



BILLET D'ÉTAT

WEDNESDAY, 24th APRIL, 2019

LEGISLATIVE BUSINESS

Legislation Laid Before the States

The Air Navigation (Bailiwick of Guernsey) (Foreign Aircraft Operations) Regulations, 2019
The Electoral System Referendum (Retention and Destruction of Ballot Papers) Regulations, 2019
The Liquor Licensing (Fees) Regulations, 2019
The Immigration (Bailiwick of Guernsey) (Amendment) Rules 2019
The Open Market Housing Register (Guernsey) Law, 2016 (New Inscriptions) Regulations, 2019

Legislation for Approval

1. Committee *for the* Environment & Infrastructure - The Merchant Shipping (Bailiwick of Guernsey) Law, 2002 (Wreck Removal Convention) Ordinance, 2019, P.2019/20

OTHER BUSINESS

2. States' Assembly & Constitution Committee - General Election 2020, P.2019/22
3. Committee *for* Home Affairs - Preparation for a New Electoral Roll, P.2019/23
4. Policy & Resources Committee - Review of Strategic Air and Sea Links Infrastructure, P.2019/21
5. Committee *for* Education, Sport & Culture - Amendments to the Statutes of Elizabeth College, P.2019/24
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APPENDIX

1. Committee *for* Economic Development – Public Trustee Annual Report and Audited Accounts for the years ended 31 December 2016 and 31 December 2017

VII
2019

BILLET D'ÉTAT

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 COURT HOUSE**, on **WEDNESDAY**, the **24th April, 2019** at **9.30 a.m.**, to consider the items listed in this Billet d'État which have been submitted for debate.

R. J. MCMAHON
Deputy Bailiff and Presiding Officer

The Royal Court House
Guernsey

29th March, 2019

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

The States of Deliberation have the power to annul the Statutory Instrument detailed below.

No. 13 of 2019

THE AIR NAVIGATION (BAILIWICK OF GUERNSEY) (FOREIGN AIRCRAFT OPERATIONS) REGULATIONS, 2019

In exercise of the powers conferred upon it by sections 145, 149 and 151 of the Air Navigation (Bailiwick of Guernsey) Law, 2012, and all other powers enabling it in that behalf “The Air Navigation (Bailiwick of Guernsey) (Foreign Aircraft Operations) Regulations, 2019” made by the Economic Development Committee on 7th February 2019 is laid before the States.

EXPLANATORY NOTE

These Regulations re-enact with modifications the Aviation (Foreign Aircraft Operations) (Bailiwick of Guernsey) Ordinance, 2009, made under the Aviation (Bailiwick of Guernsey) Law, 2008, and introduces fees for the issue of the associated permits for the first time (in regulation 5).

These regulations came into force on 14th February, 2018.

No. 14 of 2019

THE ELECTORAL SYSTEM REFERENDUM (RETENTION AND DESTRUCTION OF BALLOT PAPERS) REGULATIONS, 2019

In pursuance of section 30(1)(c) of the Electoral System Referendum (Guernsey) Law, 2018, the Electoral System Referendum (Retention and Destruction of Ballot Papers) Regulations, 2019 made by the States’ Assembly & Constitution Committee on 21st February, 2019, are laid before the States.

EXPLANATORY NOTE

These Regulations require Her Majesty's Greffier to retain ballot papers and their counterfoils from the electoral system referendum until 10th April, 2019, and to destroy them as soon as practicable thereafter (unless the Royal Court orders otherwise).

These Regulations came into force on 21st February, 2019.

No. 16 of 2019

THE LIQUOR LICENSING (FEES) REGULATIONS, 2019

In pursuance of Section 84(4) of the Liquor Licensing Ordinance, 2006, The Liquor Licensing (Fees) Regulations, 2019, made by the Committee *for* Home Affairs on 4th March 2019, is laid before the States.

EXPLANATORY NOTE

These Regulations amend Schedule 4 of the Liquor Licensing Ordinance, 2006 which sets the relevant fees for liquor licences etc.

These Regulations come into force on 1st June 2019.

No. 17 of 2019

THE IMMIGRATION (BAILIWICK OF GUERNSEY) (AMENDMENT) RULES 2019

In pursuance of Section section 3(2) of the Immigration Act 1971 as extended to the Bailiwick of Guernsey by the Immigration (Guernsey) Order 1993, The Immigration (Bailiwick of Guernsey) (Amendment) Rules 2019, made by the Committee *for* Home Affairs on 4th March 2019, is laid before the States.

