opinion to approve the draft Ordinance entitled "The Alderney (Application of Legislation) (Adoption) Ordinance, 2018", and to direct that the same shall have effect as an Ordinance of the States.

1085 **The Deputy Greffier:** Article III, The Alderney (Application of Legislation) (Adoption) Ordinance, 2018.

The Deputy Bailiff: I invite the President of the Committee for Health & Social Care, if she wishes, to introduce the item.

1090

Deputy Soulsby: Sir, no, it is pretty straightforward and really reflects what Guernsey did a few months ago.

1095 **The Deputy Bailiff:** If there is no debate, I will put to Members of the States the Proposition that the draft ordinance entitled The Alderney (Application of Legislation) (Adoption) Ordinance, 2018, be approved. Those in favour; those against.

Members voted Pour.

The Deputy Bailiff: I declare the Proposition duly carried and the ordinance approved.

COMMITTEE FOR HOME AFFAIRS

IV. Customs Duties and associated powers required in respect of Brexit – Propositions carried

Article IV.

The States are asked to decide:

Whether, after consideration of the policy letter entitled "Customs Duties and Associated Powers Required in Respect of Brexit", dated 29th May 2018, they are of the opinion:

1. To introduce a flexible Bailiwick-wide legislative framework to facilitate the imposition of customs duties on imported and exported goods and associated requirements (as set out in paragraph 2.7 and 3.3).

2. To direct the Committee for Home Affairs to enter into negotiations regarding a customs arrangement with the UK, when required, and report back to the States with recommendations in relation to entering any such arrangements (as set out in paragraph 5.5).

3. To direct the preparation of the necessary legislation to give effect to the above Recommendations.

The Deputy Greffier: Article IV, Committee for Home Affairs – Customs Duties and associated powers required in respect of Brexit.

1100

The Deputy Bailiff: I invite the President of the Committee, Deputy Lowe, to open the debate. Deputy Lowe.

Deputy Lowe: Thank you, sir.

1105

The States of Deliberation have so far considered three policy letters related to Brexit: firstly, on the high-level objectives for Guernsey's relationships with the UK and the EU; secondly, the acknowledgement of the triggering of Article 50 of the Treaty of the European Union in respect of Protocol 3; and finally, an update and set out proposals for *Projets de Loi* dealing with the mechanics of withdrawal, international trade agreements and powers to amend certain categories of legislation.

1110

The States of Deliberation have also acknowledged the need to enact legislation to ensure that there is continuity and certainty during the Brexit process for both individuals and businesses. As the future shape of the UK and EU positions on Customs and trading matters becomes clear, a new legislative framework will be critical for the Island's economy and business, in order to maintain the free flow of goods. Members should be aware that Customs import duties are charges on goods generally applied in proportion to their value when they are imported.

1115

These duties should not be viewed as revenue-raising measures, but as a part of the country's trade policy. They are different from indirect taxes, such as foods and services taxes or excise

1120 duties. The UK has stated in its Trade Policy white papers that it seeks to become a champion for
free trade and to push for greater liberalisation of markets, as well as being a strong supporter of
free and open trade.

1125 This stance shows that the UK will be seeking to use the tariff as a trade facilitation mechanism
that provides protection where it is warranted, but otherwise will seek to apply low rates where
possible to stimulate trade. Should the UK be successful in negotiating trade deals in the future,
then any subsequent free trade agreements would also impact on tariff rates by reducing them as
part of a reciprocal agreement with other countries.

1130 The WTO stance is also to seek the lowering of trade barriers, including Customs Duties, in
order to achieve more open trading across the world. As a small territory, the Bailiwick has limited
need for such measures but, because of the long-standing principle of free movement of goods
with the UK, the Bailiwick applies the same trade policy as the UK, so not as much to undermine
its economy or distort the UK market.

1135 It is this principle that led to the agreement of Protocol 3 in 1972 and which means that the
future Customs regime and trade policy of the Bailiwick will be influenced by the terms of the UK's
exit from the European Union and its future economic partnerships. In November 2017, the States
of Deliberation unanimously approved Propositions which included approval for the drafting of a
Bailiwick *Projet de Loi*, broadly equivalent in scope and content to the United Kingdom's European
Union Withdrawal Bill, which will, amongst other matters, repeal the 1973 Law.

1140 This policy letter therefore recommends a new legislative framework to deal with Customs
import and export matters, which previously fell within the scope of Protocol 3. This regime will
underpin the States' Brexit negotiating objectives, regarding the movement of and trade in goods,
as detailed in the June 2016 policy letter. In addition, as the Import Duties (Bailiwick of Guernsey)
Act, 1932, will no longer be fit for purpose, it is recommended that the opportunity is taken to
repeal it and to ensure that appropriate equivalent powers form part of the new legislative
framework. Amendments to other legislative provisions are likely to be necessary and will be
presented to this Assembly when required.

1150 The proposals in this policy letter are intended to be flexible enough to support Customs
operations both during the anticipated transition period and under any scenario thereafter. This
policy letter seeks approval from the States of Deliberation for the drafting of legislation to ensure
that there is continuity in the flow of goods to and from the Bailiwick and to allow for the
introduction of appropriate Customs' operations and procedures, including facilitating the
charging of duty and the establishment of a Customs tariff.

1155 In relation to the movement of goods, both during and after the anticipated transition period,
which is expected to form a key part of the anticipated withdrawal agreement, this is likely to
involve the amendment and repeal of some existing legislative provisions. The proposed
legislation would provide a flexible framework which would facilitate the imposition of Customs
requirements on imported and exported goods, regardless of the outcome of the UK's
negotiations with the EU and any further trade agreements. It is not intended to pre-empt
decisions on the Bailiwick's future Customs arrangements or trade policy.

1160 This policy letter seeks approval for the drafting of primary legislation which will allow for the
implementation of future decisions and agreements on such matters, either directly or through
secondary or in tertiary legislation.

Sir, the Committee *for* Home Affairs unanimously urges the States to approve this policy letter.

The Deputy Bailiff: Deputy Prow.

1165 **Deputy Prow:** Thank you, Mr Deputy Bailiff.

1170 I rise to fully support this first Home Affairs Brexit policy letter and I thank the President of
Home Affairs for a clear and succinct opening on this extremely important area of policy, which
will enable the enactment of legislation to respond to the fundamental changes that will be
necessary regarding our Customs arrangements.

As the President said, we need to ensure that there is continuity and certainty for business and individuals, following the UK's triggering of Article 50, which initiated its withdrawal from the European Union. I will not repeat the President's remarks by going over the detail of why this is so important to gain the support of this Assembly. She has explained the need to be able to put in place the Customs legislation which will underpin new Customs operations and agreements with the UK, the EU and the rest of the world, once our Protocol 3 trading regime falls away, when the UK leaves the EU.

I should however like to provide reassurance to the States that this policy letter has been well-researched and it will adequately enable the Bailiwick to implement a fresh legislative framework, to continue to trade and maintain a free flow of goods, both from import and export, which is vital to our economy.

I stress 'Bailiwick' as, historically, Customs matters have been rightly legislated to encompass the needs of all the Islands, in consultation and with the agreement of Alderney and Sark. Sir, I can say the whole Brexit piece, under P&R's leadership, is a good example of cross-committee working, both at a political and officer level.

This of course includes both Home Affairs and Economic Development as key partners with P&R. As the President of P&R has previously outlined, much effort and expertise has gone into formal and informal dialogue and engaging with the UK's Department of Exiting the EU, the UK Department of Justice and other UK departments and, where possible, with the EU, utilising CI Brussels Office or existing contacts.

As far as the Home Affairs is concerned, there has been much work done through the dedicated Home Affairs Brexit sub-group to which the President alluded. In engaging with H.M. Revenue & Customs, the Department of International Trade, particularly in relation to World Trade Organisation membership, and with the Customs authorities of Jersey and the Isle of Man. Sir, I thank all the officers for their hard work and skills and, as always, I can report they punched far above their weight.

This paper has therefore been thoroughly researched and well co-ordinated across Guernsey's Government and I am certain the policy letter will achieve a flexible framework, enabling the imposition of Customs arrangements to facilitate the import and export of goods, both during and after the transitional period.

I stress the word 'flexible'. It is very important in this regard to note the words of the policy letter at 1.4 on page 3:

It is not intended to pre-empt decisions on the Bailiwick's future customs arrangements or trade policy. This policy letter seeks approval for the drafting of primary legislation which will allow for the implementation of future decisions and agreements on such matters, either directly or through secondary and tertiary legislation.

It is vital that this primary legislation is put in place as soon as possible, in order that we have the tools in the box, raise and develop the necessary Customs arrangements and agreements required to meet the challenges of whatever outcome emerges in the final UK/EU 27 future relationship decision, whether – using media-speak – they are considered hard or soft. I recommend these Propositions to the States and I urge all Members of the States to support them.

Thank you, sir.

The Deputy Bailiff: Deputy Gollop.

Deputy Gollop: This is clearly a useful and technical piece of work that many of us probably need to commit even more time to get into the level that Deputy Prow and other Members of Policy & Resources in appreciating these issues. I think that the framework they have outlined ... and I think the words 'arrangement' and 'duties' are helpful words, because sometimes words like 'union' have been made, 'Customs union', but that can be misleading, because I do not think we

in this Assembly want to sign up to anything necessarily that would commit us to some sort of excise or back tax or losing our duty free, whatever.

1220 But that is not what this is about. It is about a framework to ensure that our Customs bills are right and that we have the ability, under modern legislation, to charge import duty on goods, export duty on goods, to publish a new customer tariff and establish a method of determining the valuation of other measurements of origin goods.

1225 Guernsey's history, generally speaking, over the past 200 or 300 years, has been based on the entrepreneurial success of being a freeport, being an *entrepôt*, and of working within free trade when the opportunities have put themselves across. I think we need to go on very much with that tradition, ensuring that we are robust.

1230 Increasingly these days, in the digital economy, we are seeing products from more than one country. Many of the electronic gadgets that we make mistakes with or whatever, do in fact come from many places around the world. Earlier today, in relation to the questions, we had reassurance from Deputy Le Tocq from his experience as external relations lead Member and formerly, of course, the Chief Minister and Deputy Chief Minister, who very much stressed that we are committed to ensuring that we are adequately prepared and believe that the UK honours its responsibility to ensure our interests are properly represented, even if different from their own.

1235 We may, the exciting news being, become a full member of the World Trade Organisation. Obviously, such a perspective might require additional resources and cost. What was more worrying, perhaps, was the answers Deputy Parkinson gave to me about some of the world's leading commercial software providers, that we could be too small to justify our own specific fiscal or legal requirements. We are just too tiny, we are too small a market.

1240 If that is the case, we have to be especially careful in a post-Brexit framework that our legislation is able to trade with the rest of the world and the bigger companies of the world and that we do not end up in a box, being too small to deal with, by not necessarily just larger companies who make a commercial decision, but countries as a whole, who say, 'We cannot make special provisions for the Channel Islands.'

1245 We do need very much to punch above our weight and ensure that we are able to connect with the rest of the world, not just indirectly, but directly. Perhaps not even necessarily through the United Kingdom, because it could well be that the United Kingdom will have negotiated a difficult deal with Europe, or a difficult deal with the United States of America and we might wish to trump that.

1250 **The Deputy Bailiff:** I turn to the President of the Committee, Deputy Lowe, to reply to the debate.

1255 **Deputy Lowe:** I do not think there is anything to reply to, sir. I just ask Members to support the report.

The Deputy Bailiff: Members of the States, there are three Propositions. I propose to put all three of them to you together, unless anyone requests me to do differently? In that case, on the three Propositions relating to this matter, those in favour; those against.

Members voted Pour.

1260 **The Deputy Bailiff:** I declare all three Propositions duly carried.

COMMITTEE FOR ECONOMIC DEVELOPMENT

**V. Review of Air Transport Licensing –
Debate commenced**

Article V.

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled "Review of Air Transport Licensing", dated 11th June 2018, they are of the opinion:

- 1. To agree that the Committee for Economic Development be authorised to designate certain air transport routes as "lifeline" routes, i.e. those that are deemed essential to an Island of the Bailiwick.*
- 2. To agree that operators and charterers serving routes designated as lifeline routes by the Committee for Economic Development should remain under the obligation to hold a Guernsey air transport licence.*
- 3. To note that the Committee proposes that it will designate the following routes to and from Guernsey as lifeline routes:*
 - a) Gatwick; and*
 - b) Alderney.*
- 4. To agree that operators or charterers serving all routes apart from lifeline routes be exempt from the need to hold a Guernsey air transport licence.*
- 5. To agree that the Air Transport Licensing Policy Statement should be amended to enable the protection of routes designated as lifeline routes through the granting of Public Service Obligations, where necessary.*
- 6. To agree to amend the Air Transport Licensing Policy Statement by adopting the draft amended Policy Statement enclosed at Appendix 1 to this Policy Letter.*
- 7. To direct the Committee for Economic Development to review the Air Transport Licensing Policy Statement within a period of five years, and to report back to the States by the end of 2023.*
- 8. To note the Committee for Economic Development's policy for providing air route development support for new routes.*
- 9. To note the Committee for Economic Development's work to establish a Public Service Obligation - along with any necessary funding arrangement - for air services on the Alderney-Guernsey route.*
- 10. To note that while the Alderney-Southampton route is not subject to Guernsey Air Transport Licensing - and therefore outside of the scope of this review - it may be considered for a Public Service Obligation in combination with the Alderney-Guernsey route, should such a combined approach be possible following the tender process, and subject to agreement between the Policy & Resources Committee and the States of Alderney as to the source of funding for this route.*

The Deputy Greffier: Article V, Committee for Economic Development – Review of Air Transport Licensing.

1265 **The Deputy Bailiff:** I invite the President of the Committee for Economic Development, Deputy Parkinson, to open the debate on this matter. Deputy Parkinson.

1270 **Deputy Parkinson:** Mr Deputy Bailiff, my Committee is not of one view on this subject. As will become clear, some of our Members believe that Guernsey should adopt a completely open skies policy, while some of us believe that some routes should be protected. In view of the fact that I have had a long association with Aurigny, in the shareholder role on behalf of the States, and indeed as a director of Cabernet in the past, I abstained from the voting on our recommendations.

I do not think that I have a special interest in this matter, but I want to place that connection on the record, in case it may appear to anyone that I have a bias on these issues. Having said that, I am supportive of the compromise position reached by the Committee, and will vote on the Propositions, as well as speaking on them, as I am now.

The second, preliminary point that I want to address is this: I sincerely hope that this debate will not be hijacked by a debate on the Alderney PSOs. (**Several Members:** Hear, hear.) There will be a time and a place to discuss the relationship between Guernsey and Alderney and going back to the 1948 agreement, but this is neither. All the States is being asked to do now is to note the intention of my Committee to recommend that the States should have power to create a monopoly over the Alderney routes, which would eventually be the subject of PSOs.

Now I turn to the topics under discussion. Members will be aware that air and sea connectivity are high in the public's priorities. They are also included in my Committee's list of 20 priorities set out in the Economic Development Strategy that the Assembly recently debated and, when business audiences have been invited to discuss those 20 priorities, air and sea links have emerged as the number one concern.

Another of those 20 priorities was the reduction of red tape: where we can remove unnecessary bureaucratic obstacles to doing business in or with Guernsey we must do so. The reality is that air passenger numbers on the routes to Guernsey have been falling for several years. In 2017, Jersey's passenger numbers increased, compared with 2016, from 1.59 million to 1.61 million. The Isle of Man's increased from 803,000 to 807,000, but ours fell from 842,000 to 814,000.

We have roughly half the number of air passengers that Jersey has. I am hopeful that this year, 2018, we may have arrested the decline, but we will not see a sustained upturn without radical action on several fronts. This is not all about the cost of travel and we will be, later this year, publishing our Tourism Strategy amongst other work streams. We know that we have work to do on our attractions, our accommodation and on our marketing, but connectivity is a big part of the problem, for visitors and locals alike.

There is no doubt that the public expects us to address the high cost of getting on and off this Island. Even the business community, which is often thought to be largely indifferent to prices, is telling us that the boards of companies are electing to hold their meetings in Jersey, rather than Guernsey, because of the cost of getting UK-based directors and officers to those meetings. If we do nothing different, very little will change in this respect. We will simply find ourselves in front of an angry electorate in less than two years' time, explaining why this States chose to do nothing about the problem.

So, what can we do? Essentially, there are three ways we could address the problem. Firstly, we could spend lots of capital on physical infrastructure. We could extend the runway to a greater or lesser extent. There are numerous permutations. Or we could invest capital in instrument landing systems etc. With a longer runway we could hope to attract a low-cost carrier to fly routes to and from the Island and, with better instrument landing systems, we could hope to reduce the disruption caused by fog.

Secondly, we could incur revenue expenditure on route support, subsidising operators to establish new routes into and out of Guernsey. We could even hope to attract low-cost carriers in this way, whether or not the runway is extended. The Titan Airways Airbus A320 is a regular visitor to Guernsey, flying with 110-120 passengers on board. It follows that, if the States were willing to pay for, say, the back five rows of every A319 A320 which flies out of Guernsey, so that the operator could fly the plane light, I am pretty sure that we could do a deal with a low-cost carrier to operate on that model.

The advantage of using revenue to support our air links, compared with capital investment, would of course be that we would not have to commit a large sum of money up front. If we found that the strategy was not working, we could simply end the experiment. In reality, of course, it is likely we will have to spend money on both areas, capital investment and revenue support, to achieve a significant change.

1325 But thirdly, there are some policy options that would cost us nothing at all. We could do away with our air transport licensing regime on all but our lifeline routes, sending a signal to the market that Guernsey is open for business and removing an unnecessary layer of red tape. The reality is that only one licence application has been refused in recent years. Why do we put the airlines that we want to do business with through this process?

1330 The next issue to be considered is what the drivers of our policy are. Yes, of course, we want to improve our connectivity and we would like to do away with unnecessary red tape, but what does good connectivity mean? Basically, there are three variables in the equation and we can plan to have any two of those on any route, but not all three. They are schedule, quality or reliability and price.

1335 If we want flights in the morning and the evening, i.e. a convenient schedule for business, it is unlikely that they will be cheap. It is also unlikely that a low-cost carrier would base a plane in Guernsey, so if we were entirely dependent on low-cost carriers, we would lose our early morning departures. If we want a convenient schedule and a quality service, we will have to pay for it, but if we want no-frills flights in the middle of the day, they may well be cheap; £39 fares to Guernsey could become a reality.

1340 Our policy letter reflects the fact that we have different priorities for different routes. On the key business route of Gatwick, the business community tell us that their first priority is the schedule. They have to be able to do a full day's business in London, which means that the aircraft has to be based in Guernsey, so we have opted to protect our investment in six pairs of slots at Gatwick from competition. In effect, saying we will choose the schedule and quality of service over price.

1345 Similarly, on the Alderney routes, the only way the Island will have an early morning service to Guernsey or Southampton is if the plane is based there. Yes they would like the service to be cheaper, but this is an issue that will be addressed through subsidies and we will come to that on another occasion.

1350 There is no economical way of providing a safe and convenient service to that Island. So again the policy letter favours the schedule by protecting the incumbent on the route, whoever that may be, and presaging a PSO to determine a minimum number of rotations and to limit fares. However on many of the tourist routes into Guernsey, it does not matter to the customer if the flight leaves late in the morning. Here we have seen no reason to protect the route and competition, either on that route or another nearby regional route is likely to benefit the customer with lower fares.

1355 Jersey and the Isle of Man, along with the UK and the rest of Europe, have completely open skies policies and, despite the misgivings of some when these policies were introduced, they have been of considerable economic benefit. The Isle of Man has reviewed its open skies policy four times since it was introduced in 1992 and on each occasion has concluded that this is the right policy for them. As we have already seen, their market, in terms of air passengers, is actually smaller than ours. Interestingly, despite that smaller air passenger market, the Isle of Man sustains several easyJet routes. There is every reason to think that we could attract such a carrier here if we make our market more attractive for them.

1360 But several airlines that do not operate to Guernsey have told us that they would not bother to apply for a licence to fly here. Our current regime is seen as protectionist and designed, I am afraid, in their eyes, to support our national carrier. My Committee has taken advice from the three independent consultancy firms that we have employed on various aspects of our air routes strategy. They are Frontier Economics, ASM and PwC. All three agree that Guernsey would benefit from a more open skies approach.

1370 Members will be well aware that two of the three incumbent airlines which between them fly most of Guernsey's current routes have publicly expressed their opposition to all or parts of our proposals. Interestingly, the third of those carriers, Flybe, appears to be indifferent to them. Like the others, they have years of experience of operating under the open skies policy of Jersey and other jurisdictions.

Aurigny supports our proposals on Gatwick and Alderney – surprise, surprise! – but is opposed to open skies elsewhere. Blue Islands, the most predatory of the three, which has invested substantial sums in driving out competition on the Southampton and Jersey routes, would like the States to protect their investment.

1380 I do not blame them for arguing their own cause, but their advice to us is simply wrong. The market as a whole will benefit from our quasi-open skies approach. These proposals are not so much about the current routes, which while mostly commercially viable will generally not sustain competition, they are aimed at developing new routes. Jersey has seen an increase in passenger numbers, this year, of 24,000 people, while our numbers have been static. Many of these new
1385 passengers have travelled to Jersey on new routes, e.g. from Edinburgh, Newcastle and Belfast. Routes that we would love to have.

My Committee has divergent views on the merits of extending the runway in Guernsey and that is not the subject of debate today. But, like Deputy Tindall, I have always said that if the business case for a runway extension is made, I will support it. Two of our Members, however, our
1390 Deputies for the Western parishes, are not so enthusiastic.

However, we are all keen to support revenue investment in a new route to Heathrow, if convenient slots can be obtained. These investments would be expensive and would have to be prioritised alongside the other projects of the States. But deregulation of much of our air route system would cost the States nothing.

1395 The history of similar jurisdictions shows, and the advice of our professional advisers is, that we would gain from this move. Accordingly, that is what we are proposing to the States. If Members are serious about improving the connectivity of this Island, I would ask them to support us. These proposals have been welcomed by the business associations on the Island. Mr John Clacy Chairman of the IoD, said:

We welcome the publication of the Air Transport Licensing Policy Framework and support the moves to a quasi-open skies policy for the regulation of air routes.

1400 Yesterday, Mr Barrie Baxter, President of the Chamber of Commerce, said:

The Guernsey Chamber of Commerce believe at our core in free markets and, as such, the move towards open skies is very much welcomed.

Mr David Oxburgh, Chairman of the Guernsey International Business Association, said:

GIBA welcomes the changes proposed by the Committee for Economic Development to air transport licensing. The move to an open skies policy for all other than the Gatwick and Alderney routes is a very definite step in the right direction.

1405 These proposals are indeed a step in the right direction. I do not claim they are the *panacea* that will resolve all of our connectivity issues and my Committee will be working hard over the coming two years to reverse the decline that we have seen over several recent years, but these proposals are a necessary first step. What follows will, unfortunately, cost a lot more money.

This policy letter paves the way for investment in attracting new operators to Guernsey to fly new routes and for the PSOs on the Alderney routes. I therefore ask Members to support these proposals and to trust my Committee to bring forward the next developments in revitalising Guernsey's air transport links as and when we can.

1410 Thank you, sir.

The Deputy Bailiff: Deputy Yerby, do you wish to place amendment number 1 at this point?

Amendment 1:

To insert, after Proposition 10, the following Proposition:

"11. To direct the States' Assembly & Constitution Committee, in consultation with the Committee for Economic Development, the Policy & Resources Committee and the Transport

Licensing Authority, to review the role and constitution of the Transport Licensing Authority and, if it considers that changes are necessary, to return to the States with proposals no later than the end of 2019."

Deputy Yerby: Yes, sir. The amendment is to insert after Proposition 10 the following Proposition:

To direct the States' Assembly & Constitution Committee, in consultation with the Committee for Economic Development, the Policy & Resources Committee and the Transport Licensing Authority, to review the role and constitution of the Transport Licensing Authority and, if it considers that changes are necessary, to return to the States with proposals no later than the end of 2019.

Sir, this is somewhat less material if the Committee's proposals are passed unamended, or otherwise unamended, because in that case the Transport Licensing Authority will only be engaged with two routes, the Gatwick route and the Alderney route. It is a bit more material if the other amendment that Deputy Dorey and I intend to lay is approved by the States.

However, in any case, the success of a licensing regime, however limited its overall focus, depends both on the structure of that regime itself and on the structure of the body enforcing it. Now I understand that a lot of thought has already gone into the way that the TLA works. I know that Deputy Tindall, as a former Member, as am I, has given it considerable thought. I am not sure whether the Committee for Economic Development will have discussed it in the context of this policy letter, but no doubt it is a matter that Members of that Committee and of the Authority itself will already have given some consideration to.

I know that Deputy Fallaize, in particular, is sceptical about the need for this amendment and, to him, I would say in the last few years we have implemented a new structure of Government. It is inevitable that, as that beds in, we will learn what works and what does not. Another item on our agenda this week is also testimony to that.

I think, rather than accepting that it should be set in stone and we have got everything exactly right at the start, it is far better to learn and to make incremental changes than to find ourselves resisting that and facing another wholesale overhaul of Government in a couple of terms' time. I think that incremental improvements to what we have and to trying to make our system work has to be the best way forward. In the context of this policy letter reviewing the work of the Transport Licensing Authority seems to me timely and appropriate, so I would ask Members to support this simple amendment.

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

Deputy Dorey: Yes, sir.

The Deputy Bailiff: Deputy Gollop.

Deputy Gollop: I am of course a Member, and Deputy Yerby was a Member, of the Transport Licensing Authority and I am sure the President and others will wince if I start to talk about things which were off the record. I nevertheless think that this amendment is long overdue. I have had long conversations with Deputy Tindall, who I have worked with constructively on many committees, and indeed other Members of the Transport Licensing Authority, past and present.

We are currently in a real pickle, as a committee, if that is not a particularly parliamentary word. For example, if you turn quickly to Frontier Economics' summarisation reports, they go on about our recommendation to move to a quasi-open skies arrangement on most routes 'reinforces the separation of tasks between CfED and the TLA'. Whilst CfED should continue to focus upon route development, and its supporting policy, the ATL policy statement and the Transport Licensing Authority should 'continue to have a non-strategic focus' and aim to minimise any deterrent effect

of the licensing process by automatically granting licences, providing minimum regulatory and safety considerations are satisfied.

Now actually I would argue, individually, the way the committee works on a senior officer/Civil Service and advice from St James' level, it actually does not provide too much of a barrier to the market, because it does its functions in an exemplary, efficient and measured way, as I think the evidence Frontier produced, whereby I think over the past decade only one has actually been refused and two have been deferred, due to the others being passed.

The problem we have is, going back to what the text says, TLA should continue to have a non-strategic focus. Hang on a minute, it has got five Members of the States, including one from Alderney, that is one eighth of our Assembly, from different parishes, and we are meant and, in practice, are trying to have a strategic focus.

We are part of committees and other organisations, whether political or commercial, which have a strategic focus, and suddenly we are meant to put away our hats, our manifestos, our views, our policies as soon as we enter the committee room and act as if we are very well-trained, detached judges, tribunal leaders who have not stood for political office nor would have any intention nor desire to. And do not go on Twitter and say silly things on Facebook. Some of us might or might not do.

We even have a problem, not just in speaking in the Assembly on our own behalf, let alone our constituents' behalf, but also even voting, because in certain scenarios it could be argued that in voting in a particular way, you are showing preference to a particular scheme or not. Clearly the constitution of this type of machine, with its predilection for legal advice and judicial review, is not quite working.

Now some other governments around the world have a more robust executive ministerial system and they take chances and you read cases in the United Kingdom, let alone the United States where a Minister has been taken to court and defeated. But I think we have to live with that upon occasion, because there is always going to be a tension between the democratically elected executive power of a political representative and the Wednesbury principles of fairness. But this particular model was done for a particular reason so that we would not again get a President of Economic Development who was so zealous in their ambition for the Island to get better connectivity that they would come over –

I will give way to Deputy Inder.

Deputy Inder: Thank you for giving way, Deputy Gollop.

On the substantive Proposition in the main policy letter, are you heading towards a position that the five Members of your Board, potentially, cannot speak or cannot vote on the Proposition because you are in this strange quasi-authority, I do not know really what you are?

The Deputy Bailiff: Deputy Inder, can I just remind you about Rule 17(1). When speaking in the States, a Member should always address the Presiding Officer and must not address another Member as you have just done.

Deputy Inder: My apologies, sir.

Deputy Gollop: I see what Deputy Inder meant, although I certainly am in no position to give an answer to most of those queries, as I am not the President, I am not the Vice-President, I am not the former Vice-President and I will perhaps act in a maverick way, regardless of what the collective consensus of the committee is. But I think it is fair to say that Members, during the course of the next day or so, will make clear their view.

I will give way to Deputy Meerveld.

Deputy Meerveld: Thank you for giving way, Deputy Gollop.

Just to answer the previous question, yes we have been given advice on numerous occasions that, as Members of the Association, we are not allowed to speak or engage in certain subjects relating to any airlines, etc. in case we demonstrate bias that then may be brought up in a judicial review.

Thank you.

The Deputy Bailiff: Before you resume, Deputy Gollop, can I just remind Members of another part of the Rule Book that says that debate must be relevant to the matter before a meeting, because it strikes me that at the moment all you are considering is whether or not to add an 11th Proposition, so that it is engaged in general debate, which should not take very long at all.

Deputy Gollop, you are taking the issues beyond what is on the face of this amendment and other Members are joining in. You will get debate creep, if you are not careful. It is a straight-forward issue. Do you want to add Proposition 11 or not?

Deputy Gollop: The point I was coming to, before I got interrupted by the other Members was I support the amendment for some of the reasons I have gone into that go perhaps beyond the framework of the amendment.

The Deputy Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

I support this amendment, but I want to say a couple of things, both personally and as President of SACC. The States' Assembly & Constitution Committee would of course be happy to do the work that its Vice-President is suggesting that we do. Not Vice-President; Member, sorry, Deputy Dorey.

But I think I have to give a warning that at some stage there will be a straw that breaks the camel's back. Later on, we will be considering a requête that has got a letter of comment attached from the previous President of the States' Trading Supervisory Board, asking SACC to review its constitution. I suspect that will be overtaken by events, but if it does not, that will be another bit of work. Of course, it falls in our mandate, we are happy to do it, but just remind the States we are not a department with a set of civil servants; we have 0.7 of one person working for us and I may come knocking on P&R's door if a straw starts to break the camel's back, saying can we have some temporary staffing resource to help us over –

Alright, I will give way to Deputy Tindall.

Deputy Tindall: Sir, thanks to Deputy Roffey for giving way.

Would Deputy Roffey not agree with me that actually ensuring that the mechanics of Government working, considering the big changes that came in in May 2016, is rather important and should be taken more seriously, in his view?

Deputy Roffey: Totally. I said I was going to support this amendment, because I do believe that we have to get the mechanics of Government right. I was merely raising the fact that I think we may need some extra resources in order to take it seriously and give it the attention that it deserves. I have to say, if 11 is passed and we do this review, I start from a very particular point of view. I do not believe and I never have, since we bought Aurigny, that this Assembly or any of its organs should be the licensing authority. I think it is utterly inappropriate.

The outside world believes, or purports to believe, that it will lead to a prejudice in favour of the incumbent carrier. I think what has happened in reality, because of that, the remonstrations that the States will favour their own, is absolutely the opposite and that has been just as damaging. A classic example is what has happened on the Jersey route over the last 10 years, less than that actually. A number of years ago we had a frequent, reliable and relatively affordable excellent service between Guernsey and Jersey, albeit operated in what the rest of the world might

1560 have considered to be rather quaint aircraft. The Rockhopper, the only airline in the world to be
named after a flightless bird, (*Laughter*) decided that they would apply for a second licence to
operate on that route.

1565 In the lead up to that licence consideration, the onus on Rockhopper really cranked up the
background noise, 'Oh I hope Guernsey will not favour its own. I hope the States of Guernsey,
when considering this licence application, will not favour Aurigny.' It worked. We capitulated. We
gave an utterly inappropriate second licence on that route. The result was both airlines losing a
bucket load of money for the next few years. Aurigny being forced off the route and, frankly, us
now having a much worse service than we had before.

1570 **The Deputy Bailiff:** Deputy Roffey, the relevance of this to the matter that is being currently
debated?

1575 **Deputy Roffey:** Sir, I think I am explaining why I want number 11 added, because I think it is
so important that we move away from doing our own licensing. I think it is entirely relevant to this
amendment. If you disagree then obviously I will bow to your judgement, but I do not understand
that ruling.

The Deputy Bailiff: The constitution of the Transport Licensing Authority would be as a
committee of this States. It will not be to review the Law.

1580 **Deputy Roffey:** I read the amendment as allowing us. Being in politics for a long time, when
somebody has asked for a review of the constitution of a body, they are perfectly able to come
back and say, 'Actually this body should not continue at all. It should be replaced with something
else, such as a statutory official that would operate under the policy direction of this Assembly.'
That is where I want to move towards. If you want me to do that under general debate later on,
1585 once this has been inserted, fine, I will do that. But I am nearly coming to an end of where I am on
this.

1590 Sir, I think I am actually almost at an end, because what I was going to say was I think we
should move to a situation where we have a statutory official operating under ... I am not actually
a big fan of statutory officials and quangos but in this particular case I think it is absolutely vital
that we should do so. I am going to strongly support this amendment.

I am going to take it very seriously, the way Government operates, getting it right. I do raise
the warning that at some stage, if we keep having these little tasks added, we may need to have a
little bit of strengthening of our staff resources at the States' Assembly & Constitution Committee.
But I urge Members of this Assembly to support this amendment.

1595 **The Bailiff:** Deputy Fallaize.

1600 **Deputy Fallaize:** Thank you, sir, and I am afraid, with your permission, I am going to speak on
the substance of the amendment rather than just the narrow point about whether the Proposition
should be inserted. Incidentally, Deputy Meerveld, when he asked Deputy Gollop to give way, said
that 'Members of the Association' had been advised that they should not take policy positions.
While that would a jolly good idea, (*Laughter*) I think what he actually meant was that Members of
the Authority should not be expressing their views in respect of this policy.

1605 I will give way to Deputy Paint.

Deputy Paint: What Deputy Fallaize last said was absolutely right. We were advised not to talk
on this matter.

1610 **Deputy Fallaize:** Yes, I accept that. It is just that Deputy Meerveld, when he spoke, said
'Members of the Association' had been advised not to speak on the matter.

I am sceptical about this amendment and I disagree with the points made by Deputy Gollop and Deputy Roffey. It is not because I do not think there should be any change to the structure ever. I intend to vote in favour of some of the changes being proposed in relation to the States' Trading Supervisory Board later in this meeting. But I disagree particularly with the implication that is behind this amendment, that there is something wrong in the structure and operation of the Transport Licensing Authority.

I will tell you why. There are only two other ways of arranging the licensing regime. One is for it to be run as it used to be run, by what is now the Committee *for* Economic Development. Now the inadequacy of that system was what led to the creation of the Transport Licensing Authority, because we had a ridiculous situation where the committee which was responsible for advising the States in relation to air links policy was unable to provide any views to the States on air links policy, in case it was seen to prejudice its position in relation to any licence applications.

I can remember debates in the States where there were quite critical debates about strategic air route policy, which fell under the responsibility of the old Commerce & Employment Department and, at the start of that debate, the Members of the Commerce & Employment Department would stand up and say, 'We are also the licensing authority, we are therefore conflicted in this matter and we will leave the Chamber.'

That was where we were.

I will give way to Deputy Tindall.

Deputy Tindall: Thank you to Deputy Fallaize for giving way.

Does Deputy Fallaize also recall that there was a Resolution in 2009 whereby the Transport Licensing Authority, as it is now, and all its abilities in respect of that, was actually agreed by the States to be transferred to what is now known as CICRA?

Deputy Fallaize: No, I am not aware of that Resolution but if there is a Resolution for that, I think it is wrong.

That was what was happening, so that here we are debating a review of air transport licensing and, under the old pre-2016 system, this report has been laid by the Committee *for* Economic Development, but the Members of the Committee *for* Economic Development would have had to have stood up and said, 'We cannot issue any views or advice to the States on air transport licensing because we are also the licensing authority, so we will have to recuse ourselves.'

That was where we were and that was obviously quite ridiculous. So now we are in a place where the Committee *for* Economic Development, which is responsible for advising the States in relation to strategic air links and the policy around air transport licensing, is free to do so and is not the licensing authority so it cannot possibly prejudice itself when it issues its policy advice. A much better situation. We do not want to go back to the pre-2016 arrangement.

The only other way of having a licensing regime would be for it to be placed in the hands of people who are not Members of the States. Now this is all very well. I do not agree with that. I think you could extend that forever. The next thing will be we will say, 'Actually we ought not to have politicians sitting on the Development & Planning Authority, so let us hand that over.' We can hand that over to an unelected quango.

It is ironic. I would be very interested to see how the Members who have submitted the Requête about the States' Trading Supervisory Board vote on this amendment, because they are arguing that actually the States has given away too much to people who are not Members of the States and that things should be brought back into the remit of the States.

If this amendment goes through, the only other way of arranging transport licensing will be for it to be done by a group of unelected people. I do not think that these cases, whether we are dealing with land planning or transport licensing, are entirely apolitical legal matters. Of course there is a legal and policy regime which the members of the authority have to take into account, but there is a degree of judgement that is necessary as well and I think politicians who are elected and are accountable to the electorate are best placed to make those judgements.

Now Deputy Roffey used the Guernsey-Jersey route as an example of why having politicians on the licensing authority is not in our best interests. But the irony is that he is making that comment on a day when the Committee for Economic Development is proposing removing Jersey entirely from the licensing regime. So to say that politicians should not be involved in the licensing regime because they have had a tendency to be too liberal in issuing licences on the Guernsey-Jersey route, here we are faced with a proposal from Economic Development to abandon all licensing restrictions on the Guernsey-Jersey route.

That has nothing to do with whether there is a Transport Licensing Authority in place; it is to do with the proposals that are before the States by another Committee made up of five politicians. So I think what happens when these kinds of decisions are placed in the hands of people who are not elected Members is that, sooner rather than later, the authority, the statutory official or whoever it is, is drawn into making what is a contentious, controversial decision, which does have political consequences.

Now it may be very easy for States' Members to hold their hands up and say, 'It had nothing to do with us. We gave that job to a statutory official,' or, 'We gave that job to an authority made up of people who are not Members of the States.' But I am afraid that is not how the public see it. Deputy Roffey has given an example of where a decision of the licensing authority has had a significant effect on the air services in and out of Guernsey and what he is saying is that decision should not be made by politicians, it should be made by people who are in no way accountable or answerable to the public.

I simply do not agree with that. If Members do think those sorts of decisions should be made by people who are unelected, then fine, vote for this amendment. Because that is where this amendment will take us. It will take us to a licensing authority made up of unelected members. Fine, if that is what the majority of Members want to do, do it. But let us do it in the knowledge that is where it will lead.

I will give way to Deputy Inder.

Deputy Inder: I am just intrigued, maybe for a bit of mischief. Through you, sir, did not Deputy Fallaize make an exact counter-argument over education? He actually wanted politicians out of the educational process.

Deputy Fallaize: No, I do not think I have ever proposed that politicians should be taken out of the educational process. I think it is right that education is run, if that is the right word, by a Committee of elected Members and that is the way that it is and I do not have any intention of proposing any change to that. While I was happy to give way to Deputy Inder, I now wish I had not!

I just think this is a judgement call. There are only two ways of cutting this. Either the Transport Licensing Authority comprises States' Members –

I will give way.

Deputy Ferbrache is looking at his watch, suggesting I should not be on my feet this long, but once again he will accept my speech is being interrupted so much that it has been prolonged.

Deputy Merrett: Thank you for giving way, Deputy Fallaize.

Would Deputy Fallaize have maybe a broader viewpoint or consideration, like the DPA, for example, any planning permissions that are controversial or politically sensitive go to DPA? Could there not be something similar with this, where any application for licences that are super-controversial or particularly have political implications, there would be a route or avenue for people to address those concerns through another body, similar to the DPA, but only for applications that are politically sensitive? Would that not be a broader mindset to look at? That clearly could be part of the consideration, taking in, if Proposition 11 succeeds today.

Deputy Fallaize: I suppose you could have two bodies. You could have a body of non-States' people considering applications in the first instance and then, if the applicant is unhappy with the outcome, they could appeal to a body of elected politicians serving as a second authority. But it seems to me that would be a complete and utter waste of time, the creation of another body totally unnecessarily. The much easier thing would be for the Transport Licensing Authority to issue policy guidance to officers so that officers can deal with non-contentious licence applications. But that can be done. It does not need a review of the role and constitution of the TLA, which is proposed in this amendment.

I will give way to Deputy Tindall.

Deputy Tindall: Thanks to Deputy Fallaize.

Just to point that there is a policy statement issued by the Committee *for* Economic Development, which gives that guidance to the Transport Licensing Authority at the moment.

Deputy Fallaize: Good. I am grateful for that clarification. So that means that the elected Transport Licensing Authority should be involved only in determining applications which are contentious and which can have an effect on the services, quality of services and the range of services, which are provided to and from Guernsey. I think those decisions are best left in the hands of elected politicians because sometimes they do require an element of political judgement.

I think if this amendment is approved, it can only lead to either the continuation of the present system, which would have made the review a complete waste of time or handing the licensing process over to a group of unelected people and I do not think that is in the best interests of this small community. Therefore I will vote against the amendment.

The Deputy Bailiff: Deputy Dorey.

Deputy Dorey: Thank you, Mr Deputy Bailiff.

Deputy Fallaize seems to be prejudging the possible outcomes of the review and saying it is either A or B. But of course there could be other outcomes and that is the purpose of the review. But I go back to what this amendment is all about. It is adding a Proposition to the number of Propositions. It is not deleting any Proposition, it is adding one.

We know that some of the original proposed responsibilities of the Transport Licensing Authority have not been transferred to it. Originally it was meant to also include some on-Island licensing responsibilities. That has not been done yet. Potentially, according to the outcome of this debate, the responsibility of the TLA could change. I think for those reasons I would ask Members to support this amendment so that this will add the final Proposition, so when Members have voted on whatever Propositions, whether they are amended or not, they are then able to make a decision, whether Members want to support a review or not.

This gives you the option. If you do not want the review, at that point vote against the Proposition. But I think that potentially – as we all know there is another amendment – the Propositions could be changed and I think Members, once they have decided on whatever the Propositions are, they should then have the opportunity and make a decision whether they want to do that review or not.

They should not try and prejudice any review but undoubtedly what was originally envisaged for the TLA has changed and also, the Frontier Economics report refers to, 'There needs to be a clear separation of roles between the TLA and the Committee *for* Economic Development'. So for those reasons, please support this amendment and make your decision, whether you want a review or not, at the end of the debate, when you vote on the last Proposition.

Thank you.

The Deputy Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

Obviously I do support this amendment. I spent two years on the Transport Licensing Authority and shortly after being elected as Vice-President, I realised that there were serious issues of having five political Members making quasi-judicial decisions. I do not agree, unfortunately, with Deputy Gollop, that the TLA or the regime has worked in an exemplary way.

So much so that I wrote the draft policy letter in late 2016, setting out the reasons why changes were needed and how those changes could be effected. I then spent two years on the Transport Licensing Authority noting more reasons for such change, some of which are articulated recently by those currently operating under the air transport licensing regime and those that will not operate without a change away from this regime.

The explanatory note to this amendment refers to the Frontier Economics report and the need for clearer division of responsibilities between Economic Development and the TLA. I ask for a more radical change altogether, removing political Members and instead following the 2009 Resolution I mentioned earlier, whereby the States agreed to transfer the responsibilities to CICRA, as it is now.

Unfortunately, both my experience on the TLA and the Development & Planning Authority reinforced that view. In order to give the applicant and the respondents the ability to trust in a decision-making process, based clearly on a legal framework, and an impartial and consistent manner, Deputies on such committees, I believe, are ill-placed, no matter how much they wish to be as impartial as possible.

I do not agree with what is said by Policy & Resources in respect of other committees, that there is any need to wait. There is enough reason already for a review, from past experience over the last two-and-a-half years. As to the extra work, time and effort required, it would be worthwhile, as has been mentioned by Deputy Dorey, because even if we go to a quasi-open skies, there are other transport licensing issues that the TLA may be adjudicating upon and could therefore be significant in the future as to how the structure is indeed involved.

That said, I have to say that a far simpler, quicker solution to these issues is by approving quasi-open skies, as in the original Propositions contained in the policy letter without amendment. So I support this amendment.

Thank you, sir.

The Deputy Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, Deputy Fallaize was right. I was looking at my watch, because what he said had much sense but he was taking far too long to say it! The fact is that this amendment, in my view – it may surprise Deputy Fallaize that I am going to support his view – is a waste of time; an absolute waste of time! We are going to have another review with three States' entities having to look at it and spend time on it.

Deputy Dorey says it is just an added Proposition, you can always consider again and we have got another amendment. I do not think it matters a jot whether the next amendment is successful or otherwise, in connection with this, and we should leave things as they are. We should not tinker with things unnecessarily and we could actually make a decision now to reject this amendment.

The Deputy Bailiff: I turn to the President of the Committee *for* Economic Development, Deputy Parkinson, to speak on the amendment.

Deputy Parkinson: Sir, my Committee have not discussed this amendment, which was presented to us this morning, and may take different views on it, so I am not purporting to speak on behalf of the whole Committee. Deputy Tindall has already made her views clear. Generally speaking, I would suggest that, if anything, this amendment goes beyond the original Propositions, but I have learned from bitter experience that there is no point in raising that objection in this Assembly. So it will no doubt be debated anyway.

1820 On the whole, I think the clear implications of our proposals are that the role of the Transport Licensing Authority would have to change very substantially. They would change, but less substantially, under Deputy Yerby's other amendment, and I think that means the role and function of the Transport Licensing Authority probably ought to be reviewed. So, although I do not regard it as germane to the debate we were trying to have, I will support the amendment.

1825 **The Deputy Bailiff:** I invite the proposer of the amendment, Deputy Yerby, to reply to the debate on it. Deputy Yerby.

1830 **Deputy Yerby:** Sir, the critical points I think were made in Deputy Gollop's speech, where he reflected that this was a long overdue piece of work and he noted that the Frontier Economics report, at least the summary of it that was shared with all of us, made recommendations as to a further clarification of the role of the TLA, *vis-à-vis* the role of the Committee for Economic Development.

1835 If it goes beyond the original Propositions, that is perhaps because the Propositions did not pick up on a significant part of the report, which certainly I and Deputy Dorey felt needed to be addressed. The rest of the comments were really anticipating what the outcome of the review might be and that is, quite rightly, a matter for another time. But the general consensus appears to be, among Members of this Assembly, that a review is needed to be done. That is certainly my view and I would ask Members to support this amendment.

1840 **The Deputy Bailiff:** Members of the States, we move to the vote on the amendment proposed by Deputy Yerby, seconded by Deputy Dorey. Yes, Deputy Tindall?

Deputy Tindall: A recorded vote, please, sir.

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

There was a recorded vote.

1845 **The Deputy Bailiff:** Members of the States, I will declare the voting in due course, but it looks to me as though that has been carried, and so you can bear in mind that there is now a Proposition 11.

Deputy Yerby, you have a second amendment that has been lodged with the Greffier. Do you wish to move that now?

Amendment 2:

To delete Propositions 1 to 10 and to replace them with the following:

- 1. To agree that the States, through its approval from time to time of the Air Transport Licensing Policy Statement, shall designate certain air routes as "Lifeline Routes";*
- 2. To agree that a "Lifeline Route" shall be defined as "a route which is deemed to be critical to the economic and social well-being, including access to health services, of the people of one or more of the Islands of the Bailiwick";*
- 3. To agree that any operator or charterer serving a Lifeline Route shall remain under obligation to hold a Guernsey air transport licence;*
- 4. To agree that the following routes to and from Guernsey shall be designated as Lifeline Routes: a. Gatwick; b. Alderney; c. Southampton; d. Jersey; and e. Manchester;*
- 5. To agree that the Committee for Economic Development shall have the authority, subject to any necessary budget approvals, to establish a Public Service Obligation for any Lifeline Route which appears to it to be unsustainable, or unable to sustain a minimum acceptable service standard, without some level of government support or intervention;*

EITHER

6A. To agree that operators and charterers serving any route not designated as a Lifeline Route shall be exempt from the need to hold a Guernsey air transport license;

OR, only if Proposition 6A shall have been defeated,

6B. To agree that any operator or charterer serving any route not designated as a Lifeline Route shall remain under obligation to hold a Guernsey air transport license and that the Policy Statement shall be changed to provide that there should be a presumption in favour of granting applications for licenses relating to such routes, unless it is believed that doing so will pose a risk to the viability of a Lifeline Route, or there is other good cause not to grant the application;

7. To note the Committee for Economic Development's policy for providing air route development support for new routes;

8. To direct the Committee for Economic Development to proceed immediately with its work to establish a Public Service Obligation, and any necessary funding arrangements, for air services on the Guernsey – Alderney route, consistent with its designation as a Lifeline Route in Proposition 4(a);

9. To note that while the Alderney-Southampton route is not subject to Guernsey Air Transport Licensing - and therefore outside of the scope of the Committee's review - it may be considered for a Public Service Obligation in combination with the Alderney-Guernsey route, should such a combined approach be possible following the tender process, and subject to agreement between the Policy & Resources Committee and the States of Alderney as to the source of funding for this route; and

10. To direct the Committee for Economic Development to re-draft, and to return to the States for approval as soon as possible, the Air Transport Licensing Policy Statement, in order to reflect the policy direction of the States set out in Propositions 1 to 6, and further to include:

a. For each route designated a Lifeline Route, a brief outline of the minimum service standard considered by the Committee to be acceptable for that route – which may include guidance as to the capacity of the route, the frequency of flights, or such other provisions as the Committee considers appropriate;

b. A presumption that the Transport Licensing Authority will not issue additional licenses for Lifeline Routes while there is an incumbent operating the route in accordance with minimum service standards, unless a joint proposal is made by the incumbent and another operator to share the route, or exceptional circumstances otherwise apply;

c. Such provisions as the Committee thinks fit in respect of cargo and charter airlines, in order to achieve the objective of securing the Lifeline Routes; and

d. An undertaking that the Air Transport Licensing Policy Statement will be returned to the States, together with any recommendations from the Committee for adding or removing Lifeline Routes, amending minimum service standards, or any other changes it considers necessary, at least once in every States' term."