EXPLANATORY NOTE

These Rules amend the Immigration (Bailiwick of Guernsey) Rules 2008, as amended by the Immigration (Bailiwick of Guernsey) (Amendment) Rules 2011, the Immigration (Bailiwick of Guernsey) (Amendment) Rules 2013 and the Immigration (Bailiwick of Guernsey) (Amendment) Rules 2015 ("**the Immigration Rules**").

Appendix EU to the Immigration Rules, as inserted by these Rules, sets out the EU settlement scheme. This scheme provides for indefinite or limited leave to enter or remain to be granted to citizens of EEA countries or Switzerland, as well as to their family members and family members of qualifying British citizens, if they satisfy the requirements and conditions of the scheme.

These Rules will come into force on the 30th March, 2019.

No. 20 of 2019

**OPEN MARKET HOUSING REGISTER (GUERNSEY) LAW, 2016 (NEW INSCRIPTIONS)
REGULATIONS, 2019**

In pursuance of section 34(3) of the Open Market Housing Register (Guernsey) Law, 2016, the “Open Market Housing Register (Guernsey) Law, 2016 (New Inscriptions) Regulations, 2019”, made by the Committee *for the* Environment & Infrastructure on 7th March, 2019, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the form to be used by an applicant for a new inscription in the Open Market Housing Register under section 3 of the Open Market Housing Register (Guernsey) Law, 2016, and the fee (£500) payable upon such an application.

These Regulations come into force on 14th March, 2019.

The full text of the statutory instruments can be found at:
<http://www.guernseylegalresources.gg/article/170025/2019>

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

THE MERCHANT SHIPPING (BAILIWICK OF GUERNSEY) LAW, 2002
(WRECK REMOVAL CONVENTION) ORDINANCE, 2019

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Merchant Shipping (Bailiwick of Guernsey) Law, 2002 (Wreck Removal Convention) Ordinance, 2019", and to direct that the same shall have effect as an Ordinance of the States.

This proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

EXPLANATORY MEMORANDUM

This Ordinance makes provision in Bailiwick legislation to give effect to the Nairobi International Convention on the Removal of Wrecks 2007 ("the Convention"). Currently, wreck and salvage is dealt with in domestic legislation under the Wreck and Salvage (Vessels and Aircraft) (Bailiwick of Guernsey) Law, 1986 ("the 1986 Law"). Part IX of Schedule 8 to the Merchant Shipping (Bailiwick of Guernsey) Law, 2002 ("the 2002 Law") also makes provision in relation to wreck and salvage; those provisions have not been brought into force thus far. However, to give effect to the Convention, the 2002 Law needs to be amended to insert provision in effectively the same terms as that made in the UK by the Wreck Removal Convention Act 2011. To keep all relevant provisions in the same place, the Policy Letter proposed (and the States approved) commencing Part IX and Schedule 8 at the same time and amending the 1986 Law accordingly.

As such, the Ordinance –

- (i) in respect of the 2002 Law, commences Part IX (apart from two sections relating to lighthouse authorities) and Schedule 8 and inserts a new Part dealing with the Convention,
- (ii) amends the 1986 Law to give effect to the Convention, and
- (iii) makes transitional provision,

in reliance on the powers at s289, s290(1) and 296(2) and 297 of the 2002 Law.

The Merchant Shipping (Bailiwick of Guernsey) Law, 2002 (Wreck Removal Convention) Ordinance, 2019

THE STATES, in pursuance of their Resolution of the 12th January, 2017^a, and in exercise of the powers conferred on them by sections 289, 290, 296 and 297 of the Merchant Shipping (Bailiwick of Guernsey) Law, 2002^b, and all other powers enabling them in that behalf, hereby order:-

Commencement of Part IX of and Schedule 8 to the Merchant Shipping Law.

1. Sections 214 to 242 and section 245 of, and Schedule 8 to, the Merchant Shipping (Bailiwick of Guernsey) Law, 2002 ("the Merchant Shipping Law") shall come into force on the commencement of this Ordinance.

Wreck Removal Convention: amendment of the Merchant Shipping Law.