1850 **Deputy Yerby:** Yes, please sir, and as I will walk through the Propositions and explain it, I do not think there is a need for it to be read, unless you disagree.

The Deputy Bailiff: Well, it is comparatively recently placed, so if you would like to read it or wait for the Deputy Greffier to be able to read it?

1855 **Deputy Yerby:** If the Deputy Greffier would not mind reading it? Members have had previous sight of it.

The Deputy Greffier read out the amendment.

The Deputy Bailiff: Thank you, Deputy Greffier.
Deputy Yerby to speak to the amendment.

1860

Deputy Yerby: Thank you, sir, and my thanks to the Deputy Greffier for reading out such a long amendment. To frame this amendment I need to begin with a few general remarks and I will assure you that what I saw now I will not repeat in general debate.

Entering this debate and explaining what we want to achieve with this amendment, I need to briefly set out what I would consider my general objectives for our air connectivity. They are these. I want good links, similar as can be in frequency and affordability, most similar in fact to perhaps the connections a small town could expect to its most important big city from its rail service. I want links between the Channel Islands – Guernsey, Alderney and Jersey – that allow us to flourish collectively as a shared community and a tourist destination. I want island-hopping to be easy again.

I just want to emphasise that point about our air links being somewhat like a rail service, because we have to think about, in the context of this debate, what air links do for a small and otherwise disconnected community. They are an essential type of our connectivity; for business development, for health care and for staying connected with our families.

If you think about the runs of connectivity that your average small town enjoys, well first of all there is your own personal transport and there is the bus service for internal transport. Then there is the rail service for essential connections for the outside world. Only after that, there are air and maybe sea links for leisure and business travel overseas. But we lack that intermediate rung of connectivity. So to a certain extent we need our air links to fill that role for us. Not all of our air links, but certainly the core of them.

So for that reason they may need a bit more planning and a bit more direction and support than the majority of air services serving more connected places. So it is not enough simply to apply the logic from bigger markets and better connected and less remote communities and say, 'That is what is going to work for us here. That is going to deliver the outcomes that we need for our community.'

We need, amongst other things, fares that are affordable to the ordinary citizen and not only the business traveller. We need frequent and reliable flights that allow Islanders to enjoy regular contact with the wider world, which support business growth and which promote access to health care.

We do need flights which are attractive to the tourist market, but I think that the argument does get skewed towards open skies if you major on attracting people in from outside and forget the vital, almost public service that our air links play for these Islands and their people. That role is critical and needs to be foregrounded here.

In setting all that out, I imagine that my ambitions for air links are not so different from anyone else's here. But of course where we are going to differ in the course of this debate is in the way that we think those ambitions can be achieved. Again, putting this amendment in context, I need first to give a brief general critique of the concept of open skies as it is presented here and then I will walk through the Propositions within the amendment and explain the alternative solutions that it sets out.

The first and most critical question, and it was one that Deputy Parkinson partially addressed in his opening statement, is through an open skies policy, do we intend to introduce competition on existing routes or are we all about allowing new routes to be opened up with minimum bureaucratic hurdles. If it is the former, if it is about competition on existing routes, then I hope I was not the only one here who interpreted the presentation from the Frontier Economics consultant last week, as in bending over backwards to reassure us that was unlikely.

I probably do not want to do much more than allude to the examples of short-term competition on routes, which have led to price wars and established operators pulling out and ultimately worse outcomes for customers, because I am sure that others will flush out those examples in the course of this debate. I probably also do not need to do much more than point out the questionable logic of protecting our primary route, the Guernsey-Gatwick link, against competition while saying it would be beneficial on all other routes. Competition for existing

routes, I think, is where open skies policy really falls down. It is at the core of my concern and what drives this amendment.

1915 But if it is the latter, if it is about opening up new routes without bureaucratic hoops to jump through, then I am more sympathetic. There is an option within this amendment that would exempt new routes from licensing, while retaining protection on our existing routes. As it happens, I do not believe that open skies on new routes will bring the promised benefits, but I personally think it will do very little harm.

1920 In that, I think, I am not so different from where Deputy Parkinson was in his opening speech and to that extent I am willing to tolerate it. But unlike Deputy Parkinson, I think the protection of our existing routes, those that matter most to us, should be stronger and should encompass a bigger core, including Jersey, our sister island, Southampton, where most of our essential off-Island healthcare is provided, and Manchester, which provides an important UK connection and an alternative to our London link.

1925 So for me, particularly if we are talking about open skies being about opening up new routes, there is no reason to say that we should not maintain protection on those existing core routes and, in fact, I think that that is critical. But I am not expecting, through this, or any degree of argument, statistics, evidence, whatever you may wish, to change anybody's dearly held views on open skies. Those are almost, I think, an article of faith. I will leave the general remarks there. I am
1930 sure they will be expanded upon by others in due course, and just quickly run through the Propositions and what each of them implies.

As you correctly said, sir, this has been laid at fairly short notice. Members did have earlier sight of a draft, through the States' email circulation list, but the final version is changed in a couple of minor respects and, in any case, it was probably helpful for me to spell out what this
1935 may mean.

The first Proposition differs somewhat from the Committee *for* Economic Development's similar Proposition, in that instead of asking the Committee *for* Economic Development to designate routes as lifeline routes, it makes that a collective duty of the States. I was not unsympathetic to what Deputy Fallaize said in the debate on the last amendment, where he said
1940 there is an element of political judgement in the way that we manage the licensing of our air routes. Of course there has to be some political sensitivity to it.

But he and I differ in where that judgement and where that sensitivity has to sit. Fundamentally, it sits with this Assembly in determining the overall policy. It sits with the Committee *for* Economic Development in shaping the policy statement and some of the
1945 subsequent Propositions are about crafting that policy statement differently. But in my view, the role of the TLA, or whatever body it may evolve into, is then to implement a much clearer direction given by the States.

Having spoken about our air connectivity being, if not quite a public service, then certainly something of that order of importance to our public, it has to be a responsibility of this Assembly
1950 to say this is the core connectivity that we need to maintain, that we need to protect if protecting it is all that needs to be done. That we need to sustain, if intervention is needed. But that responsibility ought to sit here with us. It should be a judgement of this Assembly and not something that the Committee *for* Economic Development does in isolation. So that is what Proposition 1 achieves.

1955 Proposition 2 is about the definition of a lifeline route. Where I felt the policy letter fell down was that it clumped what I feel are two discreet tests into a single one. The policy letter says it is a lifeline route if (a) it is essential to us and (b) it is going to fail unless we do something about it. As far as I am concerned, the question of whether or not is a lifeline is: is it essential to us? Is it necessary for the economic or social wellbeing or survival of these Islands? If it is then the next
1960 question you go onto ask is: is the market providing this, is it doing well all by itself or does it need a degree of Government intervention to make sure that it does not fall over?

That, to me, is a second test and it is the test of whether or not a PSO or some other kind of intervention is needed. But it is not the answer to the question: is it a lifeline route? If you only

determine whether you need something at the point at which you are going to lose it, you are retro-fitting a policy to meet a need and I do not think that is especially good governance.

The third Proposition is similar to that set out in the Committee *for* Economic Development's policy letter in that it requires any operator or charter serving a lifeline route to continue to hold an air transport licence. Where it differs, of course, is in the next Proposition, which broadens the number of routes that will be protected from two to five.

I am aware that there may be debate on the particular five that have been included and they are set out as separate sub-propositions, so if Members want to focus the debate on the fit of one of those routes in particular, then I would suggest that we take that, if these Propositions are generally supported, as a matter of debate in general debate. It should not, alone, be cause not to support this Proposition.

The reasons for including Southampton, Jersey and Manchester, given what I said at the beginning of having to ensure important business, family and health care connectivity, should be fairly self-evident. If they are not and if Members wish to raise questions about particular routes in the course of debate, then I will respond to that in summing up.

Proposition 5 is to give the Committee *for* Economic Development the authority to establish a public service obligation; naturally, with a caveat as to any budget that may be required attached to that. But to do that at the point where a route that we consider to be a lifeline route is seen to be failing, without intervention. As I said, I think that is a second stage and it may very well be the case that commercial or semi-commercial operators can continue to run some of the routes that we consider to be lifeline routes, unaided, un-intervened with, for a considerable period of time, without us needing to get close to them.

That does not mean that they are not important to us. It does not mean that they are not worthy of recognition and protection. The critical thing in this amendment is the choice of Propositions at 6: 6A would move to a quasi-open skies policy in the same way as the Committee's policy letter, but on a more limited basis. Members who wish to support 6A will agree that the five lifeline routes should be protected through the licensing system, with the option of PSOs further down the road, if they are needed and that all remaining routes can be left to the market.

As I said in opening, that is a situation that I am willing to tolerate. I am willing to give open skies a go. I do not think it is going to achieve very much, but I also think it will do no harm and so why not try it? Some of the other States' Members that I consulted with in crafting this amendment are much more concerned about the risks of removing a licensing system and 6B speaks to those concerns.

If 6B is preferred over 6A then we will retain a licensing system. For routes that are not our lifeline routes, the aim is to move to a much more light-touch licensing system. Although I am aware that the Committee will argue that the very gist of a licensing system will be enough to turn off bigger carriers, carriers who cannot be bothered, carriers who have got plenty of the market elsewhere. If the system is seen to be generally light-touch, then it should be supportive of those who wish to have a go, who wish to see whether the Guernsey market is one they would like to serve and who want to try out routes.

Again, there is a carve-out in 6B, because one of the particular worries, even among those who are prepared to accept a light-touch licensing regime, is what happens if you set up a route from an airport that is adjacent or is in competition with one of what we consider to be our lifeline airports. Will that route then cannibalise what is happening on our lifeline route? That is a legitimate concern and so there is a particular carve-out in 6B, so that the licensing authority, if it spots that risk coming through, is able to be a little less light touch than it might otherwise be.

So 6A and 6B are the crux of this amendment. They are the place where it changes most significantly from what the Committee *for* Economic Development is proposing. Members who, if this becomes the final set of standard Propositions, are happy to take a punt on open skies should support 6A and those who wish to retain licensing should support 6B.

I expect that I will support 6A, for all the reasons that I have given, but I have become more and more sceptical about that in the preparation of this amendment and in the consultation with others that it has taken to get to this point. So I myself am going to be swayed in the course of general debate.

Propositions 7 and 9 are the same as in the Committee's policy letter. I took the view that it would be much easier to delete and substitute a fresh set of Propositions, in that Members would see the full impact of what was being proposed, rather than attempting to modify bits of the Propositions that need to be changed. But the consequence of that was that this amendment needed to roll forward a couple of Propositions that the Committee had in their policy letter.

Proposition 8 is virtually the same. The inclusion of the wording, 'direct the Committee to proceed immediately with its work on a PSO', for the Alderney route is to ensure that that work is able to proceed on the basis of the States' direction that comes out of this debate, even if there is work that needs to happen at the same time, to amend the policy statement to get it into the position that we ultimately want to see it in. So those things should be able to happen in parallel, rather than leave the PSO work for Alderney having to depend on getting all the other work in this amendment completed first.

Finally, Proposition 10 gives some direction for the Committee *for* Economic Development for re-drafting the policy statement in a way that is consistent with the general direction set out in this amendment. The critical thing that it includes is a direction to the Committee to set for each route considered a lifeline route a brief, minimum service standard for that route.

Now that might include things like the overall capacity that we expect on the route, or the frequency of flights and these are things that set out the kind of service that we want to see on that route. I anticipate that each route will have a different standard set for it and, much like the KPIs set for Aurigny on the Gatwick route, performance will be expected within given ranges, rather than two specific targets, because targets, as we generally know, tend to be counter-productive.

But the purpose of setting out in a policy statement a minimum acceptable service standard is two-fold. One it does some of the work that was identified in the Frontier Economics summary as necessary in creating a clearer division of responsibility between Economic Development as the policy setting Committee and the TLA as the adjudicating body. Because it should give a much clearer direction to the authority as to the basic standard that we expect any applicant for a licence to be able to meet.

It will also give the Committee *for* Economic Development itself a clearer indication of where a PSO or some other form of intervention might be necessary on a lifeline route, because the question we have to be asking ourselves when we are thinking about do we need to intervene on a route, what do we need to do to ensure an acceptable level of connectivity for Islanders, is not does the route exist or not, is the route going to fall over or not, it is: is it providing a service to a standard that we consider is acceptable?

I am emphasising minimum acceptable service standards. I know that we cannot specify all the bells and whistles that Islanders might wish for in a service, but we have to know what is acceptable for the people of this community and what falls below an acceptable level. So that, for me, is the critical part of the direction given in Proposition 10.

There is also a presumption that, for the routes that we consider to be lifeline routes, the authority will tend not to issue a second licence while there is an incumbent in place who is operating the route to acceptable service standards. This would completely change the emphasis of the policy statement from one which, at the moment, is focussed on the benefits of competition to one which recognises the importance of protecting the core routes. Again, I emphasise this is only the core routes. The rest of this amendment will move us towards either light-touch licensing or no licensing at all on the rest of the routes that serve the Bailiwick.

If we accept that our core routes need a different treatment, if we accept that on those routes competition could lead to the cannibalisation or the failure of those routes, then I think it is a

much more sensible starting point to assume that competition will not be allowed on the routes unless in exceptional circumstances.

Part C of Proposition 10 simply directs the Committee to make whatever changes are necessary in respect of cargo and charter airlines to make sure that the effect of this policy direction is realised through the policy statement. Part D, finally, directs the Committee to return to the States at least once in every term, giving us an opportunity to endorse or change the routes that we consider to be lifeline routes, giving us an opportunity to endorse or change the standards that we consider to be basic standards and giving us an opportunity to endorse or change the policy statement in any other respect.

In closing I suppose there are four options. There is the Committee's proposal, which will protect two routes and open the rest to competition. There is this amendment with Proposition 6A supported, which will protect five routes and open the rest to competition, should competition wish to come. There is 6B, which protects the core five and moves to a more light-touch licensing regime on the rest, or I suppose there is an option to reject it all and stick with the *status quo*. I think there might be a way, through the Committee's proposals, that leads to a completely open skies situation. I have not found it, because I have not looked for it, but I will wait to hear it come out in general debate. I hope that that is not an option that this Assembly will take.

I have to emphasise, in closing, that given the size of our Island, this is not and never will be a flourishing and stand-alone market, but connectivity is and must remain an important service to the public, if not a public service. We should not delude ourselves that the market alone can fix this. There is always going to be a role for Government in sustaining our core connectivity. (A Member: Hear, hear.)

In my view the protections offered by the Committee's policy letter are too weak to do so and the amendment offers two better alternative ways forward. We can weigh up the differences between 6A and 6B in general debate, but I would ask the Assembly to endorse the substitution of this set of proposals for those in the Committee's policy letter, on the basis that both 6A and 6B offer a better and more robust way forward.

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

Deputy Dorey: Yes, sir, and I reserve my right to speak.

Amendment 1:

Carried – Pour 28, Contre 10, Ne vote pas 0, Absent 2

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Soulsby	Deputy Prow	None	Deputy Brouard
Deputy de Sausmarez	Alderney Rep. Roberts		Deputy Oliver
Deputy Roffey	Alderney Rep.		
Deputy Tindall	McKinley		
Deputy Brehaut	Deputy Ferbrache		
Deputy Tooley	Deputy Kuttelwascher		
Deputy Gollop	Deputy Mooney		
Deputy Parkinson	Deputy Fallaize		
Deputy Lester Queripel	Deputy Laurie		
Deputy Le Clerc	Queripel		
Deputy Leadbeater	Deputy Smithies		
Deputy Trott	Deputy Paint		
Deputy Le Pelley			
Deputy Merrett			
Deputy St Pier			
Deputy Stephens			
Deputy Meerveld			
Deputy Inder			
Deputy Lowe			
Deputy Hansmann Rouxel			

Deputy Graham
Deputy Green
Deputy Dorey
Deputy Le Tocq
Deputy Dudley Owen
Deputy Yerby
Deputy de Lisle
Deputy Langlois

The Deputy Bailiff: Members of the States, let me declare the result of the voting on amendment 1, proposed by Deputy Yerby and seconded by Deputy Dorey. There voted Pour 28, Contre 10, two absentees, and therefore I declare that amendment carried.

No debate on amendment 2? Thank you very much – we move to the vote on this then!
(Laughter)

Deputy Dorey.

Deputy Dorey: Sir, I will probably be more than five minutes.

The Deputy Bailiff: You start.

Deputy Dorey: Sir, I would just like to speak particularly about Proposition 4 in the amendment which adds Southampton, Jersey and Manchester to the list of the lifeline routes. Firstly, Deputy Parkinson said with low-cost airlines you get lower fares. Last night I looked at if I wanted to go this weekend from Guernsey on Saturday and come back to Guernsey on Sunday, going to Gatwick. I compared it to Jersey. Looking at the fares, they varied from £50 to £61, for various flights through the day, from Guernsey to Gatwick on this Saturday and coming back they varied from £91 to £131, with some at £111.

Then I compared that to Jersey with easyJet. EasyJet flights from Jersey to Gatwick vary from £55.11 to £84.40. So their minimum fare is more expensive than the Guernsey-Gatwick fare and their highest fare is more expensive than the highest fare from Guernsey to Gatwick. Return fares, coming back on the Sunday, they varied from £89.32, which is very comparable to the £91 for Aurigny, up to £109.52, which is comparable to the £110. There is one flight back to Guernsey which is £130.

I then looked at British Airways from Jersey to Gatwick on Saturday and they varied from £89, £93 and £154. Again, all considerably more expensive than the Aurigny ones. Returning, they were £77, £120 and £142. So there was one slightly cheaper than the return Gatwick fares, but the others were more expensive. I did not look at any other day, I just chose this weekend. The myth is that it is always cheaper to go by low-cost airlines and it is cheaper when you have got two airlines in competition. I do not think that proves that at all.

I will give way.

Deputy Dudley-Owen: I am grateful to Deputy Dorey for giving way. Thank you very much, sir. I just wanted to see some clarification. Did Deputy Dorey read out from British Airways and, if he did, that is definitely not a low-cost airline, so I am not quite sure what the comparator was there?

Deputy Dorey: I read from an airport which is neighbour to us which has two airlines in competition. I thought I would give you the full picture of the two airlines which operate from there. To say that just because you have competition, it does not necessarily mean that you have lower fares.

Firstly, let us do Southampton, which is 4C. If I turn to the report from Economic Development, they say about Southampton:

It carries over three quarters of non-urgent medical trips funded by Social Security, owing to Guernsey's relationship with the Wessex region for medical care, and is therefore of high importance for Guernsey residents' health care needs.

I think that alone justifies it being a lifeline route. It is interesting, in the summary report from Frontier Economics, they separate out the Gatwick, Jersey and Southampton routes as one category and they call them 'strategic routes'. In relation to Southampton it says it enables access to vital health services. In relation to Jersey it says, 'facilitates the inter-island business, without the link some Guernsey business may relocate'. I think that again shows that it is a lifeline route. The fact that those three routes are categorised together shows that, I believe, they should be lifeline routes. We also have added Manchester to that list, as we believe that Manchester is key in terms of access to northern England. Also, it is a significant hub airport.

I could refer to what happened when you suddenly allow competition on a small route without those lifeline protections. We have seen what happened with Loganair where it says it lost £9 million and it says the biggest loss would be attributed to a price war with Flybe, estimated by Loganair to have cost £6.8 million. That is because they had a franchise agreement and they ended it. We could read about what has been said by Blue Islands and Aurigny about the results of competition and we know ourselves, I know Deputy Roffey has referred to what has happened with Jersey when we had two airlines go into competition. I do not think that was of benefit to this Island.

I could go back to the Southampton route. I can recall in the late nineties when I was going on holiday with my family, we were originally going to go on the boat. Air UK and Flybe went into competition, because it was allowed on the Southampton route. The fares just kept dropping all summer. It was far cheaper to fly and hire a car than go by boat. But of course, what happened? Air UK just pulled out in the end and that is exactly what they said happened to both Blue Islands and Aurigny. You have lower air fares for a while to test who has got the deeper pockets and after that the one who wins puts their fares up to try to make up for the losses that it has made. The same thing happened in 2016 with Flybe and Blue Islands.

I am simply saying that these routes need to be protected. There is no benefit to allowing competition. We have seen what competition has resulted in on those routes. It has not benefited the community at all. For that reason, I urge you to support this amendment so that we can vote on whether you want that group of lifeline routes protected.

Deputy Yerby referred to 6A and 6B. It was interesting in the presentation that we had. They had a graph up that showed the number of passengers, I think, flying between Jersey and Manchester and Jersey and Liverpool. Obviously the growth in Jersey-Liverpool has been mirrored by exactly the decline of Jersey-Manchester. That is why I think that you should have the opportunity of the light touch of 6B. There is no point in having those lifeline routes if you do not have some controls over the airports which are adjacent to our lifeline, because just as Jersey has seen, if you get flights going to Liverpool, they just take the passengers away from your lifeline route and they will make it unviable.

It is important for us as a community that we have those two flights a day, in the morning and evening, to a key airport in the north of England. You would lose that and it would not be viable. That almost happened when competition was allowed on the Manchester route and one airline started flying at lunchtime on that route and just doing it in the summer.

We have to accept that there are fewer passengers in the winter and we need some key routes protected. You have to allow those airlines to make a profit in the summer so that they can partially subsidise the winter flights, so that we can have the frequency that we need for our economy. Just to say that it is just about Gatwick and Alderney is not correct. I have explained why they have said that Jersey is important for businesses, as is said in the front of the report, they could relocate. Southampton is very important for our health services and access to the south of England and Manchester is important for access to the north of England.

For those reasons, I would urge you to support this amendment so that we can protect those routes for the benefit of our community. Thank you.

2190 **The Deputy Bailiff:** Members of the States, we will now adjourn until 2.30 p.m.

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

COMMITTEE FOR ECONOMIC DEVELOPMENT

**Review of Air Transport Licensing –
Debate continued**

The Deputy Bailiff: Who wishes to speak on this amendment? Deputy Roffey. Thank you.

2195 **Deputy Roffey:** I was not going to speak quite so quickly, but I was worried that we might all
get home too soon! I do find it slightly difficult to know what to say in relation to this amendment
and how much to reserve to say during general debate, particularly as I know you are quite a
stickler for making sure we are sticking on the subject of the amendment. But as the amendment
seeks to introduce the concept of the degree of regulation from the *status quo* through to total
open skies, I think really I need to make the points now and make sure that I do not repeat them
2200 when we come to the general debate. If I do, I am sure you will draw it to my attention.

I think Deputy Yerby was right in two respects. Probably more than two, but two that I noticed
in particular. There are a number of different stances you can take on this. You could be in favour
of completely open skies, you could be in favour of quasi-open skies, as portrayed in the policy
letter, with just two exceptions to that: Gatwick and Guernsey/Alderney. You could take what I
2205 would call the Yerby approach, which is this amendment with 6A. You could take what I would call
the Dorey approach, which is this amendment with 6B. Or you could take what I would describe as
the Roffey approach, which is actually staying with the present regulatory situation.

However, I am not totally close-minded on that. I am willing to consider some change from the
present arrangement, but I do think it carries with it significant dangers. Certainly I think going for
2210 open skies full stop would be absolute lunacy. It amazes me that, apparently, there are some
Members of Economic Development who believe that that is the correct approach. We own six
pairs of slots in Gatwick. We only own them if we own an active airline that operates them on a
regular basis.

2215 **Deputy Kuttelwascher:** Point of correction, sir.

The Deputy Bailiff: Point of correction, Deputy Kuttelwascher.

2220 **Deputy Kuttelwascher:** The airline owns them, but it does not actually have to operate them.
A third party could operate them on behalf of the airline. Thank you, sir.

The Deputy Bailiff: Please continue, Deputy Roffey.

2225 **Deputy Roffey:** The idea of going for open skies and for example a low-cost airline operating
a couple of rotations a day, with larger aircraft and pushing our incumbent out and not wanting to
take a delegated thing from the existing airline, just wanting to do its own thing, as they could do
with open skies, would mean that we would no longer be able to retain those slots. It would be an
absolute disaster for our local Government.