2. (1) The Merchant Shipping Law is amended as set out below.
- (2) After section 245 insert the Part set out in Schedule 1 to this Ordinance.
- (3) In section 294, in the definition of "tonnage regulations" for "section 19" substitute "section 18".
- (4) After Schedule 11 insert the Schedule set out in Schedule 2 to

^a Article III of Billet d'État No. I of 2017.

^b No. VIII of 2004; amended by No. 1 of 2000, No. XIII of 2010, Vol. XXX, p. 243; and by Order in Council Nos. XV and XXXII of 2003.

this Ordinance.

Amendment of the Wreck and Salvage Law.

3. (1) The Wreck and Salvage (Vessels and Aircraft) (Bailiwick of Guernsey) Law, 1986^c ("**the Wreck and Salvage Law**") is amended as follows.

(2) In the title of the Wreck and Salvage Law, and in section 35(1), for "Vessels" substitute "Historic Wreck".

(3) In Part 1, in the title of that Part for "Vessels" substitute "Aircraft".

(4) For sections 1(1) and (2), substitute —

"(1) The powers of the Receiver under this Law in relation to aircraft are subject to the powers exercisable under the Civil Aviation (Investigation of Air Accidents and Incidents) (Guernsey) Order 1998, and shall only be exercised if the Director of Civil Aviation of the Bailiwick of Guernsey so consents.

(1A) If an aircraft is wrecked at any place in local waters, the Receiver shall proceed to that place as soon as possible and, for the purpose of assisting the aircraft or saving its cargo or the life of any person on board, may take such action and give such directions to any person including, subject to subsection (2), the commander of the aircraft or master of any

^c Ordres en Conseil Vol. XXIX, p. 390; as amended by Ordres en Conseil Vol. XXXI, p. 278; Vol. XXXVII, p. 199; Vol. XXXVIII, p. 231; Order in Council No. I of 2000; Recueil d'Ordonnances Tome XXVI, p. 182; Tome XXVI, p. 306; Ordinance No. XXXIII of 2003; and No. IX of 2016.

vessel at hand, as he thinks fit.

(2) The Receiver shall not interfere between the commander and crew of an aircraft in relation to the management of the aircraft unless requested to do so by the commander, and shall not interfere between the master and crew of a vessel in relation to the management of the vessel unless requested to do so by the master."

(5) In Part 1, Part 2 and Part 4 (except in sections 1(1) and (2))—

- (a) for "vessel" or "vessels", wherever those expressions occur substitute "aircraft",
- (b) for "a vessel", wherever that expression occurs substitute "an aircraft",
- (c) for "vessels", wherever that expression occurs substitute "aircraft", and
- (d) for "master", wherever that expression occurs substitute "commander".

(6) In section 4(1)(d) for "ports" substitute "place".

(7) In Part 3 -

- (a) in section 15(a) and (b) after "vessel" add "or aircraft",
- (b) in sections 18(1),(2),(4)(a) and (b) and 19(4)(a) for

"vessel, cargo" substitute "vessel, aircraft or cargo".

(8) In sections 24, 30(a) and (b), 31(4) for "vessel, cargo" substitute "vessel, aircraft or cargo".

(9) In section 32 insert the following definitions in the appropriate place -

""**aircraft**" means any description of aircraft and includes part of an aircraft,"

""**commander**" includes any person having command or charge of an aircraft,".

(10) Section 33 is repealed.

Transitional provision and savings.

4. Anything done or having effect as if done in respect of vessels (including wrecked and salvaged vessels) and their cargo under or for the purposes of any provision in Parts 1, 2 or 4 of the Wreck and Salvage Law shall, to the extent that the same is required or authorised to be done under or for the purposes of Parts IX or IXA of the Merchant Shipping Law, have effect as if done under or for the purposes of the equivalent provisions in those Parts of that Law; and anything done or having effect as if done in that respect by the Receiver of Wreck appointed under the Wreck and Salvage Law shall, to the above extent, have effect as if done by a person appointed to be receiver of wreck under the Merchant Shipping Law.

Extent.

5. This Ordinance has effect throughout the Bailiwick of Guernsey.

Citation.

6. This Ordinance may be cited as the Merchant Shipping (Bailiwick of Guernsey) Law, 2002 (Wreck Removal Convention) Ordinance, 2019.

Commencement.

7. This Ordinance shall come into force on the day appointed by regulations made by the States of Guernsey Committee for the Environment & Infrastructure, and different days may be appointed for different provisions and different purposes.

SCHEDULE 1

Section 2(2)

"PART IXA

WRECK REMOVAL CONVENTION

The Wreck Removal Convention.

245A. (1) In this Part-

- (a) "**accident**" means a collision of ships, stranding, another incident of navigation or another event (whether on board a ship or not) which results in material damage to a ship or its cargo or in an imminent threat of material damage to a ship or its cargo,
- (b) "**Convention Area**" has the meaning given in Article 1 of the Wreck Removal Convention save that the reference to State therein means a Wreck Removal Convention State,
- (c) "**Guernsey's Convention Area**" has the same meaning as "Guernsey waters" as described in section 294(2),
- (d) "**insurer**" means the person providing the wreck removal insurance,
- (e) "**Wreck Removal Convention**" means the Nairobi International Convention on the Removal of Wrecks

2007 done in Nairobi on 18 May 2007,

- (f) **"Wreck Removal Convention State"** means a State or territory which is a party to the Wreck Removal Convention, and for the avoidance of doubt includes Guernsey,
- (g) **"wreck removal insurance"** means a contract of insurance or other security satisfying the requirements of Article 12 of the Wreck Removal Convention,
- (h) **"wreck removal insurance certificate"** means a certificate required by section 245I(2)(b), and
- (i) **"wreck removal notice"** has the meaning given by section 245D.

(2) The text of the Wreck Removal Convention is set out in Schedule 12.

(3) Subject to subsection (1) expressions used in this Part shall be construed in accordance with Article 1 of the Wreck Removal Convention.

(4) References in this Part to ships registered in a State include unregistered ships entitled to fly the flag of that State.

(5) In determining for the purposes of this Part whether a wreck poses a hazard the Board must take into account the matters set out in Article 6 of the Wreck Removal Convention (determination of hazard).

Reporting, marking and removing

Wreck Reports.

245B. (1) Where an accident results in a wreck in a Convention Area, the persons responsible for any Guernsey ship involved in the accident must report the wreck without delay.

(2) If the wreck is in Guernsey's Convention Area, it must be reported to the Board.

(3) If the wreck is in the Convention Area of any other State, it must be reported to the government of that State.

(4) The following are responsible for a ship-

(a) the master of the ship, and

(b) the operator of the ship.

(5) A report under subsection (1) must include the information mentioned in paragraph (2) of Article 5 of the Wreck Removal Convention (so far as it is known).

(6) If one of the persons responsible for the ship makes a report under subsection (1) the others are no longer under a duty to make a report.

(7) Failure to comply with the reporting requirement is an offence.

- (8) A person guilty of an offence under this section is liable-
 - (a) on summary conviction, to a fine not exceeding £50,000,
or
 - (b) on conviction on indictment, to a fine.

Locating and marking wrecks.

245C. (1) This section applies where an accident results in a wreck in Guernsey's Convention Area.

(2) The Board must ensure that Guernsey complies with its obligations under Articles 7 and 8 of the Wreck Removal Convention (locating and marking of wrecks).

(3) The Board may, for those purposes, direct any of the following to take specified steps in relation to the wreck if it is within their area -

- (a) a general lighthouse authority,
- (b) a harbour authority.

(4) A direction may require an authority to exercise or not to exercise a power under the following sections within their area -

- (a) section 242 in relation to harbour authorities, and
- (b) section 243 in relation to the general lighthouse authority.

(5) For the purposes of subsections (3) and (4) (and, in a case where a direction is given, section 243), a general lighthouse authority's area includes any area that-

(a) is adjacent to the area specified in relation to the authority under section 193 of the Merchant Shipping Act 1995 as that specification applies in Guernsey by virtue of that section, and

(b) is within Guernsey's Convention Area.

(6) A direction-

(a) must be in writing, or

(b) where it is not reasonably practicable to give it in writing, must be confirmed in writing as soon as reasonably practicable.

(7) An authority to whom a direction is given must comply with it.

Removal by registered owner.

245D. (1) This section applies where-

(a) a ship has been involved in an accident as a result of which it or anything from it has become a wreck in Guernsey's Convention Area, and

- (b) the Board has determined that the wreck poses a hazard.