2230 Then we have the position that is put forward in the proposals as we stand. I can understand
the attraction of it, but I think there is a tension here, and this is the other way in which Deputy
Yerby, I think, is absolutely correct. The tension to me is that, on one side, we want regular flights

at convenient times, year-round if possible, early in the morning and in the evening if possible, to make sure that the local population can position themselves where they want to be.

2235 On the other side, we want fares to be as cheap as they possibly can and there is a tension between those two. To some extent, that splits into a tension between the needs of the local community and the needs of our visitor economy. Not absolutely, because the local community wants fares as cheap as possible as well. I agree with that. But whereas, to the visitor, and therefore the local hotelier or restaurateur, cheapness is by far the overriding consideration, it may not be quite so much the case for the local population, who need to get where they need to go, 2240 when they need to go there.

I think, actually, this was emphasised by Simon Calder in his interview last night. He said bring in open skies, your prices will come down, lots of people will come to Guernsey, 'I will come to Guernsey.' Mind you, you may not have a flight on a Tuesday in February, I think we said. The locals very much want to be able to get away on a Tuesday in February, whereas Mrs Jones from 2245 Blackpool wants to get a cheap flight to Guernsey and if there are only three rotations a week at noon from an airport up north, she is quite happy with that. I think that is the tension we have to resolve.

I do not think there is a right or wrong answer, because our visitor economy is vital to Guernsey, absolutely agree with that. Anything I can do to help bring down prices for the visitor, 2250 who is very price sensitive, I would like to do, but I do not want to do it at the risk of sacrificing the needs of the more general population.

A lot has been made of the fact that both Jersey and the Isle of Man have benefited from open skies. Actually those of us who went to the presentation, it showed that over the longer period of time that both of those islands have had open skies, for the majority of the time, it was a fairly 2255 static situation, as far as passenger movements. But, undeniably, in the last few years, there has been an uptake in air passenger movements in both the Isle of Man and, perhaps, more graphically in Jersey, whereas Guernsey has been flat or in slight decline.

I think there are two reasons for that. One is, let us take Jersey, for example, they have absolutely let their population rip over the last few years and local people actually make up quite 2260 a significant part of passenger movements. So that is one explanation. Another explanation is that their tourism has been on the up slightly, whereas Guernsey's has not.

But the elephant in the room, here, is that actually the reason that both of those islands have enjoyed an increase in passenger movements is because, over the last few years, they have seen a growth in low-cost airline links from their islands to elsewhere. Now, my understanding is that we 2265 have to move our runway towards Valpy's somewhat, in order to get, let us say, easyJet – it can be any low-cost airline – to come in and operate their typical aircraft, their almost uniform fleet, with a full-load.

I think that is the elephant in the room here. It is a bit weird. We are discussing whether or not open skies will bring down costs. It may well do if it is coupled with our decision to extend the 2270 runway. I am not saying I am going to support extending the runway, what I am saying is I think these two things are intrinsically linked in a way that we are being asked, really, divorce it: let us discuss open skies first and then later on we will come along and decide whether to extend the runway.

I think there are dangers in that. I think we might be taking all the risks involved with deregulation and yet we have no idea whether we are going to open ourselves up to the potential 2275 benefits of low-cost carriers by facilitating them with our physical infrastructure. So I find that another reason why it is quite difficult to do today.

I actually think our connectivity, for an Island of 60,000, is pretty poor to France but as far as the UK is actually pretty good. Much more expensive than anyone of us would ideally like but 2280 actually for a community this size, I do not think our connectivity is that bad. Mr Calder was wrong. He thought we only had a link to one London airport, we have actually got a link to two. We have got a link to all sorts of regional airports, from Exeter to Bristol to wherever else. When we look at the amendment before us today, it only protects some of our existing links.

I use the Bristol link from time to time. It is year-round. It is only one flight a day, admittedly. Maybe I should be willing to sacrifice the existing incumbent and go for a summer-only service, as it almost certainly would be, if somebody wanted to come with much lower fares, in order to help the tourism industry. Because I do not think they would be able to do that in the winter.

But when you get onto things like Manchester and Southampton, I start thinking I am not sure I am willing to make that sacrifice of our connectivity year round and at the right time, just in the highest hope we might get cheaper fares. I am biased, I used to use the Manchester rotations on a very regular basis. It is an incredibly long day, first flight out in the morning and does not land until about 8.40 p.m., but it was incredibly convenient. I used to go on a Saturday and felt like the odd one out. I was going to a meeting of the Co-op and everybody else seemed to be wearing red for some reason. I think they were probably going to support the local football team up in Manchester.

I start from the point of wanting to just vote the whole lot out, because I am not convinced of it. I stand to be persuaded, if this is inserted, I will then listen to the debate on the new Propositions and might be willing to move a little bit in order to take a punt, if you like, on some of the less-important routes, in order to see whether it can actually work on behalf of our tourist industry. But I come to it with very great nervousness.

I am also interested that this amendment includes Jersey. Because if it goes through, I wonder how we get back to having a good service on Guernsey to Jersey? I find it ironic, actually. I think those from Blue Islands who have been campaigning against open skies – absolutely right over the dangers that they flagged up – but there is a rich irony, to be honest; the people who actually said, ‘You must have competition, how dare you protect your own?’ are now saying, ‘No, do not dare have competition. Do you not know the dangers involved?’ I think they were wrong then and they are right now, probably. But how we get back to having a decent service there, I do not know.

The frequency, the reliability are both problematic in my view and I think both leisure and business traffic – certainly I was on the board for many years of a pan-island organisation – we almost stopped travelling between the islands when we did not absolutely have to, because it was just so inconvenient to do so, compared with the previous service.

I am certainly going to vote for this amendment as what I regard as the lesser of two evils. How many of the proposals I am going to vote for at the end of the day I do not know. I will certainly vote to allow, I know it is not the day to discuss it, the public service obligation idea to roll forward on Alderney so that that can be brought back to the States, to make sure that that actually happens.

The rest of it, though, I really do stand to be persuaded. I come from a very conservative point of view here of not being convinced, certainly without a longer runway, about the benefits that might flow from open skies, being considerably concerned about the disadvantages and that is really not just because I see the bogies in the dark, but because of experience.

Deputy Dorey talked about a competitor on the Manchester route operating a lunchtime operation and I think they are only doing that for summer months as well. So then we are really cherry-picking and there will be nothing we can do to stop that outside Gatwick and Alderney – and I doubt we are going to cherry-pick on Alderney but, who knows – there might be some cherries up there to pick – if we have open skies and total deregulation.

I really think we should be cautious before this genie is let out of the bottle, but I am persuadable if this amendment goes through, of saying that maybe I will be willing to take a punt on some routes. If this amendment is thrown out then I definitely do not think I can support the proposals as they stand and just revert to plan A of voting against most of them.

The Deputy Bailiff: Deputy Smithies.

Deputy Smithies: Thank you, sir.

2335 I cannot support this amendment, I am afraid. I regret I am not convinced by its coherence. I do not mean by that it is incoherent – far from it. As elaborated by Deputy Yerby and now by Deputy Roffey, it seems to me to be all things to all men and women. I find Proposition 1 difficult to accept, as it seems to allow for a degree of uncertainty in its designation of lifeline routes, which seem to be changed more often than I think would be advisable.

2340 I do not have any problems with Propositions 2 and 3, but Proposition 4, as has been anticipated by the proposer and seconder, does raise the question why Manchester? Why not Bristol, or East Midlands, or Exeter, or Belfast or even Shannon, if you want to go to the United States without having to clear immigration at New York?

2345 Then we have the choice of 6A or 6B. I prefer 6B, but the choice is still uncomfortable. I much prefer the well-argued and well-crafted policy letter from E&I to this amendment, and therefore I shall be voting against it.

The Deputy Bailiff: Deputy Lester Queripel.

2350 **Deputy Lester Queripel:** Thank you, sir.

At the moment I really do not know which way to vote on this one. I am in dilemma on the whole open skies business. The reason I am in dilemma is because, although we often hear it said that Jersey is thriving because it has an open skies policy, I am not sure if that is the case.

2355 Surely part of the attraction is because of what Jersey has to offer tourists when they are there? I cannot imagine anyone booking a cheap flight to anywhere, unless it provides what they are actually looking for when they are there. My understanding is that Jersey has a lot more to offer than Guernsey in the way of facilities and entertainment for their tourists.

2360 I just wanted to make a few comments on that, because surely we cannot adopt an open skies policy and then live in hope? Maybe we can; hence my dilemma. Maybe we should. Of course another side of that is surely it would be ridiculous if we were to adopt an open skies policy for their business or the States then to close down facilities? I say that because the States has a history of removing facilities and I will focus on that a bit more in a moment.

2365 Recently, we lost a bowling alley at Victoria Avenue. It is a primary example of a family facility closing down. My understanding is it was a popular venue, but the parent company chose to close it down because they were looking to save money on the establishment. That was the only tenpin bowling alley we had in the Island. We lost another one, of course in First Tower Lane many years ago.

2370 So if a family with two or three children, who like tenpin bowling, are deciding whether to come to Jersey or Guernsey and they see that Jersey has a tenpin bowling alley, then there is every possibility they will decide to go to Jersey, especially if that attraction is combined with another facility that the family would like to utilise whilst they are on holiday.

2375 Facilities such as diving boards in swimming pools, for example. Now they have been removed from the ladies' pool and they have been removed from the gents' pool. My way of looking at things like this is that surely we are not going to attract visitors to Guernsey if we keep on removing facilities.

I just want to spend a moment focussing on facilities that have been removed in recent years, sir, and the reason I think it is important to do that is because we have to look at the whole open skies issue holistically and not in isolation. It is because this open skies issue is such a major issue I feel it is important we look at everything that is involved, without possibly moving to open skies.

2380 As I said earlier in my speech, the bowling alley at Victoria Avenue recently closed down. Perhaps the States of Guernsey could take it over? I will leave that with Economic Development to consider. (**A Member:** Contre!)

2385 Before I move on, I took great comfort from Deputy Parkinson saying in the Chamber this morning and on the recent *Radio Guernsey* phone-in that he is only too aware it is not just cheaper fares that are the issue, because he also said we have to be mindful of what Guernsey has to offer and I took great comfort from his saying that.

Just to spend a moment citing a few of the facilities we have lost in recent years, by doing so I am highlighting the need for the States to increase the amount of facilities we operate and not keep taking them away, if we are to have any hope at all of an open skies regime being successful. Also to support businesses as much as we possibly can, to ensure they do not have to cease trading in the future.

In recent years, the States were responsible for removing the diving boards at the gents' pool and the ladies' pool, as I said earlier. In fact, the gents' pool itself was closed for I think four years, until recently when a group of volunteers and a charity carried out the repairs that were needed to make it safe and useable again. If they had not done that, I suspect it would have remained closed permanently, due to the States apparently not having any money to carry out repairs.

The horseshoe next to the gents' pool was also closed by the States, again because the States apparently did not have the money to repair it and the work to repair the horseshoe was again carried out by the same people who repaired the gents' pool. One of those people, of course, was our very own Deputy Mooney, and we have a lot to be thankful for from those volunteers. Those are popular areas with families and children. They always have been.

Going back to the issue of the States removing facilities and activities, Beau Séjour has been a victim of several removals in recent years. The giant family astra-glide, which was placed just behind the centre itself, has been removed. So have the flumes, which were at the top end of the swimming pool. The family games room has been removed and the centre no longer stages public roller-skating sessions. Plus, the outdoor trim trail has been removed.

Those are all attractions to the Island, sir. Those are all facilities that the Island used to offer and now no longer does offer. If those facilities and attractions are provided in Jersey then is it any wonder that people are going to choose to go Jersey? The States could have saved and should have saved the Odeon Cinema, which could have been used as a multi-functional arts centre. Another cinema we lost was the Gaumont and we even lost a theatre, which was of course the Little Theatre.

To further my point about the attractions that we no longer have for tourists, we used to have several hotels that staged summer seasons featuring professional artistes. The majority of those have closed, unfortunately. I am talking about hotels like the Royal Hotel, the Savoy, the Hermitage, Burnham Court, St Martin's Hotel, Light Woods, Wyndham's, the Coq du Nord and those are just a few, there are more.

Every single one of them provided entertainment for tourists and locals alike and we have now lost them all. Yes, sir, I hear mumblings that I am going back years. But our tourism has been in decline for years. Surely –

The Deputy Bailiff: Deputy Lester Queripel, can you try and bring it to a point relating to this amendment, now then, please? You have said sufficient about what has gone. What is the solution?

Deputy Lester Queripel: Sir, I am explaining why I am in dilemma on this one, because I believe we need to look at the whole issue holistically.

The Deputy Bailiff: I understand that, Deputy Queripel, but it is important that you do speak to the matter that is before the States at the moment, which is whether to pass this amendment or not.

Deputy Lester Queripel: In that case, sir, I would say that I am speaking in general debate and on the amendment at the same time.

The Deputy Bailiff: It will not necessarily save you on relevance, Deputy Queripel! (*Laughter*)

Deputy Lester Queripel: I have only got two short pages to go.

The Deputy Bailiff: That is fine.

2440

Deputy Lester Queripel: Will you allow me to continue, sir?

The Deputy Bailiff: Yes, do. As long as it is relevant.

2445

Deputy Lester Queripel: It is all relevant, sir, to me. It is getting across to the Assembly what we have lost. All the attractions and facilities that we have lost. We cannot just, surely, go to open skies and live in hope? I often get exasperated in this Assembly and I am doing that just now, so I apologise.

2450

I just want to add to that list we have also lost St George's Hall, where families could go roller-skating. We have lost the Lyric snooker and billiards hall and we have lost our one and only zoo and also the Strawberry Farm. Surely that is enough to make my point that: in my view, people do not visit a place just because of cheap flights? They go because of what the place has to offer.

2455

I am in dilemma about this whole open skies business. I will listen to the rest of the debate and hope to hear one of my colleagues say something that helps me make up my mind, but I will finish by asking two questions. What constitutes a cheaper fare to those that say fares are currently too expensive? Say, for example, a fare to and from Guernsey is £250, how much will that fare need to be reduced to then be considered a cheap fare? Are we talking about £100 reduction, £150 reduction, a £200 reduction? I think we need to hear the answer to that question, sir, from the Members of this Assembly who focus on fares being too expensive so that we then know what a cheap fare is in their eyes.

2460

The last question I have got I think needs to be answered. It will certainly help me to be able to make up my mind. Where is the proof that our introducing an open skies policy is going to dramatically increase the amount of people who fly in and out of Guernsey for holidays and business? If there is proof, then surely we need to hear it?

2465

Thank you, sir.

The Deputy Bailiff: Thank you.
Deputy Leadbeater.

2470

Deputy Leadbeater: Thank you, sir.

I would just like to pick up on something Deputy Lester Queripel was saying about people travelling to destinations purely because of what those destinations have to offer. That is absolutely true, but business will respond. If we have more flights or cheaper air fares, businesses would respond and there would be a knock-on effect of more businesses opening, offering more to people coming to the Island.

2475

It is a kind of a Catch-22. I do not think that is a justifiable argument not to look for an open skies policy. I can understand where he is coming from, because we have lost all those places, as he mentioned. Not all of them people would have liked to have visited if they were coming to Guernsey, but certainly places like the Strawberry Farm and those sort of tourist attractions we have lost.

2480

But the thing is we cannot just carry on doing the same thing. We need to look to do something different because, for years and years, we are banging our head against the wall and not making any progress. I see this policy letter as a step in the right direction. Not everybody is completely comfortable with it, clearly, because there has been an amendment to it and adding in different destinations to the lifeline routes.

2485

I am not going to vote for this amendment. I have always been interested in an open skies policy, I can understand the policy letter trying to protect our lifeline routes. I would like to see, in the future, a complete open skies policy, but I think this is a pragmatic and sensible option going forward. I am speaking in general debate now, sir, by the way, so I will not be supporting this amendment, I will be supporting the policy letter.

2490

Thank you.

The Deputy Bailiff: Deputy Inder.

2495 **Deputy Inder:** Sir, I am going to be talking to the amendment. I think I will pick up on something that Deputy Dorey said and I think we have all heard it. We have had comparisons with the Isle of Man. I assume it was overnight but Deputy Mooney, he wrote to Mr Skelly, who looks like the Deputy Parkinson-equivalent in the Isle of Man, who is running under the title of Hon. Laurence D. Skelly, MHK for Rushen, Enterprise Minister. I am assuming that is the equivalent
2500 role that Deputy Parkinson is currently trading under.

Now Deputy Mooney, he sent the letter from Aurigny to Mr Skelly. Within that email, he wrote to Mr Skelly, he said:

Aurigny, our States-owned airline, and those who are anti-open skies, constantly refer to the Isle of Man as an example of how open skies does not work. See article in the *Guernsey Press* today.

He goes on to say, this is Deputy Mooney to Mr Skelly:

I believe that the Isle of Man information being circulated here is misleading as you have had open skies since '92 and throughout the four reviews since then you have not changed your position. Do you agree with the statement in the attached article, which states that as a result of adopting open skies, the Isle of Man has seen substantial deterioration in air services?

Mr Skelly responds:

Many thanks for your email. Firstly, it would be interesting to learn where the evidence is to support comment about open skies being detrimental to our economy. It is true we have had a policy in place for many years and, as far as I am concerned, it has served us well. As you have noted, it has been tested periodically but always comes back ...

2505 ... and it sounds like the Isle of Man has always endorsed the policy.

The number of airports served from the Isle of Man is 10 and with the growth of no-frills airline destinations, the cost has gone down for the average passenger and that encourages more frequent travel. The real proof is last year we enjoyed a record year for passenger numbers at our Airport. Hope this helpful and good luck with your debate.

Thank you very much.

The Deputy Bailiff: Deputy Graham.

2510 **Deputy Graham:** Thank you, Mr Deputy Bailiff.

If I have a conclusion about the amendment so far it is that perhaps it is erring on the side of caution. I make that comment in the context that I think the whole debate is essentially about assessing where the assessment of potential benefits of an open skies policy, or put it this way, of de-restricting some of the routes, where the potential benefits of that stack up against the
2515 potential risks.

It is something Deputy Roffey characterised that assessment as a balance that on the one hand benefits potential and risks potential. He chose to characterise that by saying how can we really count on the potential benefits of liberating, let us say, the Bristol route or the Manchester route, until we have got a runway that will take the low-cost providers. Therefore it is lacking in sense,
2520 really, to come to a conclusion as to where the balance in our assessment lies until we decide whether or not to lengthen our runway.

This is why I am standing up, because it is a genuine question, not a rhetorical one; I am not trying to make a point here. It is a question that I would like the answer to, either from the President of Economic Development or from Deputy Yerby when they respond to the debate. If
2525 on the one hand the potential benefits are not there until such time as we allow the low-cost operators to bring their aircraft in on extended runways, doesn't the same analysis apply to the

potential risk? In other words, what are the risks that the low-cost providers are going to come if we have not got the runway to take them?

It is a genuine question from my point of view. I do not know quite where to go from there, but it does lead me to say that I tend to err on the side of risk-taking and there is an element of risk in this, clearly. I am slightly put off by the extent to which the amendment adds, not only Jersey, for which is a genuine concern, but also adds Southampton and Manchester to the list of protected lifeline routes and I hope by the end of the debate I will know quite where to put my marker.

The Deputy Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

In response initially to Deputy Graham's point, I suspect he is not the only Member who, looking at the list at number four in the amendment, thinks that some of the routes outlined ought to be lifeline routes, but perhaps not all. I assume that if the amendment is successful, when we get to the end of general debate, it will be possible to vote separately on each of 4(a) to 4(e) and take a pick and mix approach, which may help Deputy Graham and others.

The amendment is lengthy, but is I think well-crafted. I am not very keen on 6B, incidentally, I much prefer 6A. But despite being lengthy, the essence of it is that Deputy Yerby feels that she has captured a better definition of a lifeline route and that she has a better list of lifeline routes than those set out in the policy letter.

The difficulty I have – and I do not think I am alone – is that, listening to the debate so far it is quite confused and under-informed, and I do not mean that pejoratively, because I feel as confused and as under-informed as anybody. But there are quite a number of Members saying, 'I really do not quite know how I will vote on all of this.' I think it is because of this difficulty, the question about exactly which route should be or should not be a lifeline route is really a rather detailed question. I am not actually sure that it is a question best settled by the States sitting in this forum, actually, but it is quite a detailed question.

The answer to it is it depends what we are trying to achieve. But we are having this debate when we do not really know what we are trying to achieve. So in my view the right debate to have had would have been a debate about the strategic objectives for air links. Deputy Graham, in the States, has talked at times about objectives and plans and I think we are here debating a plan and we do not really know what the objective is.

There is currently a review of air and sea links going on. I do not think there should be another review. I voted against it. But I was in a minority and a review was set up. That is, as I understand it, a strategic review of air and sea links. I do not know what it is going to report, but it is ongoing and, at some point, presumably, some findings and recommendations will come back to the States. But that is happening.

Then there is a sort of live debate going on about whether the runway should be adjusted or lengthened in any way and now, added into the mix, is this debate about air transport licensing and the Committee's view and Deputy Yerby's view in an amendment.

The issue about the runway and the issue about licensing is that they are plans to achieve certain objectives, but it depends what your objective is. I do not really care what length the runway is, quite frankly. I know there are all sorts of environmental considerations and economic considerations, but I do not have a particularly strong, principal view about how long the runway should be. I do not have a particularly strong, principal view about whether lifeline routes should include Manchester, or Bristol or Timbuktu, quite frankly.

But what I am concerned about is what is the strategic objective? What does success look like in terms of route served, frequency of rotations, price, what is it that we are trying to achieve? Do we think at the moment that the main problem is there is an inadequate number of routes? Do we think that the rotations are inadequate? Do we think the price is too high? Do we think only some of those things are a problem, or are they all a problem, but in different proportions?

2580 What emphasis ought we to give to lowering prices or increasing frequency or increasing the range of routes? Now until we have decided those strategic objectives, I find it very difficult to take a view on what the licensing regime should be. Because the licensing regime should be part of the plan of how you achieve the strategic objectives, as indeed should how long the runway should be.

2585 If we are perfectly happy with the air links that exist at the moment, it is completely pointless lengthening the runway. If we want to see more rotations. If our main priority is to see more rotations in and out of the Island, probably it is pointless lengthening the runway. If, on the other hand, we want to take some risk in an effort to increase the range of routes that are served and potentially bring down prices, there may be a stronger argument for lengthening the runway.

2590 But the same is true in relation to air transport licensing. How can we make a decision about which route should be lifeline routes until we know what we are trying to achieve in relation to the range of routes, the price that we expect the consumer to pay, the frequency of rotations, etc.? Deputy Gollop says we do not know that. No, exactly. Deputy Yerby, when she opened on her amendment, she outlined what she thought the strategic objective should be. Her vision.

2595 Now I thought she set out quite a cogent vision, but the point is that it was her vision. I have heard two or three other speakers setting out their own vision, but it was not the same as Deputy Yerby's. They were not the same as each other's, either. The fact is we do not know what the strategic objective is, so how can we take a view on what the licensing regime should look like?

2600 So I think that we are left, and this is an unsatisfactory position, with a choice between ideology or instinct, effectively. I think that some of those Members who are very favourable towards open skies, and I say this respectfully, are acting primarily on the basis of ideology. I do not think they have a great deal of evidence to support their case that open skies will bring in more operators or lower fares, they just come at this thinking, theoretically, if you have an open market, you encourage more competition, more competition will mean more innovation, prices will come down, everybody will benefit.

2605 Sometimes in markets that works, but we do not apply that view to the electricity market. We do not apply it to a whole range of public goods or merit goods. It is a very theoretical, ideological perspective. Maybe they are right. Maybe they are wrong. The evidence does not tend to favour their view, because you could have said 25 years ago, if only we can get some competition on the southern ferry route, then we have more choice, more reliability, prices would come down. Then, of course, it happened. We had more than one operator and it was a fiasco.

2610 We have had this, as Deputy Dorey suggested this morning, happen on the Guernsey-Southampton route previously. It certainly happened on the Jersey-Guernsey route. We had Caribbean Island-style links between Guernsey and Jersey at one time. Almost a taxi service running between the islands. There was some deterioration before there was competition on the route, but not that much. Then there was competition on the route and the whole thing has gone south. That is not that there are more passengers going south, because they are not. The whole thing has deteriorated.

2620 Clearly where competition was allowed and was not sustainable that has had an impact on the deterioration in the Guernsey-Jersey service. I do not say those Members who favour open skies are wrong, I am saying unless they can persuade me otherwise, in the remainder of this debate, I think they are acting primarily on ideology in favour of competition and openness in the market and I think there is quite a lot of evidence of what has happened in the past in Guernsey's travel links, which suggests that their ideological perspective in this might well be wrong.

2625 On the other hand, I think those of us who are more cautious and more sceptical about open skies are operating largely on instinct. Instinct about what should be in the list of lifeline routes. If somebody invited me now to participate in a detailed debate analysing whether Manchester should be a lifeline route or should not be, I would not be able to participate. Deputy Parkinson might, as the President of the Committee responsible, maybe Deputy Yerby could, as the mover of the amendment, but I expect most of us could not.