(2) The Board must take all reasonable steps to give a notice (a "wreck removal notice") requiring the registered owner to comply with the obligations imposed on registered owners by paragraph (2) and (3) of Article 9 of the Wreck Removal Convention (removal of wrecks and production of evidence of insurance).

- (3) The notice must be in writing and must-

- (a) specify the deadline set under paragraph (6)(a) of that Article for the removal of the wreck, and
- (b) inform the registered owner of the other matters set out in paragraph (6)(b) and (c) of that Article.

(4) A registered owner who fails, without reasonable excuse, to comply with a notice by the specified deadline is guilty of an offence.

- (5) A registered owner guilty of the offence is liable-

- (a) on summary conviction, to a fine not exceeding £50,000,
or
- (b) on conviction on indictment, to a fine.

Imposition of conditions about removal.

245E. (1) This section applies if the Board has given a registered owner of the wreck a wreck removal notice.

(2) The Board may impose conditions as to the removal of the wreck in accordance with paragraph (4) of Article 9 of the Wreck Removal Convention.

(3) A condition is imposed by giving notice of it to the registered owner.

(4) A registered owner who fails, without reasonable excuse, to comply with a condition is guilty of an offence.

(5) A registered owner guilty of the offence is liable-

(a) on summary conviction, to a fine not exceeding £50,000, or

(b) on conviction on indictment, to a fine.

Removal in default.

245F. (1) The Board may remove a wreck in Guernsey's Convention Area in the circumstances set out in paragraph (7) or (8) of Article 9 of the Wreck Removal Convention.

(2) The Board may, instead of exercising the power under subsection (1), direct that the power be exercised by any of the following -

(a) a general lighthouse authority,

(b) a harbour authority.

(3) A direction may be given to an authority only in relation to a wreck within the authority's area.

(4) Section 245C(5) applies for the purposes of determining a general lighthouse authority's area.

(5) A direction -

(a) must be in writing, or

(b) where it is not reasonably practicable to give it in writing, must be confirmed in writing as soon as reasonably practicable.

(6) An authority to whom the direction is given must comply with it.

Liability for costs.

245G. (1) This section applies where -

(a) a ship has been involved in an accident as a result of which it or anything from it has become a wreck in Guernsey's Convention Area, and

(b) costs have been incurred complying with section 255C or 255F (locating and marking and removal of wrecks).

(2) The person who incurred the costs is entitled to recover them from the ship's registered owner unless the owner proves that an exception set out in paragraph 1(a), (b) or (c) of Article 10 of the Wreck Removal Convention applies.

(3) The owner is not liable for costs under this section if or to the extent that liability would conflict with –

(a) an enactment implementing a convention listed in paragraph 1 of Article 11 of the Wreck Removal Convention (exceptions to liability), or

(b) any other provisions specified by regulations of the Board.

(4) Where the registered owner of each of two or more ships is liable for costs under this section but the cost for which each is liable cannot reasonably be separated, the registered owners shall be jointly liable for the costs.

(5) This section does not prevent the exercise of the right (if any) to limit liability by virtue of section 194.

Prescription period.

245H. An action to recover costs under section 245G may not be brought after the end of whichever of the following ends earlier –

- (a) the period of 3 years beginning with the date on which a wreck removal notice was given in respect of the wreck, and
- (b) the period of 6 years beginning with the date of the accident which resulted in the wreck.

Insurance

Wreck removal insurance.

245I. (1) This section applies to ships with a gross tonnage of 300 or more.

(2) A ship may not enter or leave a port in Guernsey unless -

- (a) the ship has wreck removal insurance, and
- (b) there is a certificate confirming that it has wreck removal insurance.

(3) For a ship registered in a Wreck Removal Convention State the certificate must be one that has been issued by or under the authority of the government of that State.

(4) For a ship registered in any other State the certificate must be one that has been issued -

- (a) by the Board, or

- (b) by or under the authority of the government of a Wreck Removal Convention State.

(5) For the purposes of subsection (1) the gross tonnage of a ship is to be calculated in the manner prescribed by the tonnage regulations.

Failure to insure.

245J. (1) The master and operator of a ship are each guilty of an offence if-

- (a) the ship enters or leaves a port in contravention of section 245I, or
- (b) anyone attempts to navigate the ship into or out of a port in contravention of that section .

(2) A person guilty of an offence is liable –

- (a) on summary conviction, to a fine not exceeding £50,000, or
- (b) on conviction on indictment, to a fine.

Detention of ships.

245K. A ship may be detained if anyone attempts to navigate it out of a port in contravention of section 245I.

Production of certificates.

245L. (1) This section applies to a ship which is required to have a wreck removal insurance certificate before entering or leaving a port in Guernsey.

(2) The master of the ship must ensure that the certificate is carried on board.

(3) The master of the ship must, on request, produce the certificate to -

(a) an officer of Customs and Excise,

(b) an officer of the Board appointed for that purpose,

(c) if the ship is a British ship, a proper officer.

(4) Failure to comply with subsection (2) or (3) is an offence.

(5) A person guilty of the offence is liable on summary conviction to a fine not exceeding level 5 on the uniform scale.

Issue of certificates.

245M. (1) This section applies where the registered owner applies to the Board for a wreck removal insurance certificate in respect of a foreign ship registered in a State other than a Wreck Removal Convention State.

(2) The Board may issue a wreck removal insurance certificate if satisfied –

(a) that the ship has wreck removal insurance in place for the period to which the certificate will relate, and

(b) that the insurer will meet the obligations under that insurance .

Cancellation of certificates.

245N. (1) The Board may make regulations about the cancellation and delivery up of wreck removal insurance certificates issued under section 245M.

(2) A person who fails to deliver up a certificate in accordance with the regulations is guilty of an offence.

(3) A person guilty of the offence is liable on summary conviction to a fine not exceeding level 4 on the uniform scale.

Third parties' rights against insurers.

245O. (1) This section applies where-

- (a) a ship has been involved in an accident as a result of which it or anything from it has become a wreck in Guernsey's Convention Area,
- (b) at the time of the accident the ship had wreck removal insurance, and
- (c) there is a wreck removal insurance certificate in relation to the insurance.

(2) A person who is entitled to recover costs from the ship's registered owner under section 245G may recover them from the insurer.

(3) It is a defence for the insurer to prove that the accident was caused by the wilful misconduct of the ship's registered owner.

(4) The insurer may also rely on any defences available to the registered owner (including section 245H).

(5) The insurer may limit liability in respect of claims to the same extent as the registered owner liability by virtue of section 194 (or would be able to limit liability by virtue of that section if it were not for paragraph 3 of Part II of Schedule 7).

(6) But an insurer may limit liability whether or not the accident was caused by an act or omission mentioned in Article 4 of the Wreck Removal Convention set out in Part I of Schedule 7.

(7) The Loi par rapport aux Tierces Parties (Droits contre Assureurs), 1936 does not apply in relation to any wreck removal insurance to which a wreck removal insurance certificate relates.

Electronic certificates.

245P. (1) The Board may give notice for the purpose set out in paragraph 13 of Article 12 of the Wreck Removal Convention (electronic insurance certificates, &c.), and this section applies if the Board has given, or proposes to give, such notice.

(2) The Board may by regulations make such amendments to this Part as the Board thinks necessary or expedient for giving effect to the notice.

Supplemental

Government ships.

245Q. (1) This Part does not apply in relation to warships or ships for the time being used by a State for non-commercial purposes only unless specified in a notice under paragraph 3 of Article 4 of the Wreck Removal Convention.

(2) Section 245J does not apply to a ship (an "exempt ship") that is owned by a Wreck Removal Convention State.

(3) An exempt ship must have a certificate issued by the government of the State concerned and stating -

(a) that the ship is owned by that State, and

(b) that any liability under section 245G will be met up to the limits prescribed by paragraph 1 of Article 12 of the Wreck Removal Convention (compulsory insurance).

(4) Section 245L (2) to (5) applies to such a certificate.

(5) Where a ship is owned by a State and operated by company which is registered in that State as operator of the ship, references in this Part to the registered owner are references to that company.

(6) In proceedings against a Wreck Removal Convention State for recovery of costs under section 245G a State shall be treated as having submitted to the jurisdiction of the court in which the proceedings are brought, but this does not authorise execution against the property of a State.

Saving.

245R. Nothing in this Part affects any claim, or the enforcement of any claim, a person incurring any liability under this Part may have against any other person in respect of that liability.

Power to amend.

245S. The Board may by regulations amend this Part to reflect any amendment of the Wreck Removal Convention."