2630 Because how many passengers does it need per year before it becomes a lifeline route? What is the risk to the Island that we are prepared to tolerate of the loss of that route before we make it a lifeline route? We do not really know. It is just instinct. We feel that, given the past, given the evidence, it is probably unwise to allow an open skies approach on every route other than Gatwick and Alderney and, with the greatest respect to Alderney, in terms of Guernsey people, the
2635 Alderney route probably is not a lifeline route, it is a matter of the relationship there is between the two islands. For Guernsey people, what we would effectively be saying if we approved the proposals in the policy letter is that the lifeline route out of Guernsey, essentially, is Gatwick.

Now there are many of us who think that is a risk and that the evidence suggests that there may be deterioration on other important routes if that is allowed to happen. But I think you could
2640 make just as good a case for Bristol as you could for Manchester and Deputy Smithies, a few moments ago, listed other routes which you could make a case for.

The point is, I do not think there is any science behind the list for (a) to (e). It just speaks to the instinct some of us have that it is probably going too far to agree to the proposals in Economic Development's policy letter. So, on balance, I think the proposals in Deputy Yerby's amendment
2645 are right.

If it is approved, I really hope that 6A is approved and not 6B, because I think if you have determined what your lifeline routes are and you have started adding to the list in the way the States would be by adding Jersey, Southampton and Manchester, I think it really would be quite
2650 unfortunate to say on all the other routes which we do not think are lifeline routes, we still want to have this licensing regime in place.

It seems to me far better that, if you are going to extend the list of lifeline routes, you would say all the other routes we can have competition and innovation and we are prepared to see what happens on those routes, because ultimately if the prices go up and the frequency goes down or the route is lost, we are prepared to tolerate for a period of time because it is not a lifeline route.

I think if the amendment goes through, 6A is much better than 6B. But in the absence of strategic objectives, in the absence of knowing exactly what we are trying to achieve. I know it would be easy to say, 'We know what we are trying to achieve, we just want better air links.' But that is not a strategic objective. When we say we want better air links, is it primarily that we want lower prices, is it that we want more rotations, is it that we want more routes to be served and in
2655 what order of priority do we put all of those things?

Until we have clarity over the strategic objectives, I think it is very difficult to take a view on the plans that should be put in place around air transport licensing, or indeed around lengthening the runway, to achieve those strategic objectives.

The Deputy Bailiff: Before I call the next Speaker, can I try and provide some clarity on a point that Deputy Fallaize has just raised? If this amendment is carried and there is a new set of Propositions, 1-10, and if Members want to have distinct votes in respect of what will then be Proposition 4, in relation to the five items listed for the five destinations, whether that is taking each of them distinctly or grouping some of them, then that is what will happen.

2670 Deputy Tindall.

Deputy Tindall: Thank you, sir.

I rise to set out my reasons for objecting to this amendment, which replaces all of the Propositions set out in the policy letter. Whilst other speakers have recited their reasons for
2675 designating Jersey, Southampton and Manchester as lifeline routes, I will concentrate on the change in policy direction, which this amendment seeks to implement – in particular the altering of the definition of a lifeline route.

The actual and possible implications of passing this amendment are of great concern to me. I do not see it as just teasing out the issues, as I believe Deputies Yerby and Dorey intended, but it
2680 creates uncertainty on all fronts and an unfortunate by-product that the transport licensing regime which is currently held in low regard will only get worse.

I start by apologising. Because we received the amendment only recently, I do not know the precise effects of this amendment. Since we have received this draft I have been asking question after question of our officers as to interpretation and also legal advice. But I have yet to have the response on all the effects of the differences from our own Propositions. Unfortunately I can only go on what I think, what I feel and I apologise for not having the definitive answers for you. But that is the nature of our Government and the way in which such a complicated subject can be debated, giving us such a short space of time, before consideration and discussion.

I will start with Proposition 4 of the amendment, as compared with Proposition 3 of our policy letter. As a Member of the Committee *for* Health & Social Care, I initially had serious concerns of just designating only Alderney and Gatwick routes. The Committee *for* Economic Development, as has been mentioned, was split as to whether any route should be designated at all.

For both these reasons, I suggested that Proposition 3 of the policy letter be drafted in such a way so as to preserve the extensive core work undertaken, which is represented in the remaining Propositions, but allowed routes to be added by way of amendment or indeed the opportunity to vote against a route being included at all.

However, this amendment goes further than simply adding a route. It seeks to undermine the extensive work, based on research and legal advice, and therefore undermines the basis for the recommendations for a change in the licensing regime. Putting it simply, the definition of lifeline being crafted because of a purely altruistic point of view, without considering the reasons for its creation in the first place, is dangerous.

In order to be able to justify protection of a route, the legal position needs to be considered, taken into account and the wording carefully drafted to ensure we do not fall foul of unintended consequences. This has always been the case in respect of, for example, the policy statement. I personally do not like its contents as re-drafted, based on the Propositions of the original policy letter, but I naturally have to bow to the greater wisdom of our Law Officers, who advise on its contents and the need to be wary of falling foul of legislation in other countries. It must be remembered – albeit it, it is blindingly obvious – routes start and finish from other countries, not just Guernsey, and we must take that into account.

This illustrates the complex nature of our air transport licensing regime. I am not discussing funding at this point, as that just complicates it even further. I am simply concentrating on the licensing regime and that this is about the licensing of aircraft which leave and return to Guernsey. Only those routes, but those routes leave or return to places other than Guernsey and it is those Laws we must be aware of.

The explanatory note says the definition of lifeline has been changed because it should only be a matter of how important it is to Guernsey's or Alderney's survival and flourishing. How critical to the communities. However, critical means having the potential to become disastrous or of forming a crisis.

So what crisis is being avoided? Purely by designating routes as lifeline routes does not avert a crisis. By simply looking at the economic and social wellbeing of a population does not avert a crisis. It is the lack of support of that particular operator on that route that is the potential crisis. Government intervention or support is the outcome and that is what needs to be incorporated into the definition.

I believe that whether or not you consider the routes critical, without that proviso of this support, the ability to defend a route designation could be put into jeopardy and that potentially includes Gatwick and Alderney – a position none of us wants to be in. I say 'could' because, I do repeat, the Committee *for* Economic Development has not had the chance to fully consider the unintended consequences of such a change in the definition.

That also goes for other parts of the Propositions which have been reworded from the original Propositions in the policy letter. So whilst I feel that fundamentally this amendment goes too far, there is still the possibility for routes to be protected by laying an amendment that adds these three routes, but actually uses the definition articulated by the Committee. If such an amendment were laid and, if not, in general debate, I would go into great detail as to why none of these three

2735 routes, or indeed any other route than the two named, require any protection of this sort. I would also go into the reasons why this is a step towards improving our tourism project and our travel connectivity. But again that is for general debate.

Deputy Yerby indicated that she was sympathetic to the opening up of new routes. That was pleasing as that is the intent of the policy letter. As those who have read the Frontier Economic report and attended their presentation, this is the primary aim of open skies policy. So what does 2740 designating any route do? It protects the incumbent from competition, so it does not go bust.

Will it? Yes, if you had a Government support, such as by way of public service obligation. But not simply by requiring a licence. Hence the two-part test. Protecting certain routes does not protect those routes close by to them, either. For example, if you designate Manchester and Southampton, do you also designate Bournemouth and Liverpool? How do you justify designating 2745 one, but not the other? Indeed how do you justify designating both?

If any route is critical and requires support, this can be added by way of regulations by the Committee for Economic Development under the original Propositions. But if Proposition 1 is such that the States requires to make the decision, will we put ourselves in a position where indeed a route becomes critical for a future unknown reason and requires attention and by changing the 2750 means of the ability to designate from that proposed in our policy letter to the States, would that be a problem?

That said, so does the lengthy amendment suggested to the policy statement by Proposition 10. At this point I wish to repeat the status of the policy statement, as it is extremely important. Section 7 of the 1995 Law says that matters to be taken into account in considering whether or 2755 not to grant or renew a Guernsey Air Transport Licence, a board or the authority, as we call it now, 'shall take into account the following matters ...' That includes the policy statement. They therefore only have to take it into account.

With regard to the statement itself, I cannot see how setting service standards will make a difference. For those of us who have had experience of considering a licence as part of the 2760 Transport Licensing Authority, we know that the policy statement, whilst the TLA must take it into account, it is widely drafted and part of its contents can be effectively cherry-picked if the authority thinks fit, in any particular circumstances, resulting in an incohesive policy as to who shall and shall not get a licence.

Without open skies, bar two routes, transparency will not win out and operators will not take 2765 up new routes, which they have indicated they would if no regime existed. So just to read you an example of what the current statement says in respect of these service requirements.

The main aims, in respect of scheduled air services, are to:

- (i) maintain year-round scheduled services of sufficient capacity to cater for all user categories;
- (ii) secure the provision of sufficient capacity throughout the year to cater for the needs of the tourism industry;
- (iii) secure the lowest fare structure consistent with viable operations;

I will read no more, because that I think illustrates the point I am making. How can we ensure that with that sort of thing, we can have flights on a Tuesday if we do not have the operators applying for a licence? Or, if they do, we have a regime which we cannot make them provide a 2770 flight on a Tuesday. Perhaps if we owned our own airline, which we have subsidised, we may have flights on a Tuesday?

It is therefore difficult to see how these so-called requirements, bearing in mind the level these are given currently, will make a difference if the policy statement remains something to which the authority only needs take into account.

2775 Deputy Yerby also said she wishes to protect current routes. Looking at the extant licences we actually have, there are 31 scheduled or charter air services, by seven different airlines, which have been given licences. Several routes which have more than one licence granted are not being operated. Jersey has three extant licences. Southampton has two. I am not sure what the consequences are of having such a potential lifeline route, but we will address that if the need 2780 arises, because clearly there is going to be more than one operator.

Over and again I have heard Members of this Assembly say that dealing with our air and sea links is vital, critical, even. This is an opportunity which may be denied by this amendment, because of the many flaws in the way it is written, both observed and unforeseen. Also, because the amendment is just not necessary.

2785 The extension of the runway is intrinsically linked to quasi-open skies, but you can have quasi-open skies without extending the runway. You do not have to extend the runway any length to be able to take advantage of quasi-open skies. Low-cost carriers, however, need the runway and need it of a longer length. Those roots of concern of Deputy Graham may well then arise. However, this amendment may prevent even that extension to the runway.

2790 The amendment does not give the quick fix that our Propositions will do if you want action. A review will be needed. Officer time will be needed. Legislation will be needed to be drafted. Heads will need to be scratched on how this can be made to work in practice. So whether you wish to argue for open skies, quasi-open skies or whether you wish to continue with the current licensing regime, please do not exacerbate the current issues by creating an even bigger regulatory beast.

2795 Let us make the debate straight-forward and let us not muddy it with unforeseen consequences.

Please reject this amendment.

The Deputy Bailiff: Deputy Soulsby.

2800 **Deputy Soulsby:** Sir, yes, I intend to build on arguments put forward by Deputy Fallaize, although I am sure Deputy Ferbrache will be pleased to know I will not be speaking for quite the same amount of time. Putting PSO for Guernsey and Alderney aside, I have been really struggling to understand what the purpose of this policy letter is. What is it seeking to achieve?

2805 The reason for that is two-fold. I would just like to remind Members that it is only just over two years ago since the then Scrutiny Committee undertook a review of air links. I do not like to read out verbatim tracts from various things but I think it is really pertinent in terms of this debate. I will just begin, from part-way through the report that the Scrutiny Committee published, back in November 2015. It says:

Historically, competition on prime routes such as Gatwick, Southampton and Jersey, appears to have created an unrealistic level of public expectation. At the time such price wars delivered cheaper fares to the general public, but the reality of the competing airlines was an unsustainable, loss-making venture resulting in damage to all. Therefore we maintain there was no golden age where fares and frequency of flights was sustainable. The committee found no evidence to show that the licensing regime precludes airlines wishing to fly to Guernsey, except perhaps the occasional seasonal cherry-picker that could potentially do more harm than good to the industry. In fact we are also told that the licensing regime should be used more robustly. If Guernsey was to choose a path of open skies the end result could place the Island in a similar position to that of the Isle of Man, where services have been withdrawn and flight frequency significantly reduced following price wars between competing airlines.

2810 On that last point about the Isle of Man, yes we have had the Economic Development Minister of that island saying how everything is hunky dory, that is kind of the job of an Economic Development Minister, I reckon. Certainly the last one in the last Assembly was very good at that. But from my experience – and Deputy Le Clerc might be able to support me on this – when we went to the CPA conference in May last year, we had members of the Isle of Man’s Tynwald who made it very clear how angry they were and upset about the current regime because they were

2815 having to wait seven hours at Gatwick Airport for the next flight out to the Isle of Man, whereas I think our connection went very smoothly and we did not have to wait more than about an hour, I do not think. I just question who is saying what in that respect.

The other reason why I really do not understand why this policy letter is here is it does not challenge this, for a start. It does not challenge what is in the Scrutiny review. It does not even

2820 mention that Scrutiny review, which I find rather disturbing. But there is nothing to explain what the Committee is seeking to achieve. Is it lower fares, is it greater flexibility, is frequency of routes? All of the above or more? I do not know because we do not actually know why we have this policy letter. Exactly what Deputy Fallaize said. That is where we need to start from.

It is only in Deputy Parkinson's opening speech that mention was made of possibly two outcomes that are being sought here. One was reducing red tape. Well that is great. I sign up to that. I am always championing the reduction of red tape. But the proposals put forward in the policy letter do not get rid of air transport licensing. We are still going to have it for certain routes. From my experiences, you can retain a system for a small amount of work, it means it is actually less efficient and less value for money.

And the second aspect: lower fares. Now there are other ways to do that. It was picked up in the Scrutiny review that any competition or so-called competition that dealt in lower fares would only be for a short-term. What we have got here is a hybrid system. That means that everybody plays a game and that they are all good and honourable people in the airline industry and they are going to play ball and they are not going to want to undermine the lifeline routes for Guernsey.

No, I am sure they will not if they know that there is a nearby airport and instead of going to that lifeline route and having to sign up to specific terms of a licensing regime they can go next door and completely flout that and at the same time undermine that lifeline route. That is why I have real problems in terms of the hybrid, which I think Deputy Yerby has addressed within her amendment.

Just turning to the additional routes Deputy Yerby has included in the amendment. Southampton – clearly if any route should be called lifeline, it has got to be Southampton. We are dependent and have actually signed a new agreement with Southampton to provide support to people from Guernsey who need treatment. Remember these are treatments that we cannot provide here. We are dependent on Southampton. These are generally people who are really quite ill. So it is critical that we have a minimum service standard.

I know Deputy Tindall, as a Member of the Committee, put our views as a Committee to Economic Development and I do understand that she has been persuaded otherwise. But I think the trouble is, here, we are forgetting history. We have seen competition on that route, which caused uncertainty. We did not know who might be pulling out or who was not.

So it is fine to say, within the policy letter, oh it is a profitable route, now. Great. The problem is it could not support two carriers on that one route. The problem is that there is no route flying to and from Guernsey that can cope with two carriers. Frontier Economics, when the guy came and gave us a presentation the other week, pretty much made it clear that Guernsey can only really cope with one carrier on each route.

This idea of our great open skies, this free-for-all will allow competition, is a false promise. Competition will only last so long. There is a race to the bottom and then prices will have to come up again. I do not follow that argument at all. We do not have a perfect market to allow competition to do a great thing in this particular area.

In terms of Manchester, Deputy Smithies brought up why that route? Well I could say from a health and care point of view this is looking like possibly becoming an increasingly important route to us. I can say little more than that at this stage, but there has been a lot of work done with colleagues in health and care, in Manchester and Salford, in particular, who are really driving for change within the NHS and we have been talking to them about what they do and where we could possibly benefit from that. That is why I think Manchester, in terms of the social wellbeing element of the lifeline routes, is important.

Again, lifeline routes should include social wellbeing. As Frontier Economics put in their report, they actually mentioned how thin routes, critical to the economic and/or social wellbeing of Guernsey or Alderney are considered lifeline routes. So it is the Committee for Economic Development that has changed the definition of lifeline to exclude social wellbeing. I think that was a mistake.

For those reasons, I am struggling to support the policy letter at all and I was very much in the camp of Deputy Roffey in this regard. I do see the benefits of the amendment. I think it could help. At the end of the day, I do not know whether I can support them at all, but I do think the amendment goes further and I can definitely support that over and above the policy letter.

Thank you.

The Deputy Bailiff: Deputy Trott.

2880 **Deputy Trott:** Sir, this will be short, because Deputy Soulsby has covered the two main points I intended to address and, in particular, the fact that it is important that we let history be our guide, because we have seen how the market has performed, both in Southampton and Jersey. It did not sustain two operators. In both cases, of course, competition was provided by our state-owned airline so we have good visibility on the reasons why.

2885 I rise now, exclusively to address the speech by Lester Queripel which I considered to be an interesting broadcast on behalf of the Jersey Tourism Board! He listed a whole load of things that we have lost, but he left one crucial detail out. Toads, sir. We have lost toads. Jersey is overrun with the slimy little amphibians and if anyone wishes to come here and have a toad-free holiday, Guernsey is the place! I hope that has gone some way towards addressing the imbalance that was provided earlier, sir.

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The Deputy Bailiff: Deputy Ferbrache.

2895 **Deputy Ferbrache:** Sir, again picking up the Deputy Trott theme about Deputy Queripel, by the end of Deputy Queripel's speech I was almost in tears about the things that we have lost. But it reminded me of the late, great Mama Cass. She had a catalogue of works, one of which there has just been a cover by the very talented Paloma Faith. I am going to slightly misquote what those two talented female artists sang, but I am sure that Mama Cass, not her personally, but a Mama Cass lookalike, would have sung at the Beaulieu, now the Carlton – I declare an interest in relation to that before it closed.

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It was a song which contained these lines and I think this sums up me in relation to this States, frankly: 'Make your own kind of music; sing your own special song, even if nobody else sings along.' I feel that very much in relation to this States, because Deputy Leadbeater hit the nail on the head. We cannot continue to do what we are doing, because we are in decline. The figures are a little up this year but, generally, as Deputy Parkinson said, over a period of time, they are in decline.

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Our good friends from Alderney sit there and they have been wrestling with the decline in their Island for many years. That is addressed in the policy letter and the report, because the points are very well made in what I regard as an absolutely excellent policy report and, with one failing, I thought the speech of Deputy Parkinson, again, was to the point. I will come to what I regard as his failing in due course.

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But in relation to Alderney, in paragraph 5.10, it points this out:

Alderney has one scheduled air route to Guernsey licensed under the Guernsey licencing regime. This route carried 30,870 passengers in 2017– representing a 16% decline since 2013.

Paragraph 5.14:

Alderney also has a scheduled route to Southampton which is understood to be an important economic enabler for Alderney, as the route of choice for visitors to the Island. It is also a valued direct link back to the UK for many of its residents ...

2915 Absolutely, I completely agree with that. But for the purposes of this debate, these are the material words:

... carrying 23,692 passengers in 2017 – a 10% decline since 2013.

I believe the statistics will show that Alderney will have been in decline again further, in relation to passenger numbers this year, overall. So Deputy Leadbeater, what he said in a very concise and

able speech, if we just carry on doing this, we are managing what Mrs Thatcher decided what she was not going to do when she became Prime Minister in May 1979, which was the decline of capitalism.

She decided she was going to do something revolutionary. She broke a lot of eggs. She broke a lot of heads and she upset other people. But she changed Britain and irrevocably and for the foreseeable future. Whether you are a Tory or not is irrelevant. I am not a Tory. But the fact is she changed what was seen as a decline.

If we just carry on with what we have got, we will manage a decline and we will get to the point we are beyond – and I did economics A-level all those years ago but the only thing I can remember from Prof. Cairncross, which is the only economics book I ever read, which was the law of diminishing returns – we will get beyond that law of diminishing returns. We will get beyond that crisis point. We will not be able to do things.

It is almost like swapping seats with Deputy Parkinson, I have recently taken his job and he took my job. I am enjoying my job and I am sure he is enjoying his job. So I will read certain points in relation to the brand-new job that I have got and it is a briefing note that I have received from the officers at STSB and it reminds me this:

STSB's role is to support the States in enacting its agreed policies, through its trading assets and its role is not to act as a policy making committee. As such STSB has agreed its role in this debate is to ensure that the States in determining its policy understands the potential impact of proposals on the businesses directly implicated by them, namely Guernsey Airport and the Aurigny Group.

So I am going to read the Aurigny and Guernsey Airport views. Just before I do that, of course if this amendment is successful it will then form the Propositions 1-10 and we will be able to vote on it 1-10, 1-4a or whatever it may be. But this is the real debate. This amendment is the real debate. Let us not get away from that and Deputy Yerby's amendment, although she adopts certain of the Propositions and says, 'Yes we agree with those, we tick those boxes,' the crucial ones she disagrees with and she disagrees with them radically.

So this should really form the genesis of this debate. I know the procedure. I know the technical points, I understand all of those, but I live in a practical world and the practical world is this is the debate. If we pass this amendment, it will be a disaster. It will not just be a bad decision of the States, it will be a disaster and I feel, going back to my Mama Cass quote, it might well pass. If so, oh dear.

But I will read the words that the civil servants quite properly say that I should read and I do so with a little conviction. Re Aurigny:

The STSB has met with representatives of Aurigny to ensure that it understands the airline's position on the proposals. It has undertaken to ensure that those are set out during the course of the debate. They are summarised below: Aurigny is not, as a matter of principle, opposed to the concept of open skies. However it has concerns about the application of such a model in a sub-scale market. Whilst noting the concerns about the existing licensing regime, Aurigny has noted that almost all applications in recent times have been approved. It notes that both it and Blue Islands hold licences for the operation of services to London Luton, but Aurigny's position to date is that this service would not be commercially viable.

I pause to comment here. That is also Blue Islands' view, as I understand it.

An open skies approach may well result in benefits for passengers through additional capacity and cheaper fares as carriers compete for the market share. However Aurigny's experience of competition on the Gatwick and Jersey routes has shown this is not sustainable on a small island in the long-term and inevitably results in carriers withdrawing from the market as losses become unsustainable. At this point, service levels fall and fares increase to more sustainable levels. An open skies approach may well prejudice Aurigny's ability to continue offering year-round services at the existing levels set out in the current licences on some routes, New carriers may choose to enter the market during peak summer periods only, thereby diluting the revenues that Aurigny requires to sustain services throughout the year, with a consequential impact on its financial performance. In this event, Aurigny is likely to have to reduce its service levels, with a notable concern being the Manchester route, where the airline currently provides a minimum of two services per day throughout the year.

Just pausing there. It drew up something in my mind, when Deputy Roffey was off to the car, a different way. We normally go to L'Aumone or St Sampson's to buy our groceries, he was off to Manchester to work. We commend him for his industry. He was talking about the red shirts of Manchester United. There is another football club in Manchester now, which is a little bit more successful, but I do not support either of those, as we know.

In connection with that, because it creates a thought in my mind. The words it threw in my mind were Brazil and Italy, for different things. The Brazil football team of 1970, with Pele, Tostao, Jairzinho, was a wonderful football team. It played expansive, fantastic football. I think it was either Inter Milan or AC Milan, I cannot remember which, which played Celtic in the 1967 European Cup, was turgid, defensive, uninspiring, lacked initiative and, thankfully, were beaten by 11 men from around the Glasgow region 2-1 in a wonderful cup final. I prefer the Brazil approach to the Italy approach and that is what I think Deputy Leadbeater was talking about.

But I continue now, because I have read the comments of Aurigny, with those of Guernsey Airport. The views of Guernsey Airport are summarised below:

The Airport acknowledges that the existing licensing regime is felt to be cumbersome and has previously been cited as a reason why airlines are not wanting to work with Guernsey. Open skies will make entry into the market easier for new operators but the Airport does not have any evidence of operators waiting in the background to start new routes.

Absolutely. There is not a queue of people waiting to come to Guernsey and, if this policy is approved by the States today, there is not going to be a lot of people banging on the door of Guernsey Airport tomorrow, saying, 'Can we fly into Guernsey from Accrington, Skegness, wherever it may be.' But I will continue before I make further comment. It continues:

There is a risk that winter service levels will be reduced as a result of an open skies approach. However, some concerns have been expressed that some existing licensing conditions are not being policed, with the risk that some obligations, particularly around winter service levels, are not currently being met. There is a possibility that the removal of such licence conditions may therefore have a limited effect in practice. The Airport has made the same observations as Aurigny on the short-term impact of competition and in the longer term is of the view that competition and lower fares will be short-lived until one of the operators on the route withdraws.

It cites experience on the Southampton route as an example.

Islanders have a general high propensity to travel by air. It may be that the underlying demand will be better served by a more commercial focus that open skies might bring. However in turn, this may be limited by a new regime that sees either cherry-picking in the summer and/or reduced frequency in the winter. There is a possibility that the impact of fares in the new structure will be a more critical influence than it is now. The Airport may need to consider amendments to its pricing structure and/or operating hours to either encourage more winter activity by reducing charges or simply reflecting the reduced winter demand by reducing operating hours. This could either encourage a more even distribution of flights or reduce the Airport's commitments and costs in operating a business that is largely seasonal in winter.

So I have dutifully, as the President, reflected those views and read them out. I agree with a lot of them. There is no easy answer. There is no golden bullet. There is nothing that is going to suddenly change the way that the world will operate. The only criticism I made of Deputy Parkinson was some, almost, slight – and perhaps it is me because I am a bit 'mimophantic' and maybe unduly sensitive, I am of that nature – it may be that in relation to that when he was saying about Blue Islands, look at that. The proprietor of Blue Islands – and I believe him because he is a very successful businessman, an honest man – said that he has pumped in £45 million of his own money into Blue Islands over the last X years.

I believe him absolutely and I think he has probably got zero return. In fact less return. And he is a successful businessman in two other fields. If he expresses a view, I give it weight. I do not cast any aspersions on it at all, I take it into account. But what concerns me is our decline. My colleague in coffee in Town, Deputy St Pier, made the best of what he could in his address this morning about the Island financial position. But I do not think it is that good. He gave the up-to-date figures. He gave them honestly and I accept all those statistics that he gave. I do not think it is that good. I think we are teetering at an edge.

It is very easy to say do not do something unless you can do everything. But then you never do anything. You always do nothing. Deputy Parkinson said there are three elements to this. There is the licensing one, which we can do today; that costs nothing. There is the subsidy one and then there is the capital and revenue one.

Let us be honest, it is limited as to what we can do in relation to the capital and revenue one. The landing charges bring in £9 million a year. It is alright for the finance sector to say get rid of those, as one of their representatives said recently, but you have then got to go and say the banks will now contribute, the finance sector will now contribute an extra £9 million to the revenue from other sources, Deputy St Pier, because otherwise Deputy St Pier has got to find that £9 million so that we can have the hospitals, we can have the schools, we can have the other things.

But that can be dealt with in a second. We could get rid of the Airport landing charges just like that. But you cannot do it. My view, and I have not had the opportunity to speak to my able colleague, Deputy Smithies, at any time because he has been on holiday – you are looking very well, I have got to say – and no doubt we will speak at more length soon. But I would like to sit down with Deputy Smithies and Mr Hollis and Mr Farr and have a general brain session – the brain session would have to come from them but I would listen and hopefully assimilate some of it – as to the guidance we should be seeking to give as the shareholder for Aurigny to the States of Guernsey.

We should be giving that to P&R and say these are our views, this is what we think is necessary. It could be we need a lot more capital. It could be we do not need any more capital. It could be that we think, as part of the general process, that there should be another runway. It could be all of those kinds of things and many more. So those are the kind of issues that we have got to grapple with. But none of them is going to be easy and all of them, in one form or another, are going to cost money.

Deputy Dorey very accurately, I am sure, looked up what easyJet costs and so and so would cost this weekend. I think most of us have had an email from a parishioner of St Peter Port who has done a similar exercise for a week in late September, where a family of two adults and a child, Guernsey-Gatwick return, Jersey-Gatwick return, with two bags in a hold: the cost, I forget the pence, for the easyJet option is £237; the cost for the Aurigny option is £337 – £100 difference, which to the ordinary family is a heck of a lot of money.

We are not going to ever, if we are realistic, and I cannot remember which of the many speakers said, raise public expectations. People's expectations do go up. People now do not want to have outside toilets. They do not want to have lino on the floor. They want to have comfortable existences, they want to be able to go abroad, they want to be able to travel. None of which we were able to do as young people in Guernsey because our parents did not have the money and the opportunity so to do. Life has moved on. Times have moved on. We have got to move on.

When I look at the very well-meaning and very well-put, as always, and very well-researched, as always, amendment by Deputy Yerby, it filled me with dread. Number one, what does this mean? I know what it means, because she explains it in the explanatory note:

To agree that the States, through its proposal, from time to time with the airport transport licensing policy statements, shall designate certain routes as lifeline routes.

The explanatory note says:

This gives the States rather than the Committee for Economic Development the authority to designate certain routes as lifeline routes.

Do we not actually attribute responsibility to various Committees and have we not attributed that responsibility to Deputy Parkinson and his colleagues in Economic Development? Should we actually not leave that with them, rather than have a bureaucratic interference?

Point four. The Deputy Bailiff has already said, in due course you can vote on them individually if you so wish, if that is the wish of the States. But it is not so much that and I fully accept that as accurate and I always accept the rulings of the Deputy Bailiff in whatever context he delivers them.

But in relation to this, it just shows the ethos behind it. If you designate all of those as lifeline routes it does not leave much for open skies, really, does it? It does not leave anything. It makes the whole thing a bit of a shambles, a bit of a farce, just totally unrealistic.

Then it says, policy 6A, and I think Deputy Fallaize says he agrees with that, and I agree with that in a sense, it is agreeing that operators of charters serving any route not designated as a lifeline route should be exempt from the need to hold a Guernsey Air Transport Licence. I am not sure that the rest of the States or many of the rest of the States necessarily agree with that, but I certainly do.

Anyway, just making sure I have not missed anything. I have not looked at my notes much yet. Have I got any other silly quotes? No I have not. I understand those who are cautious. I understand the point that there is no guaranteed success, but I do not think you are actually being reckless by having an open skies policy. Deputy Fallaize said we used to have almost like a shuttle bus really in relation to Jersey and that was right. It was Trislanders. We are not allowed to have Trislanders anymore. Those are gone. You cannot have a single pilot Trislander system between Guernsey and Jersey, as far as I understand it.

That was the ideal, but the ideal was, when I grew up, if the sun shone every day during the summer holidays – it never actually did when you look at the statistics – that was the blue rinse, the hallowed view that we had of yesterday. We have got to live for today and we have got to live for tomorrow and if we pass this amendment, I am sure most of it will form the substantive Proposition and really we are giving nobody any hope and our job is to give people hope.

The Deputy Bailiff: Deputy Langlois.

Deputy Langlois: Thank you, sir.

Deputy Ferbrache gave the example of air fares between Guernsey and Gatwick and that was the same example Deputy Dorey gave earlier. Deputy Parkinson, in his opening speech, explained something we all know, which is that there is an awful lot of concern amongst Islanders and businesses at the high cost of getting to and from Guernsey.

In 99% of those cases, what we are talking about is London Gatwick. The examples Deputy Ferbrache gave, that was London Gatwick. It is the example everybody always gives. They look at the Jersey-Gatwick prices, compare with ours and say ours are ridiculously high. But this report that follows the Frontier Economics recommendation that if we do not have slot-releasing and extend the runway, then there should be no change on the Gatwick route.

So the main thing that seems to worry everybody, everybody acknowledges worries Islanders, is not addressed by this report or these Propositions at all. What Deputy Yerby and Deputy Dorey have done, I think very sensibly, is fashion something coherent from the rather incoherent recommendations of Frontier Economics. Whereas, in the case of the policy letter, there is almost a complete disconnect between Frontier Economics, the summary of which is attached to the policy letter, and what they are recommending.

Probably the most interesting part of the Frontier Economics analysis is this thing they called 'other or non-development routes', which is basically our established but non-strategic routes. In answer to Deputy Smithies' question earlier, 'Why Manchester?' if you read the Frontier Economics summary, you would be quite right to ask that question, because there is not a single mention of Manchester anywhere in that summary, despite the fact that Manchester is our third busiest UK link. That seems extraordinary enough.

They have the strategic routes, Gatwick, Southampton and Jersey, and then their other established routes, Birmingham, Exeter, Bristol, East Midlands, Norwich and Leeds. Then the third category they have was the development routes, which I think everybody agrees are fine, they do not exist now, but if we are having an open skies policy we will encourage somebody to develop new routes. I do not think anybody on any side of the argument is disagreeing with that. That concept is almost an irrelevance. It is the established routes and what might happen to them without Deputy Yerby's amendment, which is my concern.

3080 Frontier Economics, they categorised these non-development routes on the table on page six and they say about them:

No intervention required to remove barriers to route entry.

To me, that appears to confirm that the current licensing approach to such routes has not inhibited the free market. Two pages later, Frontier Economics concludes that the licensing regime for these other routes could change from light/medium touch to light touch, with the expectation, 3085 they say on the positive side, that new entrant airlines may improve passenger numbers. Then they give a downside:

Destination choice, route longevity and Guernsey wellbeing may fall if the free market is left to serve routes currently served by Aurigny.

That is Frontier Economics' analysis of these crucial middle routes, away from the main strategic routes. They do not use the word 'lifeline', apart from Alderney. I think that is their only really genuine lifeline route. I much prefer the strategic routes.

3090 So Frontier Economics are analysing the situation and basically saying there is very little inhibitions to anybody entering into the middle market of established routes. Nobody is. If we reduced the controls on that, moved nearer to open skies, basically they are saying our targets for our air links, basically destination choice and the length that these routes will last, could be endangered.

3095 There is no real enthusiasm in the Frontier Economics report for the open skies on those crucial middle routes, as I call them. That is the end of the Frontier Economics report, from there you then turn to the policy letter and suddenly all these other routes and all but one of the Frontier Economics strategic routes and the development routes are all lumped together in a category the Committee rather confusingly calls 'other routes' and that is what we are supposed 3100 to be approving, subject to an open skies policy.

There is no evidence. There is no trail between the Frontier Economics summary and conclusions and the Policy Council's Propositions. We just make that leap. Why that is happening, I think there is a clue, when Deputy Parkinson made his opening speech, when he said and Deputy Ferbrache repeated it: what can we do? There was an air of desperation about it all. Either we can 3105 spend capex, possibly extending the runway or Deputy Parkinson did come up with some quite interesting ideas about revenue expenditures as a second possibility, which I think he should expand on a bit.

The third one was we could do something for free, which was throw away the red tape of our licensing regime and open skies.

3110 It was an unusual speech from Deputy Parkinson, I think, because it sounded to me as if there was hope and faith, the sort of thing one might normally expect from Deputy Ferbrache, in his speech. There was no substance or foundation to it. (*Laughter*) It was wishful thinking. I think that is just a temporary aberration on Deputy Parkinson's part and that is why I am so thankful for the amendment, which I will be supporting, from Deputy Yerby. Several people used the word 3115 'confusion'.

Both the policy letter and this debate have been confused. The one solid, logical element in all this is the well worked out amendment produced by Deputy Yerby and I will certainly be supporting it, in the hope that they become the substantive Propositions and we can have a general debate about something logical and sensible.

3120 Thank you.

The Deputy Bailiff: Deputy Gollop.

Deputy Gollop: Thank you, sir.

3125 Deputy Langlois, just as Deputy Fallaize started off this afternoon, to repeat some Members being under-informed and/or confused, I am no more under-informed or confused than usual, because this kind of debate, actually for the best part of 20 years ... I remember the days of Roger Berry's Transport Board and then that became Commerce & Employment and now it is the Transport Licensing Authority.

3130 Over the years I have probably been in favour of a longer runway and in favour of not having a longer runway and in favour of open skies and in favour of a regulatory regime, partly because not just my personality, policies change, but times change and circumstances change. On occasion, even within a day or a week, we get a change of emphasis. Up until Monday I was telling people quite openly I was fairly *for* open skies. Magically, the Yerby/Dorey amendment appeared and I changed my mind, to the chagrin of one or two other Committee Members.

3135 I, like many Members, found elements of the Frontier, the new frontier to boldly go, a bit unsatisfactory, their presentation. As Deputy Soulsby and others have identified, what is the problem we are trying to solve? I happen to think we have got elements of problems, not just because of what Deputy Lester Queripel said, on many fronts in terms of building a brand, in terms of developing and sustaining and enhancing visitor attractions, in terms of maintaining and enhancing tourism, connectivity for Islanders, connectivity for Islanders who have low or relatively low incomes and therefore they are sometimes partly paid by the state, and connectivity to the finance and offshore centres. They are all related to this.

3140 The problem I have is that the debate has been put as to go for open skies or not go for open skies and that is misleading. It is misleading for two reasons. Firstly, we are not having today, this is the problem for me, a true open skies approach. If the amendment is passed, I certainly will be voting for 6A rather than 6B because it at least then takes away a whole range of UK airports out of the hands of the Transport Licensing Authority or its equivalent. It would enable a quicker, perhaps arguably less bureaucratic approach, for any entrant, for the sake of argument, wanting to fly to Newquay airport, if that is still around, or Belfast or Edinburgh or Inverness, all these other airports that are currently not served.

3150 That can only be good for us. But the problem is that when the public talk about open skies, they are not really thinking of little trips like that to Skegness airport, if Skegness has an airport. Nor are they thinking of the opportunities to bring back our links to Cherbourg, Paris, Rennes, Saint-Brieuc, Caen and other places. For the simple reason that actually the European flights do not have to be licensed. They obviously have to satisfy legal and technical and insurance requirements but they are outside the purview of the Transport Licensing Authority, as indeed is the Alderney-Southampton link.

3155 Now the problem here is that we do, therefore, have a form of open skies on our French links and our Swiss links and I spent most of yesterday afternoon in the sun trying to listen to a repeat on iPlayer of a BBC Guernsey interview with a well-known, shall I say, Island entrepreneur who owns one of Guernsey's two more resident airlines. He made a large number of points which one could take issue with, including one or two critiques of planning but, nevertheless, like Deputy Ferbrache has reminded us, people who have been experienced in business and are honourable men are to be listened to.

3160 His point of view was that open skies in the summer has a downside, not just for the obvious reason of cherry-picking, but for the less obvious reason that in the most popular parts of our shimmering summer fun, the hotels, especially at the top end of the range, are pretty full. Because what has happened in Guernsey is the Island, as Deputy Lester Queripel reminded us at length, has lost capacity. It has actually lost a fair number of hotels and guest houses and it has not seen perhaps the investment I would have liked, that we have seen in a sister island or elsewhere.

3170 So Deputy Ferbrache is right. We need to come out from a position of relative decline. A point Deputy Parkinson and Deputy Leadbeater also made. That is why, in my personal view, although I am edging towards supporting the Yerby/Dorey amendment with the important addition that it would open skies for some UK regional airports, I believe it can only be a temporary solution, probably for the remaining lifetime of this States, two to three years.

A vision I would support is developing more of an open skies approach, but when we have had the other conversations about the level of commercial activity at the Airport, about whether we should be transferring a subsidy, as somebody from GIBA pointed out, whether our Airport landing charges are uncompetitive, whether there is any mileage in sea planes, we have got to look at all of these considerations.

But the most important consideration is a shrewd look at the idea that Deputy Kuttelwascher and others have raised, relating to an extension of the runway or a partial extension of the runway that is pragmatically possible. When people have mentioned earlier in this debate that the Isle of Man and Jersey benefit from open skies, I would agree with them and I am sure their politicians and advisers are telling the truth. But they are a different market from Guernsey for two reasons.

Firstly, we have Alderney as an extra, which gives us a certain additional quantum of movements at the Airport, but effectively not the same thing as persons travelling from an island to a big city. The second reason they are different is both Jersey and the Isle of Man, especially the Isle of Man, have a much longer runway. Therefore, if they announce tomorrow they have got open skies, they can be pretty confident that if their business or residential markets are moving in the right direction that a low-cost carrier or larger airline will enter the fray. The fact that they do not have a state-owned airline is an additional factor, but it is not the main factor.

In a way, the worst of all possible worlds, to me, would be to go for the quasi-open skies approach, because you would be building up expectations that cannot be realised. Actually if Deputy Mooney or perhaps other Members who have had associations with Economic Development or the Islanders' Association, or business generally, come with an amendment going for open skies for everything with the possible exception of Alderney because of its sensitivity with its economy, I actually would have been tempted for that.

Because I think, if we have gone back to seeing real competition on Gatwick, not only would we have seen the end of any misperceptions about Guernsey in some way favouring its own airline, but we would actually have seen the potential of big players coming into the market. But we are not going to see that and I hesitate to ask H.M. Comptroller for advice, but I think Deputy Kuttelwascher and others have mentioned today the possibility that the States of Guernsey and/or Aurigny can own slots for the London Gatwick route but not necessarily use them, but could franchise them out to potentially a rival Guernsey-London operator.

Now we used to be told something different a few years ago, but the view has gained ground in the States that we do not have to use the slots with our state-owned planes to retain them and I think we do need clarity on that, actually, in terms of policy-making for the future.

But getting back to where we are, I have been uncomfortable with the earlier definition of lifeline route, because it seemed to mix up the problems of Alderney, which we know are specific to the Island and we may hear more about later, and the Gatwick route. Now why is the Gatwick route defined as a lifeline route? In reality, it is used by a lot of people that go Christmas shopping, a lot of people who are students, a lot of people who happily are travelling all around the world and Gatwick is one of the better hub airports to go to. I think it has landed on our list of lifeline routes precisely because of the finance sector. We could have argued the City of London should have joined it, but it did not.

Deputy Parkinson: If Deputy Gollop wants to vote for a completely open skies policy, all he has to do is vote against the amendment and then vote against Proposition 3 and that will give him a completely open skies policy.

Deputy Gollop: Yes, but my argument is that might have been a theoretical option worth trying but is arguably more justifiable than the mix and match that we have here today. In reality, I think we should be moving towards a full open skies policy, but that would be when we have had more meaningful discussions as a States about what is the level of subsidy we are prepared to apply to the Airport as an enabler, to passengers of any kind, whether they be business, tourist, finance, residents or low income residential.

My third point is whether we have made a clear decision on the runway, one way or the other. In the absence of all of those variables, we are safer in the short-term adopting the Yerby/Dorey amendment, because the Yerby/Dorey amendment widens the context of the lifeline route in a way that I think is more appropriate for both Guernsey's residential community and its tourism sector, because I do appreciate that Gatwick is probably the most crucial for the moment, for the financial services sector.

Deputy Fallaize said he had heard many different visions of where we are going and none of them were really compatible with each other and they were a bit confused. I will add to the fog here, because I believe the destination we are heading towards, frankly, if we want to grow as an economy and if we want to enhance tourism links, at the same time providing more travelling opportunities for the vast majority of our population, maybe enhancing tourism, although I think that is a harder sell, is – frankly speaking – encouraging competition in the medium to long term from global carriers and low-carriers on certain routes, but very heavily subsidising the routes from the public purse.

Because the expectations that the public have towards low-price, high-frequency cannot be delivered by Aurigny or the commercial sector. They cannot be delivered. It is a mistake for people to think that they can be. The Scrutiny report was probably spot on, and the people who advised us against open skies. There is not the money out there. There are not the providers out there and perhaps even my attitudes have hardened since last summer, because we had a situation where two or three potential airlines came into the fold with some interesting ideas and, for whatever reason, there have been issues in actually sustaining their appearance.

I do not believe the carriers are out there. I do not believe if they came over here they would provide a service for very long. I might enjoy free breakfasts and free teas and free business lounges for six months or so and take advantage of the £20 all you can eat for a one-way trip. But that will not work. The cost of carrying people here is actually greater than what the public thinks it is.

So there are only two solutions to that. You either subsidise the services, or you maintain stability and tell the public 'hard cheese'. As a matter of fact, I wanted to say I heard Deputy Langlois and others speak. Frequently we listen to people talk about bus services. We do have artificially low bus fares on the Island and I think it was Deputy de Sausmarez who said ideally they would be free and I would not necessarily disagree with her. One thing we can be pretty certain of is that our bus numbers have gradually risen, they are spectacular; they have doubled over 20 years in a theoretically declining market. I think they have done that partly because they have been relatively cost-effective and inexpensive to the user.

Actually we have proved a point, have we not, that state subsidies, by lowering the average price, have generated greater frequencies and greater usage? But we do not seem to apply that logic to the airline sector, whether it be for Guernsey or for Alderney. Whilst we are maintaining a misleading idea that there are multi-millionaires and billionaires out there who can fly over to us and provide open skies, wonderful frequencies, lower fares and nobody takes a cold, we are living in cloud cuckoo land really.

So I will at this stage support the Yerby/Dorey amendment and reserve my right to speak on one or two other issues in general debate.

The Deputy Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

This debate is really a bit cart before the horse for me, because we are here looking at open skies and yet we have not decided if we are going to sort out the runway or not – whether it is extended or whether it is covering the area that we have already got. Clearly, if we read and listen to what is being said in the media, easyJet have said if we do that, they will come here. Really we should be having that debate first, in my opinion. It is more than easyJet as well.

3280 It will be a commercial decision who wants to come here. But it is short-sighted in my opinion, and I have been saying it for years, because I have always been an open skies supporter and I remain so. Guernsey and the Bailiwick should be subsidising the gateways into this Island. Whether it is the port or whether it is the Airport, we should be doing more to get people into this Island.

3285 Many airports and ports across the world do that but, for some reason, we do not do enough for that and then we end up with very high fares and people not necessarily coming here. I think it is a much bigger debate that we should be having than just what we have got here before us. The amendment that we have got and, obviously, Deputy Yerby has put an awful lot of work into this and I thank her for that, but the definition of lifeline routes and they will have exclusivity for
3290 Gatwick, Alderney, Southampton, Jersey, Manchester. Well, there is not much left, really.

That is hardly open skies for me. Open skies means open skies. It is not to put on all these restrictions. If you look at the word 'lifeline' in the dictionary it is very clear; you are thrown a rope because you have been marooned in some way. Well, we are not marooned. We have many airports in the UK, whether that is Gatwick or any others, to be able to fly to and from and it will
3295 be a commercial decision for the airlines once we went to an open sky situation, in my opinion, for the operators to be able to decide that.

I think it was said just before, about tourism and about Gatwick. I think Deputy Gollop said it and others have said before, as well, about Gatwick for us is the route to go on holiday and if you are going abroad further on than that. Actually many people now go to Manchester or they go to
3300 Europe, because it is a lot cheaper than going to Gatwick and less hassle. So I think, again, that is something down to the customer to decide what they want to do and how they want to travel. The best way to suit their pocket.

If we are talking about pocket, I know some Members have actually looked on the internet today and we had another email to say about contradicting what Deputy Dorey said. I thought I
3305 would sit here this afternoon and I will look at a flight for tomorrow, from Guernsey to Southampton. We are all looking at Gatwick, I am going to do a Southampton flight. Guernsey to Southampton tomorrow lunchtime, Flybe, will cost me £270 to go tomorrow and come back the following day. If I want to go from Jersey, it will cost me £149. Roughly the same time, both Flybe. Not easyJet, both Flybe. What a huge difference in cost.

3310 That is it. Competition in Jersey? Says it all. You can go across to Jersey and you can fly to Southampton £149 tomorrow, or you can stay on Guernsey and it will cost you £270, for one person; £540 for my husband and I to go to Southampton tomorrow, if we want to do that, and come back the next day.

I think it is time we actually address this. We should be going down the route of full open
3315 skies. I will not be supporting this amendment. It is nowhere near you could class that as open skies. I was going to say, which has already been said by the President, Deputy Parkinson, if you want true open skies you vote against Proposition 3 on the main report and I think, for me, that is the way I will be going and I think it is time that we actually grabbed it by the neck, or shot the bullet, whatever you want to do, and address this.

3320 We are not doing particularly well here and I think we have to start thinking more out of the box and let the airports and the airlines make that commercial decision to be able to come to this Island and get some competition. It is not particularly pleasant for me, and I am sure for all of you, when you go across to Jersey – when you eventually get there, because it costs you a fortune and if the boat goes you are lucky – not for a day because there is not enough time to be there for a
3325 day, and you go onto the airport and you see the amount of people coming in and the planes coming in and out and yet we go up to our Airport and we see what is happening here.

We have got to address tourism. We have got to address the business community and we have got to address, just as importantly, our local community to give them the opportunity to get off this Island at a reasonable cost.

3330 **The Deputy Bailiff:** Deputy de Lisle.

Deputy de Lisle: Sir, I support open skies but prefer that that would be applied to all routes and, as a result, Proposition 3 was added to enable Members to vote against Gatwick and Alderney as lifeline routes, so I would ask for each to be voted on separately when we come to the main debate.

Our competitors have open skies policy in place and open skies reflects Guernsey being open for business and competitive. Cheaper fares are driven, generally, by competition, and licensing is protecting local carriers against competition. It is not good for business, in general, and it is hampering growth of the economy in Guernsey – tourism and finance – and preventing lower fares to the travelling public.

It all boils down, really, to 2013. In 2013, Aurigny were given the monopoly on the Gatwick route. That was at a time when we had an application from easyJet to fly the Gatwick route and that was overtaken by monopoly protection to Aurigny. As a result, people have been unhappy subsequently with the fare structures, the higher fares, *vis-à-vis* other airlines, and now the baggage costs to visitor families also coming into play. I have spoken in the States and quoted fares between easyJet and Aurigny on the same day and time from Jersey to Gatwick being less than half those of Aurigny to Gatwick.

It is also the loss of capacity and travels as a result of a monopoly situation that worries me. I think if we look at appendix one, there was a notable drop in capacity and passengers in the years following Flybe's exit from the route in 2014. Capacity fell 120,000 seats, or 20%. Passengers dropped by 40,000 lost seats through monopoly on the route. That is quite a loss to Guernsey and it has continued that way since we have just had the one monopoly through Aurigny.