SCHEDULE 2

Section 2(4)

"SCHEDULE 12 WRECKS CONVENTION

The States Parties to the present Convention,

Conscious of the fact that wrecks, if not removed, may pose a hazard to navigation or the marine environment,

Convinced to adopt uniform international rules and procedures to ensure the prompt and effective removal of wrecks and payment of compensation for the costs therein involved,

Noting that many wrecks may be located in States' territory, including the territorial sea,

Recognizing the benefits to be gained through uniformity in legal regimes governing responsibility and liability for removal of hazardous wrecks,

Bearing in mind the importance of the United Nations Convention on the Law of the Sea, done at Montego Bay on 10 December 1982, and of the customary international law of the sea, and the consequent need to implement the present Convention in accordance with such provisions.

Have agreed as follows:

ARTICLE 1

Definitions

For the purposes of this Convention:

1. "Convention area" means the exclusive economic zone of a State Party, established in accordance with international law or, if a State Party has not established such a zone, an area beyond and adjacent to the territorial sea of that State determined by that State in accordance with international law and extending not more than 200 nautical miles from the baselines from which the breadth of its territorial sea is measured.

2. "Ship" means a seagoing vessel of any type whatsoever and includes hydrofoil boats, air-cushion vehicles, submersibles, floating craft and floating platforms, except when such platforms are on location engaged in the exploration, exploitation or production of seabed mineral resources.

3. "Maritime casualty" means a collision of ships, stranding or other incident of navigation, or other occurrence on board a ship or external to it, resulting in material damage or imminent threat of material damage to a ship or its cargo.

4. "Wreck", following upon a maritime casualty, means:

- (a) a sunken or stranded ship; or
- (b) any part of a sunken or stranded ship, including any object that is or has been on board such a ship; or
- (c) any object that is lost at sea from a ship and that is stranded, sunken or adrift at sea; or

- (d) a ship that is about, or may reasonably be expected, to sink or to strand, where effective measures to assist the ship or any property in danger are not already being taken.

5. "Hazard" means any condition or threat that:

- (a) poses a danger or impediment to navigation; or
- (b) may reasonably be expected to result in major harmful consequences to the marine environment, or damage to the coastline or related interests of one or more States.

6. "Related interests" means the interests of a coastal State directly affected or threatened by a wreck, such as:

- (a) maritime coastal, port and estuarine activities, including fisheries activities, constituting an essential means of livelihood of the persons concerned;
- (b) tourist attractions and other economic interests of the area concerned;
- (c) the health of the coastal population and the wellbeing of the area concerned, including conservation of marine living resources and of wildlife; and
- (d) offshore and underwater infrastructure.

7. "Removal" means any form of prevention, mitigation or elimination of the hazard created by a wreck. "Remove", "removed" and "removing" shall be construed accordingly.

8. "Registered owner" means the person or persons registered as the owner of the ship or, in the absence of registration, the person or persons owning the ship at the time of the maritime casualty. However, in the case of a ship owned by a State and operated by a company which in that State is registered as the operator of the ship, "registered owner" shall mean such company.

9. "Operator of the ship" means the owner of the ship or any other organization or person such as the manager, or the bareboat charterer, who has assumed the responsibility for operation of the ship from the owner of the ship and who, on assuming such responsibility, has agreed to take over all duties and responsibilities established under the International Safety Management Code, as amended.

10. "Affected State" means the State in whose Convention area the wreck is located.

11. "State of the ship's registry" means, in relation to a registered ship, the State of registration of the ship and, in relation to an unregistered ship, the State whose flag the ship is entitled to fly.

12. "Organization" means the International Maritime Organization.

13. "Secretary-General" means the Secretary-General of the Organization.

ARTICLE 2

Objectives and general principles

1. A State Party may take measures in accordance with this Convention in relation to the removal of a wreck which poses a hazard in the Convention area.

2. Measures taken by the Affected State in accordance with paragraph 1 shall be proportionate to the hazard.

3. Such measures shall not go beyond what is reasonably necessary to remove a wreck which poses a hazard and shall cease as soon as the wreck has been removed; they shall not unnecessarily interfere with the rights and interests of other States including the State of the ship's registry, and of any person, physical or corporate, concerned.

4. The application of this Convention within the Convention area shall not entitle a State Party to claim or exercise sovereignty or sovereign rights over any part of the high seas.