So protectionism costs consumers but also, of course, it is costing us in terms of the travelling public, which we desperately need here for our economy. In fact, capacity fell following Flybe's exit from the route in April 2014, around 21% and the number of passengers declined 11% with Flybe's exit from the Gatwick route.

It is quite unreasonable to go on accepting, also, the huge Aurigny losses on the Alderney route, this year quoted at £3.3 million. We need to encourage other operators to take on and compete so that Aurigny can reduce its losses and concentrate resources elsewhere. Accounts show Aurigny accumulated net losses reported to the end of 2017 amounting to £31.3 million, about £800 per taxpayer. The losses continue to build, with the loss of £5.2 million in 2017 and £3.9 million expected this year and the option of further recapitalisation in the near future. This haemorrhaging of money cannot go on. It is certainly not sustainable.

Implementing a Jersey-type open skies policy to replace the current route-licensing structure, which allows airlines to operate routes without needing a licence in Guernsey, could bring down the cost of air travel and provide more choice and better value for money to the Guernsey taxpayer, through the introduction of competition. It could lead to encouraging routes to more destinations and also lead to fares being cut.

I prefer that open skies is applied across the board, on all routes, including the two proposed lifeline routes. The *status quo* is not working and open skies is a non-financial lever to improve connectivity. I think we need to portray open skies across the board in order to show that Guernsey is open for business, that Guernsey is cutting away red tape and also to provide a perspective to airlines that we are not putting up barriers to business in choosing and flying to Guernsey.

I would ask in closing that we have a recorded vote when we come to the main Propositions in terms of Proposition 3, for each route, including Gatwick and Alderney, at that time. Thank you, sir, I have spoken basically on both general debate and the amendment.

The Deputy Bailiff: Yes, Deputy de Lisle. We will wait and see whether we need to have a separate vote on Proposition 3.

Deputy Green.

Deputy Green: Thank you, Mr Deputy Bailiff.

I am going to support the amendment. I may not necessarily support it, if it were to be carried, in the final Propositions, but I will support this amendment, because I was not happy with the original policy letter on a number of bases. I was not happy with the fact that only Alderney and Gatwick routes were going to be protected and Deputy Soulsby and Deputy Gollop mentioned the 2015 former Scrutiny Committee's review of the security of strategic air links and that was really my starting point, coming into this debate.

I reminded myself what the material recommendations were from that evidence-based report. It was a longitudinal Scrutiny review which concluded in November 2015. As I say, evidence-based and the material recommendations were threefold. Recommendation 19 was a statement that a blanket open skies policy is not suitable for Guernsey and I have heard a number of speakers just a few moments ago endorse, without any qualification, the idea of an open skies policy, including Deputy Lowe and Deputy de Lisle.

You have an evidence-based report here, from only a few years ago, concluded in November 2015, having taken into account all the evidence, saying a blanket open skies policy is not suitable for Guernsey because the market was considered to be too thin to support that approach. Recommendation 19 went on to say to do so would 'inevitably put Guernsey's relatively stable and diverse air links at risk'.

Recommendation 20 was as follows:

The vitally important routes to Gatwick, Alderney and Jersey should be protected, with objectives and performance measures overseen by Government.

So that was my starting point. I thought, having that Scrutiny Panel have the opportunity to take the evidence over a number of months, they had a number of public hearings and the conclusion was that Gatwick, Alderney and Jersey should be protected. So that was very much my starting point.

I have been persuaded that Southampton should be added to that list, for a number of reasons, but particularly because of the dependence on the medical opportunities that are necessary for our Island. I do believe that the Manchester link is rather more marginal. As I say, I am prepared to support the amendment for now but, certainly, if that were to be carried, then I would probably struggle to support Manchester without any further evidence based on that. Nonetheless I do prefer the amendment because I think the original Propositions, in only protecting Gatwick and the Alderney routes, was a too limited approach to the protections that we need.

We are a small Island. Economies of scale do not operate in the way that they do in larger jurisdictions and when you have got that challenge of lack of economies of scale, we have to think differently and, historically, we have always thought differently. That is why we own our own airline. That is why we have had the licensing regime in place.

Others have talked about the economic theories. You cannot just pluck economic theories out of the ether and rely on them to actually work in sub-scale markets, because it does not work that way.

The other point is there are fundamental and formidable difficulties in moving to either open skies fully or even quasi-open skies as suggested in the policy letter. Guernsey is not necessarily a straight-forward comparison for Jersey or the Isle of Man, for a number of reasons. Particularly because of the current size of our runway, but also because we own our own airline. That is a fundamental difference which we need to bear in mind.

If we are doing things in this Assembly that are going to undermine the position of Aurigny and make its debts greater, then what on Earth are we doing? Deputy de Lisle was talking about the financial position of Aurigny a moment ago and I agree with him, the ongoing level of losses is not sustainable and it needs to be addressed. But I actually think there is a risk to making the financial position of Aurigny even worse if we go down this road. If we have a situation where, say the policy letter's Propositions are carried and we protect only Gatwick and Alderney, so on all of the other routes, many of which Aurigny already operate on, you are inviting competition onto

those routes. You are potentially running the risk of undermining the profitability of Aurigny even further than what we do at the moment.

3435 My central point is I think the problem I had with the policy letter is that there is a lack of evidence in support of what we are being asked to endorse. A lack of evidence is often a problem, I think, when we are trying to make policy, but I think to do it on hope alone is really not enough. We do have some evidence in terms of these issues and that is what the 2015 security of strategic air links review did actually provide. So I do not think we should disregard the evidence that we
3440 have to hand and which others have mentioned.

Just a final point, which is the relationship between this debate here and the ongoing connectivity review and we do not have any great indication at the moment as to when we will be debating the review of our air and sea connections generally. I do think the point –

3445 **Deputy Inder:** Point of correction, sir.

The Deputy Bailiff: Point of correction, Deputy Inder.

Deputy Inder: My understanding is it was air and sea and links infrastructure; that is not the
3450 same as connections.

The Deputy Bailiff: Deputy Green to continue,

Deputy Green: I think the distinction is one of those ones which is a distinction without
3455 difference. The two go together. It is the infrastructure that you are talking about which facilitates our connection to the wider world.

Moving on, sir, the point is – I think Deputy Roffey made this point – we have to be able to assess what the potential benefits of quasi open skies could be and what the benefit of a longer runway could be and, indeed, the benefits of both. It is difficult to do that today when we have
3460 only got half the picture.

At the end of the day, all of this is a question of judgement, as many things in politics are. My judgement is that we should go for the amendment, because I think it would provide a greater level of security for an Island like Guernsey, that does not have the benefits of larger jurisdictions, does not have the benefits of scale and also it takes into account the fact that we are in a
3465 particularly unique situation in that we own our own airline and, if we are going to do something which is fundamentally going to make that airline's losses even greater, then I think we have to tread very carefully. There are risks here and my judgement at the moment is to support the amendment.

3470 **The Deputy Bailiff:** Deputy de Sausmarez.

Deputy de Sausmarez: Thank you, sir.

He went about it in perhaps a slightly unusual way but I actually think Deputy Lester Queripel touched on two very relevant issues, namely price elasticity and causality. Deputy Green has just
3475 been talking about evidence and decision-making and one of the things that I have found so frustrating so far in this debate is the incredibly high number of assumptions that are being bandied around. There are so many of them.

There are assumptions around price elasticity, for a start. It has gone, I would not say unchallenged, but we have certainly heard from quite a few speakers who have said with a high
3480 degree of confidence that actually the core issue is high fares. I am not saying it is not a very important factor, of course, but the assumption is that when prices come down, passenger numbers go up.

Again, if we look for the evidence of this, how elastic are air fare prices? The numbers that I have seen based on our own first-hand evidence in Guernsey is not very. I do remember being

3485 given a presentation and seeing all the numbers relating to the price war on the Guernsey-Southampton route and what that showed was that, although the market moved, in terms of the market share moved. It moved between the air carriers and in fact between the sea carriers, as well, there is a degree of cannibalisation there. What it absolutely did not do was grow the overall market. The size of the overall market remained the same.

3490 Again, I have to say, because I do not want to be accused of making assumptions myself, that that was not necessarily as robust a test of price elasticity as we would hope for because, in fact, from memory, I think the price variance was to the tune of about £20 or so and actually we would probably want to test a greater degree of price variance, in order to get a proper understanding of what the true price elasticity was.

3495 Certainly, we have had a lot of figures bandied around from different examples of different journeys that have been searched. The evidence that we have got already seems to suggest that, unless there is a very significant degree of price reduction, fare reduction, it is unlikely to facilitate a growth in the size of the market.

3500 There are assumptions, of course, and this has been touched upon a bit more, about what causes lower air fares. There seems to be a certain assumption that it is just about the air carrier in itself. I am not saying it is not a factor, clearly it is, but actually the evidence seems to suggest that what creates the lower fares is the competition on particular routes and, as Deputy Soulsby and various other people have pointed out, we know, because we have plenty of relevant evidence to support us, that none of our routes is capable of supporting competition long-term. We know
3505 competition is a short-term thing and then the market finds its balance again.

We cannot assume that just having different carriers in will necessarily result in lower prices, or certainly lower prices to the degree that I think people are expecting. It is much more about competition and I think, ultimately, one of the factors that has barely got a mention – I know everyone understands it – is the size of our market. We are a sub-commercial, sub-scale size
3510 market and I think that is far more a significant factor than our licensing regime, which is actually what we are here to talk about today.

Certainly, if anything, the Frontier Economics presentation convinced me more than I had already been convinced, having read through the papers and various other bits of input, that our air licensing regime is, at best, a peripheral issue when it comes to these factors. It certainly does
3515 not strike me as in any way a core barrier, either to entry for new carriers or for new route development.

It does not strike me, as Deputy Fallaize and Deputy Soulsby have pointed out, that in changing our air licensing regime we are fixing the problem that we are trying to solve and we are still not sure what problem we are trying to solve. I think that those points have been made far
3520 better by others today.

Still on the topic of causality, we have heard a lot about how Jersey's passenger numbers are going up and ours are in decline and those are probably indisputable facts. But where is the causality? Again, we are making assumptions that one is directly the result of another. As Deputy Lester Queripel again pointed out, it is important to look at these things holistically and to
3525 understand that there is a whole range of inter-dependent factors involved and I just cannot see any evidence to suggest that, actually, any decline in passenger numbers is a direct result, certainly, of our licensing regime.

Our licensing regime seems to have been blamed for all kinds of things declining: tourist numbers, stunting our economic growth and sending out the wrong message about Guernsey not
3530 being open for business. It is being blamed for all kinds of things. I cannot see the causality. I cannot see the link between those things. In fact to me it seems as though there are far more obvious candidates in terms of more influential factors and it seems perfectly possible that, actually, any decline in passenger numbers is symptomatic rather than the cause. It seems to me it is more likely to be the other way around.

3535 I really do sympathise with the sentiments expressed by Deputy Leadbeater and Deputy Ferbrache who say we have got to do something – anything. I am kind of with them in terms of

sentiment, but I think we cannot ignore the risks of doing anything. Not only is it not good enough to say that our decline is because of our air licensing regime, but it is certainly not good enough, on the basis of no evidence that anyone has managed to produce, to say that these problems will be ameliorated by proceeding in this way. I think it would be unwise not to acknowledge that there is indeed a risk associated and it could in fact accelerate decline in these areas. It could in fact exacerbate existing problems.

We cannot assume the causality between these things. We have got no evidence to bring them together in those ways. We do have to approach very cautiously. I, like many others, do not know how I am likely to vote when it comes to the substantive Propositions but I will be supporting this amendment, because I do think it gives us a broader and more robust range of options from which to choose.

Thank you.

The Deputy Bailiff: Deputy Prow.

Deputy Prow: Thank you, sir.

I have to confess I have struggled with this policy letter on two fronts. Certainly I am struggling even more following this Yerby/Dorey amendment. I will explain why. I pick out just one sentence found at 2.1 on page 4 of the report. It says this: the importance of air connectivity for Guernsey's economy and society continues to be recognised by the States of Guernsey. That is undoubtedly true and I am sure everybody in this Assembly would agree. However, it is a solution that the public so desperately pray for and here lies the problem.

Connectivity cannot be solved by one solution. It needs a cohesive Government package. Indeed this is well-outlined in the P&R Plan priority statement, which is quoted in the same section. The challenge is well-articulated, but is the policy delivery to achieve a viable way forward in danger of becoming fragmented?

It is the responsibility of at least three committees to provide the strategic answers, but because of our system of Government they are approaching this somewhat in isolation. Policy & Resources, Economic Development and the States' Trading Supervisory Board spring to mind. Having said that, this is a matter of such importance that probably every committee should take an interest.

We are being asked today to only consider one element in the connectivity jigsaw. That is whether to have quasi-deregulation of air transport licensing. Is it safe to properly decide this when we do not know the full picture? By way of example, sections 4.12 and 4.14 talk about letting airlines operate services on these non-lifeline routes without the need to apply for a licence, to facilitate new route development. I repeat the last bit: 'To facilitate new route development.'

Not much good if those operators have a fleet of aircraft who need an extra 200 m or so of runway. The States have not been asked the infrastructure question yet and what is our policy on subsidising routes, our tourism structure, the future of Aurigny? Other Deputies in this debate have also raised these questions.

Do we not need to see those parts of the jigsaw picture to build a cohesive solution? But instead we are here just deciding on the licensing bit. For the avoidance of any doubt, I am not criticising the relevant committees who I know are working hard in coming up with innovative solutions. Nor am I criticising the quality of the policy letter and I agree with Deputy Ferbrache on this.

I believe they and all of the committees are victims of our Machinery of Government system passed by the previous States that lacks a mechanism similar to the Policy Council, where co-ordination of both policy and effort could, in my view, be better achieved (**A Member:** Hear, hear.) especially when considering such crucial, overarching provisions.

The second difficulty and many Deputies have raised this, is the divergence of opinion around the interpretation of the evidence, helpfully supplied via Economic Development and their

3590 consultants – interested parties such as airlines and other very eminent stakeholders. I have listened very carefully to this debate and will continue to do so. However, at the moment, a quote from a former Chief Judge of New York springs to mind, which is:

If you keep on doing what you have always done, you will keep on getting what you have always got.

That swings me towards, at this stage, quasi-open skies, as very ably expressed in his speech by Deputy Leadbeater when speaking to this amendment. This can be achieved through the original Propositions in the policy letter. I shall be voting against this amendment.

3595 Thank you, sir.

The Deputy Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, sir. I will be brief.

3600 I, like many others, was confused by the timing of this particular part of it. I do understand there is a real need to sort out the PSO for the Alderney route and therefore bring this prior to the full strategic review coming forward, although from Deputy Parkinson he did at the presentation advise there would be no conflict with the results of the strategic review and their policy letter.

3605 To the amendment itself, in Proposition 2, the definition of 'lifeline route' I think is missing in the original policy letter. I understand the concerns, however; economic and social wellbeing have to be included, as well as health services, particularly the Southampton route. Yes, we are adding a layer of bureaucracy by having to come to the States but as the new mandate of the Committee for Economic Development, as they have stated in the past, they are only able to look at things from an economic perspective.

3610 So how do we broaden that out and make sure that we are looking at it holistically and including social, economic benefits and the health services? How do we encompass that? I think it is very important that we do have a definition of lifeline routes that does have that encompassed. Yes, the Committee for Economic Development are responsible for the connectivity, but not just the Economic Development side of those connectivities. We have to have this more clear and
3615 concise definition of lifeline routes.

Then onto Proposition 4. I, like many others, am concerned about the addition of more and more under the lifeline routes. I do understand the concern around Southampton and the idea that if we, as a jurisdiction, are sending patients over to Southampton, a lot of those patients will have family and friends and relatives who might then, on an emergency basis, be looking for
3620 those flights and fares. So the price elasticity on that Southampton route should really be something that is considered. Knowing the history of the Southampton route, I would be happy to have Southampton added to the lifeline routes as in Proposition 4.

We get down to (d) and (e). Now (d) is Jersey. Again, others have mentioned the connectivity that we used to have with Jersey and how we no longer have that connectivity and I think it is a
3625 real shame. As other departments have demonstrated, even recently this year, there has been a lot of connectivity and connections between our Governments and trying to create joint working.

If we have not got that connectivity with Jersey, would making the Jersey route a lifeline route as well solve the problem? I believe that Deputy Roffey brought that up earlier. I am minded to vote against (d) possibly. I do not see it as a solution to the connectivity with Jersey. And (e), there
3630 are reasons – and people have brought them in – that it should be a lifeline route, but not to the same extent that I believe Gatwick, Alderney and Southampton and possibly Jersey would be. If we get to the Propositions, I will be voting against (e), Manchester, to allow some flexibility.

I will give way to Deputy Parkinson.

3635 **Deputy Parkinson:** Sir, Deputy Hansmann Rouxel appears to be under the impression that adding Southampton to the list of lifeline routes would give us some control over the cost on travel on that route. It would not.

Deputy Hansmann Rouxel: Apologies if I made that impression. It was not about the price. It was if we allow open skies and we lose a licence regime or a lifeline side of Southampton, there is the potential to end up in a situation where you only have summer routes. Yes we do not have a mechanism to influence the prices on the Southampton route, but by not having the Southampton route in the lifeline route, we have no control over that route and, potentially, anything can happen to it. Bearing in mind that it has a huge impact on a large percentage of our population who do need to go over to Southampton, it is worth keeping in the lifeline route, but I take on board Deputy Parkinson's point about price elasticity. We will have to explore other mechanisms.

I will be voting for 6A and not 6B, otherwise what is the point? It is a difficult decision to make but I believe we need to do something different. However the current policy letter from Economic Development does not have enough of an holistic look and we do need to actually move towards looking at our lifeline routes as something that the whole Island can look at and not just from an economic perspective.

Thank you.

The Deputy Bailiff: Deputy St Pier.

Deputy St Pier: Sir, I am sorry that Deputy Ferbrache is not in the Assembly, I think when he was speaking about things that have been lost, I was disappointed that he did not mention outside toilets. (*Laughter*) But he did manage to get it into his speech later on, which did enable me to mark off my bingo card.

But I did want to take Deputy Ferbrache to task in saying that we are in decline. We are not in decline. (**Several Members:** Hear, hear.) The economy is growing, business services is growing, the digital economy under the enthusiastic leadership of Deputy Dudley Owen is growing. We have more people employed. We have taxable incomes going up. We are not in decline. So can we please stop talking the economy down and start talking it up? (**Several Members:** Hear, hear.) Clearly, in the context of air transportation and hospitality it is an undeniable fact that that is a smaller sector than it once was and it is appropriate to talk about it in that context, but please let us not get them confused.

In the context of this policy letter and this amendment, like many, I am struggling, in particular, to understand the real purpose of the policy letter. I think Deputy Fallaize summed it up quite well, and indeed Deputy Lowe, also saying to some extent we are putting the cart before the horse. As I understand it, the real objective of this policy letter is to provide a framework to allow for the public service obligation route to be created within our air licensing framework. If that is the case, I think it would be helpful, perhaps, for Deputy Parkinson to articulate that when he sums up. I do apologise if I missed that in his opening, because I was absent this morning on other business.

In relation to this amendment, there are bits of it which I think I like, but there are bits of it which I do not. Much like the Committee's Propositions, too. In relation to Deputy Fallaize's point about seeking to identify what our strategic objectives are, do we want lower fares, do we want more routes, do we want more frequency; all of that needs to be articulated at some point. Of course the licensing regime could be changed at the point that we have actually been able to define those things.

I think we also need to remember that there is a clear interaction with the work of the sea and air infrastructure review, and I disagree with Deputy Prow, I think that is a piece of work which is engaging the appropriate committees and will produce some useful work later this year. I think we need to understand the interaction between air and sea.

If we look at Jersey's experience with the presence of more low-cost air carriers, that has had an impact on Condor's Jersey northern route. We need to really understand the dynamics of our very small marketplaces and the interaction between the two forms of travel. Similarly, the

3690 discussion between capital and revenue and the runway, to some extent this is also a little bit of a red herring.

If you look at Belfast City Airport, its runway is the same length as our own. Ryanair have in the past been flying in there and they have been flying in there because they are being subsidised to fly in there with empty seats and that is an option that is available to us. We can get plenty of
3695 aircraft onto our short runway without extending it. We just will need to pay them to do so. So it is a balance between whether we want to spend money on capital expenditure, on extending the runway to get aircraft, or whether we pay the same aircraft to fly with empty seats. You take it well, you get your choice.

In relation to the amendment in particular, of course, Proposition 1, I do agree with Deputy
3700 Ferbrache, I do not like the fact that it has been changed from the Committee to the States. I think it is entirely appropriate that it should be left to the Committee. The prospect of this Assembly having frequent debates on this, seeking to define particular routes as being lifeline routes, I do not think is the right place for it to happen and I agree entirely with Deputy Ferbrache on that point.

I think Deputy Tindall made a very good speech and analysis of some of the problems that arise with this amendment and, unlike Deputy Smithies, I do not particularly like Proposition 2. I think Proposition 2 is only there because there was a version of it in the original Committee's
3705 Propositions. I do not understand why Proposition 2 is in this amendment at all. If the matter is to be left to the States, why do we need Proposition 2? Why are we trying to define what the lifeline route is, because it will be a matter for the States to determine in accordance with Proposition 1 anyway? I think the definition does not particularly help us. A route which is deemed to be critical to the economic and social wellbeing.

There are no criteria against which we can judge that and of course there is no criteria against which those listed under Proposition 4 have been judged, it is just a list which we have to presume
3715 is consistent with the policy set out in Proposition 2. We just assume that they are critical to the economic and social wellbeing and so on.

I actually preferred an earlier iteration of this report, which had a distinction between lifeline and strategic routes. I thought that was a very helpful distinction and a gradation of the importance of particular routes to our Island. 'Lifeline' to me should be self-evident. When I think
3720 of lifeline, I think of the Berlin Airlift, something which is absolutely essential to keep a community going and, by definition, this should only be a necessity for one lifeline from the Island. But there may very well be the need for other strategic routes, as well. I think we have lost something by losing that distinction between the two.

I quite like it, this amendment, 6B, in the sense of being able to take an incremental approach to changing our regime. All the free market sentiments in me are screaming open skies is wonderful, but all the practical experience of seeing how competition has worked in practice in a small market such as ours over the years would point me in the opposite direction, both as a consumer here and also, of course, watching the experience of Aurigny and for the States, as a
3725 shareholder of Aurigny, needing to fund that competition, which has been so costly in certain occasions.

I think we have that tension between the desire many of us have to have open skies and the reality of the experience on the ground and I think many people have spoken to that and, actually, 6B is quite a good way of addressing and bridging that in an incremental way so we can actually see what the impact is.

Although Proposition 9 is only to note, I do worry about whether, in some way, by having brought in Proposition 2 for finding a lifeline route, that in some way we will be conceding that Alderney-Southampton is a lifeline route that does indeed require support through the public service obligation.

I will give way to Deputy Yerby.

3740

Deputy Yerby: Just briefly to say that I hope Deputy St Pier will not hold Proposition 9 against the amendment, since it is exactly the same as the Proposition in the substantive Propositions.

Deputy St Pier: I accept that it has been lifted from the original. I merely draw attention to it in the context of the other changes in relation to Proposition 2. At the end of the day it is only to note that Proposition anyway and Deputy Lowe is the one who always reminds us what that really means. I think on balance I am truly struggling to find a way to support this amendment, for the reasons I have set out. I do not particularly like the original Propositions either and I will no doubt speak further to them in due course, if that is necessary.

The Deputy Bailiff: Deputy Dudley Owen,

Deputy Dudley Owen: Yes sir, thank you.

I am really going to be very short because I think that many reasons why we should vote against this amendment have been extremely well articulated, especially by my colleague Deputy Tindall earlier today, Deputy Smithies, Deputy Leadbeater, Deputy Ferbrache and actually just now by Deputy St Pier.

One thing that really does worry me about the amendment and if it goes through is the consequences it will have for the Committee and I think that a lot of the Members who are going to support the amendment or who have spoken about supporting the amendment are missing the point that this amendment has come at the eleventh hour, there has been very little consultation with the Committee, if any. We have had no opportunity to look at the consequences, intended or otherwise, of the amendment, not to mention the resources, financial implications, legal and technical implications of this.

I think it is very short-sighted of Members to just think that voting it in and replacing all the existing Propositions, which have been worked through over a period of 18 months, over eight Members of the Assembly and various professionals and consultants, just to bring in a last-minute amendment like this, which is well thought-out, which has been looked at in detail but has not looked at the unintended consequences, is short-sighted. I really urge Members, if you are not decided yet please do vote it down, because the consequences are unknown and they really could be very serious for the Committee and looking at the other priority work, as well as the future of our skies policy as it stands.

Thank you.

The Deputy Bailiff: I turn to the President of the Committee, Deputy Parkinson, to reply to the amendment. Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

Well there is an awful lot to reply to so I am going to struggle to condense my remarks down to 15 minutes and indeed to make them sufficiently coherent. Anyway, I suppose we must start with Deputy Yerby, who questioned whether we were trying to encourage competition on new routes or competition on existing routes.

We have always tried to emphasise that this is mostly about trying to attract new carriers on new routes to open Guernsey's markets. But on the other hand, the reality is, as we people raised at various points in the debate, if you have basically an open skies policy on all but two routes, or even all but five routes, the reality is you will create competition on all four existing routes.

There is no point in pretending that you can impose a licensing restriction on Southampton and thereby protect Southampton while anyone who likes can set up an air service from Bournemouth just down the road and that will be completely uncontrolled and you fondly imagine that will not in some way compete with the Southampton service. Similarly, you decide you are going to protect Manchester but you are going to allow anyone who wants to to operate from Liverpool, but that is okay.

The illusion that you can isolate a portion of the market and say we are going to protect those people from price competition just by listing those five routes is frankly one of the fallacies underlying this amendment.

I tried in my opening speech to talk about the approach we have taken, which is trying to differentiate routes basically on the basis on the type of customers that use them. Now London Gatwick has a very specific market. It is a slot-constrained airport. Nobody else can come in and just say we are going to open a service from Gatwick. There just are not slots available.

But the market from a Guernsey perspective is essentially a business traveller market, although there are of course leisure travellers and visiting family members and so on in the mix. The reality is the routes that the Island critically depends on, the lifetime parts of the Gatwick route, are the early morning and late evening flights. The ones that the business travellers use.

The routes around the middle of the day are actually more like social routes. Because of the character of the Gatwick route and the market that it serves, especially the lifeline element of the market, that is a route that we and previous bodies have agreed to give special status to and I will come on later to the Scrutiny review of strategic air links.

Deputy Dorey: Point of correction.

The Deputy Bailiff: Point of correction, Deputy Dorey.

Deputy Dorey: Deputy Parkinson quoted just before about Bournemouth against Southampton and that if you had a lifeline route it would not affect it. That is precisely what 6B does, it says about 'pose a risk to the viability of a lifeline route'. That is what 6B is about. With the proposals, if you include 6B, it will control somebody operating from an adjacent airport, which affects the viability of a lifeline route, so it is wrong to say it is not covered by the amendment.

Deputy Parkinson: There is an option which would effectively preserve the existing licensing system and I accept that. Perhaps we should deal with that now? There is a fundamental philosophical difference between those people who believe in free markets and who believe that can produce a set of solutions which would be satisfactory to the people of Guernsey and those who believe in regulated markets and who are instinctively inclined to control the market in whatever way.

We see it in the course of this debate. There is clearly a body of, dare I say it, left-leaning Deputies in the Assembly who are instinctive regulators and Deputy Fallaize accused supporters of the Committee's proposals of being ideologically driven. I think actually the opponents of the Committee's proposals, indeed the supporters of the amendment, are just as ideologically driven. They are driven by a different ideology.

Ultimately people will vote the way they are ideologically inclined and the consequences will be whatever they are. But I think it will speak something about the character of this Assembly, in terms of are we a free enterprise, market capitalist type of body of people or are we socialist regulators? *(Laughter)*

In the amendment, whichever part of Proposition 6 it is, Deputy Yerby wants to protect Jersey, Southampton and Manchester from competition. Of course, as we have also heard in the debate, there are already several carriers licensed on Southampton and Jersey so, presumably, those people who support that Proposition imagine that some of those licences will be cancelled,

For example, on Jersey, where I think Flybe, Blue Islands, Aurigny and Waves all hold separate licences, the presumption behind this amendment is that the Waves licence will just be cancelled. The Aurigny licence will be cancelled. You can argue Waves and Aurigny are not operating on their licence because the Waves service has been suspended, but the Flybe licence is actively in use. The consequences of that need to be thought through.

Then she said she wants to ensure that important business and family and health connections are taken into consideration. Yes, but the point about the lifeline routes is these are routes which,

3845 for whatever reasons, are essential to the Island, but which the market would not provide without States' intervention.

The States is intervening under our proposals on the Gatwick route, effectively by using our national airline to hold the slots, etc., and we deliberately take the decision that we are going to distort that market. Similarly, Guernsey-Alderney would not be provided by market forces without public subsidy. So we will be taking, I hope, in due course the decision that taxpayer money will be put behind that route to ensure there is a good level of connectivity between Alderney and Guernsey.

3855 But there is no evidence whatsoever that, left to its own devices, the market would not provide a service on Guernsey-Southampton. That route has existed, as far as I know, since time immemorial. Although there have been periods when there have been two airlines competing on it – in that case it was Blue Islands and Flybe, and not Aurigny as Deputy Trott insinuated – there was a price war and eventually Flybe dropped off the route. There was no point in that history when the route was in jeopardy. There was not one moment in that period when there was any doubt that you could get on a plane and fly to Southampton. I see no evidence that would ever change in the future.

3860 Of course, in the very remote, hypothetical case, let us say we had some sort of market collapse and it became clear that Blue Islands, whoever the operator is, was not going to serve that route, then there would be policy options available to the Assembly to deal with that situation. One option amongst several would be that we direct our national airline Aurigny to go and fly that route and, if necessary, charter planes, wet-lease crews and so on to operate that route.

3870 But that is an extreme, remote risk which frankly we do not need to build our whole route licensing system around. The practical likelihood of that ever arising is very small and if the contingency did arise, we would find other ways to deal with the problem, I do not think there is any conceivable, realistic threat to Guernsey-Southampton.

Now, she also wanted to specify specific service standards on these routes, i.e. frequency, etc. and to create a presumption that there will be no competition on these routes. We have spoken about competition on those routes before and unless you licence all routes you are, in effect, going to expose those routes to competition.

3875 Then there is a question of what you can write into an air transport licence in terms of what you can demand from the operator. Guernsey air transport licences – bear in mind we are the only jurisdiction in Europe that still has these things – do on some routes tell the operator they have got to operate twice a day or four times a day. As Deputy Tindall subsequently pointed out, the current policy is that they should be obliged to operate year-round. That is actually frequently ignored and on many routes there is no minimum number of rotations specified. The operator can choose that.

3880 In case there was any misunderstanding about this and it came up in my intervention in Deputy Hansmann Rouxel's speech, none of the air transport licences specify the fares that may be charged or provide any caps on fares or any pricing regulation. That is for a very good reason. Bear in mind Guernsey is the only place with an air transport licensing system and that sort of behaviour would, I am advised, be illegal under European competition law. So not only do we not ever specify any fares, we cannot if these are routes flying into the European Union or, probably, in future, just into the United Kingdom. What people expect from an air transport licensing policy is maybe just unrealistic and ill-informed.

3890 Moving on from Deputy Yerby, Deputy Dorey said Jersey is important for business. Yes. And Southampton is essential for our health services. Yes. Manchester is key to northern England. There is doubt at all that Jersey and Southampton, at least, would continue to be served, I think, under any scenario. Those routes are viable. They are our second and third largest routes, in fact. Southampton, for example, carries I think 120,000 passengers a year. That is a viable route for an operator. If the current incumbent decided not to fly that route, there would be plenty of other people who would be willing to fly it.

Manchester is a bit more marginal. That is a route that carries about 60,000 passengers a year and you can make a case that, if it were left to market forces, either the number of rotations might change or the service might become seasonal, because the route is highly seasonal. But the response to that would be that is basically a leisure market.

There is some business travel on Manchester but it is mostly tourists and if we are demanding that Aurigny, in this case, provides a morning and evening service and if, actually, the tourist market wants a midday cheap and cheerful service then actually we have distorted the market in a way that is not conducive to growing the visitor economy.

We are in effect providing services, probably at relatively higher cost than they need to be, at the time of day when possibly that market does not want them. We have to be careful what we wish for. If we want to play God and try and decide what services should be provided on air routes and what the market ought to have, we are taking a considerable risk and we cannot be surprised in that scenario if, in fact, we do not grow the market and the travelling public who might have come here choose to go somewhere else because they can get a more convenient flight, or cheaper flight, at a more convenient time of day.

Deputy Roffey wanted to retain the present regulatory system, I think, and he pointed out that you cannot isolate large chunks of the market and regulate only those bits. He pointed out there were different segments of the market and they have different needs, which I totally agree with. That is the policy that underlines our proposals. You consider what the nature of the markets are within the area you are trying to regulate. What sort of market is that? Gatwick is primarily a business market. We have to ensure that Guernsey has those early morning and evening flights. That is the approach we are taking to regulation, basically segmenting the market by the character of the routes.

He says Jersey and the Isle of Man markets have grown because they have low-cost carriers. Yes, that is true, As Deputy St Pier pointed out and indeed I pointed out in my opening speech, we could have low-cost carriers. We would have to pay them to fly the planes light, but they could operate off our existing runway.

The question of whether we would do that and the choices I outlined in my opening speech about capital investment versus revenue, subsidies and so on, those are important debates that we are going to have to have but they are not debates for today. Today, all we are dealing with is the licensing aspect.

Incidentally, just talking about the Isle of Man and its low-cost carriers, Deputy Inder quoted from the email which many of you may have seen from the Hon. Laurence Skelly, my equivalent in the Isle of Man, who says their system works very well and they have no plans to change it.

I took the trouble to Google what connections the Isle of Man has under their open skies policy and they have the following: Belfast International, operated by easyJet; Birmingham, operated by Flybe; Bristol, operated by easyJet; Dublin, operated by Aer Lingus; Edinburgh, operated by Loganair; Liverpool, operated by both easyJet and Flybe; London City operated by British Airways; London Gatwick, operated by easyJet; London Luton, operated by easyJet; and Manchester, operated by Flybe.

Making due allowance for the different geography, so for example a route to Southampton would not be particularly interesting to them, I think that is a very credible list of destinations. If we had a link to Luton, or Glasgow, or Edinburgh, these are destinations we would love to have. Look at the list of carriers. There is a high-quality list of carriers

EasyJet are not doing just one or two routes for them, they are flying five routes for the Isle of Man. Definitely the low-cost carriers have been a part of their success story, that was referred to in Mr Skelly's email, the fact that last year they had a record number of passengers. The low-cost carriers are not all of the solution because they have also got British Airways, they have got Aer Lingus, they have got Loganair, Flybe. They have actually quite a wide range of operators who choose, in a free market, to provide services to them,

Deputy Roffey said Bristol would be a summer-only service. I think that is extraordinarily unlikely. Blue Islands, a couple of years ago, applied to fly Guernsey-Bristol twice a day, instead of

the once a day which the current incumbent operates. Their application was turned down. There is no evidence that people do not want to fly Bristol-Guernsey, the evidence is quite the contrary. Actually there is a competition between airlines that want to fly Bristol-Guernsey. The idea that it would be reduced to a summer-only service is entirely unfounded speculation.

Deputy Smithies, I thank him for his support. A very sensible speech. Deputy Lester Queripel gave us a long speech on the importance of taking into account the attractions off the Island and viewing the problem holistically and, of course, I totally agree with him and I said in my opening speech we will be coming back to the Assembly later this year with a tourism strategy. We are actively engaged in trying to promote new attractions in Guernsey.

We totally understand that we are not going to grow the visitor market unless we fix several problems all at the same time. We need to improve connectivity. We need to ensure there is appropriate bed stock for people who want to come and visit the Island and, most importantly, we need to give them good reasons to want to come here.

We are totally conscious of that. Nobody is suggesting that this policy letter before Members today is the answer to all of our problems. It is but the first step on a long road, but it happens to be a cheap step, relatively speaking, compared with some of the other investments that will have to be made later on.

It might be appropriate at this point to address the timing, because several people have come up with this sort of cart before horse type of statement. Why are we talking about air route licensing before we have debated extending the runway? Several reasons for that. Let us assume later on this year we debate extending the runway. Short extension, long extension. I do not know what. Let us assume we decide we are going to do that. It is going to take three to five years to build a runway extension. It is going to involve planning inquiries – all the processes that all capital projects have to go through. The realistic likelihood is that this will not be completed not just in this term of Government but probably not by the end of the next term of Government and we have to sort out some other problems in the meantime, one of them being the perilous state of the air connections to Alderney.

Deputy St Pier, I think it was, who asked me to confirm that one of the principal purposes of this policy letter is to provide the platform for us to create the Alderney PSOs and I am very happy to give that confirmation because that is by no means the only purpose of this policy letter, but it is a very important one.

I used to sit, metaphorically, in the seat that Deputy Ferbrache occupies and he will now be as well aware as I am that the Alderney services of Aurigny are hanging by a thread in terms of pilot recruitment and so on, because of the uncertainty about their career prospects. This cannot be left to fester. We actually have to get on and deal with the Alderney PSOs urgently and that is why this particular policy letter, which provides a platform to do that, has to come to the front of the queue.

I am sorry we have not got a decision on the runway length, but I put it to you that, even if we had a decision on the runway length, it would not actually change who could operate here for many years to come. People who make these excuses, in a way, for not making a decision – I cannot decide on this one until I know what you have decided on that one – frankly are ducking the issue. They are ducking their responsibility as Members of this States. We cannot wait until the runway has been extended, if it is going to be extended, or decided that it is not going to be extended, if that is the decision, to solve some of these problems.

That was Deputy Queripel and I basically agree that this is a holistic problem. Deputy Leadbeater, I thought, gave an excellent speech. He said that business will respond to the opportunities created by new air routes and the economy will be stimulated and people will build attractions. I think we have a role, as the States, and particularly the Committee *for* Economic Development, in catalysing that process and I am very keenly aware of that and we will do our best to encourage the market to be proactive about this.

4000 I thank Deputy Inder for quoting Mr Skelly, who we just referenced, and his words on, as far as he is concerned, the great success of the open skies regime in the Isle of Man and how it is bringing into them record numbers of travellers.

4005 Deputy Graham says the amendment errs on the side of caution. I certainly agree with that. I think it errs, in my view, too far, and he says we need to balance the potential benefits against the potential risks. Well yes, we do. I am not saying there are no risks inherent in an open skies policy. What I am saying is the evidence is, not only from our consultants, all three firms that we used, but also from the market experience in other similar jurisdictions, that this policy provides net benefits.

4010 That does not mean to say that there will not be some adverse consequences, but there is no evidence, turning that question around, from any market that is remotely comparable to us, that open skies is a net damaging policy. He asks should we decide on the runway length first and, I am sorry, I think I have covered that.

4015 Then we had Deputy Fallaize, who said Deputy Yerby has a better definition of 'lifeline route'. I agree with later speakers, I do not see that 'critical' makes the situation any clearer at all. There is no attempt to define what is critical. In our policy letter, what we are saying is that a lifeline route is a route that, if you like, cannot survive without Government intervention of one form or another, or cannot function the way we would want it to function without Government intervention and that is why we come up with just two routes, Gatwick and Alderney. Those are the two that we actively have to interfere with.

4020 We do not have to interfere with Southampton or Manchester or Jersey. Those routes will continue regardless of what we do, because there is a viable market there. It is as simple as that. In our policy letter we are suggesting that the markets should be left to manage those routes and we are saying there is no evidence from any other jurisdiction that doing something like that would result in bad consequences.

4025 He asked what does good connectivity look like. Clearly, we are hoping to have more convenient connections at lower prices to other jurisdictions, but I refer again to my opening remarks. You can have schedule, quality or price, and you can have any two of the three. But you cannot have all three. So good connectivity, I am afraid there is no golden crystal ball or whatever, that you can reach out and say that is what good connectivity is like. On some routes, you are going to favour schedule at the expense of cost. On some routes you will favour quality at the expense of schedule. Whatever. You can perm any two from three, but the answer is you cannot have them all.

4030 He said we should decide what frequency we want, what prices we want. No, we cannot. On some of the existing air transport licences, we do say you have got to fly twice a day. We do not say when. We do not say how much you can charge. That is not how the system works and, in fact, 4035 if we were to attempt to say you cannot charge more than this, they could take us to court for breach of competition law. I have touched on his point about accusing the supporters of open skies of being motivated by ideology and I ask him to look in the mirror. I think that is probably all I need to cover there.

4040 Deputy Tindall explained the legal complexity of the situation, which our Committee has been wrestling with and, indeed, our predecessor Committee, has been wrestling with for 18 months now, and how carefully we have had to craft our proposals so as not to offend any of these competition law issues and so on that are relevant on these subjects. I thank her for her explanation, I think that was very helpful.

4045 Now Deputy Soulsby referred to what she called the Scrutiny review of air links. Actually it was the Security of Strategic Air Links Review and it was focussed on Gatwick and was it necessary for Guernsey to own an airline, with an AOC to hold the slots, and was it in our interest to continue with the present arrangement? I suppose other theoretical options were considered, like do we wet-lease other operators to run the route or allow the slots to be used in some other way.

4050 I would say just in passing here it is often said erroneously, or it is implied, that if we do not use the slots 80% of the time on flights to Guernsey then we will lose them. That is simply not

true. We have to use the slots 80% of the time but they do not have to be used for flights to Guernsey. As a working example of that, British Airways acquired nine pairs of slots from the bankruptcy of Monarch and they have only got, at the moment, four planes to use those slots. So they have leased out three of the pairs of slots to other airlines to operate other routes.

4055 They covered off the remaining two vacant slots by simply using all the slots 80% of the time. So they just spread their flights around. It would be possible, if Aurigny found for some reason it did not need two of the slots for a period of time, to lease those slots to, say, Emirates to fly to Dubai and Aurigny would not lose them.

4060 We come back to Deputy Soulsby and the Scrutiny Committee review on strategic air links. She asked why that was not referenced in the Frontier Economics report. Well the answer is it only covers a very small part of what they were looking at. The review of strategic air links was very much focussed on the Gatwick route.

4065 She said Southampton is essential to health and yes we totally accept that. Of course we have a Member of the Health Committee on our Committee, so it is not as if we have debates about this without taking that into consideration. But the reality is what we are saying is Southampton would always be provided. The States of Guernsey does not have to interfere in that route to ensure that there is provision. That is the distinction that we make which Deputy Yerby and her supporters do not make.

4070 So Deputy Trott said competition did not work on Jersey and Southampton. Well, it did work. What happened was the party with deeper pockets drove out the other party by competitive forces. Having two airlines on the route is clearly probably unsustainable in the long-term. Although who knows, perhaps if an operator comes in with a different model they may be able to compete, providing a different kind of service? We already see on the Jersey route Waves have a licence on that route, with a very different kind of business model.

4075 We understand that there is a sea plane operator who may come along, applying for a licence, and will want to be able to operate between St Peter Port and St Helier. If the amendment passes they will have to get a licence from the Air Transport Licensing Board which, presumably will have to take into consideration the interests of Blue Islands and other operators who already hold licences before considering whether to give them a licence. Under our proposals, the sea plane operator would just be told: get on with it.

4080 Yes, Deputy Ferbrache, I think we understood –
Sorry, I give way to Deputy Tindall.

4085 **Deputy Tindall:** I thank Deputy Parkinson for giving way. As I pointed out in my speech, would Deputy Parkinson agree that actually there is going to be a time between now and any effective nature of the changes that are proposed in this amendment and therefore will lead to uncertainty and certainly may not even give rise to any of these opportunities?

4090 **Deputy Parkinson:** Yes, I certainly agree with that and it would be interesting to see what would happen to that sea plane bid.

4095 Deputy Ferbrache, I think we understood what he meant when he said we are in decline. What he meant was the air travel market in Guernsey is in decline. That is indisputable. By contrast, the European air travel market is growing by 3.7%, was the statistic I saw. We are in part of the world where the air transport market is growing, our nearest neighbour's market is growing, the Isle of Man's market is growing and Guernsey's is not.

Guernsey is the only jurisdiction in this part of the world that still has an air transport licensing system and I put it to Members there may be no coincidence here. We have the only air transport licensing system in existence, anywhere near us, and we have the market which is not growing.

4100 **Deputy Dorey:** Sir, point of correction.

The Deputy Bailiff: Point of correction, Deputy Dorey.

Deputy Dorey: I think that is not clear in terms of what it is implying, because Isle of Man and Jersey both declined from 2007. Yes, they have increased, but Guernsey, basically, slightly increased and tailed off slightly and all of that is in relation to the Jersey market. Those other two places have declined and have then increased back up to the levels that they were, or nearly at the levels they were.

Deputy Parkinson: I think Deputy Dorey is ignoring the effect of the global financial crisis. Guernsey actually had quite a good crisis, compared with Jersey and the Isle of Man. They suffered more than we did and they have recovered more but I think the recovery is more significant now than the events of 10 years ago when the markets collapsed. I agree with Deputy Ferbrache that the amendment would be a disaster and I hope Members will vote against it.

Deputy Langlois was concerned there was not enough connection between the Frontier Economics report and the policy letter. It has to be said that the Frontier Economics report was produced quite a long time ago, now. In a way, events have moved on and we are able to take into account more evidence in terms of framing our report than the authors of that report had at the time.

Deputy Gollop thinks we will get to open skies eventually, but not in the lifetime of this States. That is quite possibly true, but I do not see that as a justification for voting for the amendment. I have explained to him how, if he is in favour of open skies, he can achieve that. Just vote against the amendment and vote against Proposition 3.

He said, curiously, that Guernsey's passenger movements are not comparable with Jersey and the Isle of Man because of the traffic between Guernsey and Alderney. Well, yes, in a sense that is right, but there are only 30,000 passengers between Guernsey and Alderney, out of 840,000 through the Airport, so it is not a huge factor.

He says the only way we will get cheaper fares is for the States to heavily subsidise routes and, actually, that may well be true. We will be debating that eventually, not today. Deputy Lowe, I agreed with her comment. She had mentioned cart before horse and I think I have addressed that. We have to deal with these issues now.

She said the prices from Southampton to Guernsey were much higher than the prices of Southampton to Jersey. I do not know what conclusion she was drawing from that. What I think it does show is the benefits of competition. It also, I am afraid, shows that Blue Islands have been exploiting their monopoly.

Deputy de Lisle, I thank him for supporting open skies, but disagree with him on going the whole hog now. Deputy Green referred to the review of strategic air links and commented that had recommended protecting Gatwick, Alderney and Jersey, and then somewhat illogically went on to say he was going to support an amendment which also protected Southampton and maybe Manchester. If you put your faith in that review of strategic air links and conclude that it was correct in choosing Gatwick, Alderney and Jersey, then it is illogical to say, 'I am going to add in Southampton without evidence.'

Worst of all, I think one thing he said will resonate very badly outside this Chamber. He said we should take our ownership of Aurigny into account in determining our route licensing policy. In other words, if bringing another airline in on a route would increase the losses of Aurigny, we should be opposing it.

That is exactly what the market has been telling us in consultation. They are saying to us that they perceive Guernsey's route licensing system as protectionist of the state national airline. Anyone who takes that view and who wants to quote Deputy Green from *Hansard* is going to have all the ammunition they need to make that point.

Deputy de Sausmarez, assumptions about price elasticity. I tend to agree with her, only a big change in price is likely to cause a big change in behaviour. She says having different carriers may not reduce prices. Actually I think they will and I think the piece that she is missing is that the cost-base of an airline like easyJet is much lower than the cost-base of an airline like Aurigny or

Blue Islands. The chairman of Aurigny, in a recent presentation to the IoD, said that it cost Aurigny £79 to fly an average seat around the sky. He said they estimate that it costs easyJet £59.

I give way.

Deputy de Sausmarez: I thank Deputy Parkinson for giving way. I did actually acknowledge that was probably a factor. I probably did not make it as explicit as Deputy Parkinson just has, but the point I was making was I did not think it would be a big enough change in price to facilitate the growth in the market in the way that people expect.

Thank you.

Deputy Parkinson: Well, the empirical evidence is that other destinations that use the low-cost carriers are growing faster than we are. That may be pure coincidence, but I challenge supporters of the amendment to demonstrate the other causality. If they think it has got nothing to do with the fact that low-cost carriers are operating there, let us see their evidence. I think price does matter.

Deputy Prow, again, said we were being asked to consider one element of the jigsaw. I hope I have dealt with that question. Yes, we are considering one element of the jigsaw, it just has to come now. Deputy Hansmann Rouxel understood that point about the timing and said social considerations should be taken into consideration.

I thank Deputy St Pier for his comments. Yes, there is a clear interaction with the review of air and sea link infrastructure and that will have to come along and we will have to consider all the relationships in due course. I thank Deputy Dudley-Owen for her speech, of course, supportive and, bearing in mind the hour, I will draw my remarks to a close at this point.

The Deputy Bailiff: Members of the States, it has gone 5.30 p.m. by some way now, but I will put to you a motion that we hear from Deputy Yerby and conclude on this amendment, just on the basis to give you that option. The motion is that you continue sitting, Deputy Yerby replies to the debate on her amendment, we do the voting and we then adjourn overnight and start with general debate tomorrow. Those in favour; those against.

Members voted Contre.

The Deputy Bailiff: I am going to declare that lost so we will adjourn until 9.30 a.m. tomorrow.

The Assembly adjourned at 6 p.m.