5. States Parties shall endeavour to co-operate when the effects of a maritime casualty resulting in a wreck involve a State other than the Affected State.

ARTICLE 3

Scope of application

1. Except as otherwise provided in this Convention, this Convention shall apply to wrecks in the Convention area.

2. A State Party may extend the application of this Convention to wrecks

located within its territory, including the territorial sea, subject to article 4, paragraph 4. In that case, it shall notify the Secretary-General accordingly, at the time of expressing its consent to be bound by this Convention or at any time thereafter. When a State Party has made a notification to apply this Convention to wrecks located within its territory, including the territorial sea, this is without prejudice to the rights and obligations of that State to take measures in relation to wrecks located in its territory, including the territorial sea, other than locating, marking and removing them in accordance with this Convention. The provisions of articles 10, 11 and 12 of this Convention shall not apply to any measures so taken other than those referred to in articles 7, 8 and 9 of this Convention.

3. When a State Party has made a notification under paragraph 2, the "Convention area" of the Affected State shall include the territory, including the territorial sea, of that State Party.

4. A notification made under paragraph 2 above shall take effect for that State Party, if made before entry into force of this Convention for that State Party, upon entry into force. If notification is made after entry into force of this Convention for that State Party, it shall take effect six months after its receipt by the Secretary-General.

5. A State Party that has made a notification under paragraph 2 may withdraw it at any time by means of a notification of withdrawal to the Secretary-General. Such notification of withdrawal shall take effect six months after its receipt by the Secretary-General, unless the notification specifies a later date.

ARTICLE 4

Exclusions

1. This Convention shall not apply to measures taken under the International Convention relating to Intervention on the High Seas in Cases of Oil Pollution Casualties, 1969, as amended, or the Protocol relating to Intervention on the High Seas in Cases of Pollution by Substances other than Oil, 1973, as amended.

2. This Convention shall not apply to any warship or other ship owned or operated by a State and used, for the time being, only on Government non-commercial service, unless that State decides otherwise.

3. Where a State Party decides to apply this Convention to its warships or other ships as described in paragraph 2, it shall notify the Secretary-General, thereof, specifying the terms and conditions of such application.

4. When a State Party has made a notification under article 3, paragraph 2, the following provisions of this Convention shall not apply in its territory, including the territorial sea:

- (a) Article 2, paragraph 4;
- (b) Article 9, paragraphs 1, 5, 7, 8, 9 and 10; and
- (c) Article 15.
- (d) Article 9, paragraph 4, insofar as it applies to the territory, including the territorial sea of a State Party, shall read:

"Subject to the national law of the Affected State, the registered owner may contract with any salvor or other person to remove the wreck determined to constitute a

hazard on behalf of the owner. Before such removal commences, the Affected State may lay down conditions for such removal only to the extent necessary to ensure that the removal proceeds in a manner that is consistent with considerations of safety and protection of the marine environment."

ARTICLE 5

Reporting wrecks

1. A State Party shall require the master and the operator of a ship flying its flag to report to the Affected State without delay when that ship has been involved in a maritime casualty resulting in a wreck. To the extent that the reporting obligation under this article has been fulfilled either by the master or the operator of the ship, the other shall not be obliged to report.

2. Such reports shall provide the name and the principal place of business of the registered owner and all the relevant information necessary for the Affected State to determine whether the wreck poses a hazard in accordance with article 6, including:

- (a) the precise location of the wreck;
- (b) the type, size and construction of the wreck;
- (c) the nature of the damage to, and the condition of, the wreck;
- (d) the nature and quantity of the cargo, in particular any hazardous and noxious substances; and

- (e) the amount and types of oil, including bunker oil and lubricating oil, on board.

ARTICLE 6

Determination of hazard

1. When determining whether a wreck poses a hazard, the following criteria should be taken into account by the Affected State:

- (a) the type, size and construction of the wreck;
- (b) depth of the water in the area;
- (c) tidal range and currents in the area;
- (d) particularly sensitive sea areas identified and, as appropriate, designated in accordance with guidelines adopted by the Organization, or a clearly defined area of the exclusive economic zone where special mandatory measures have been adopted pursuant to article 211, paragraph 6, of the United Nations Convention on the Law of the Sea, 1982;
- (e) proximity of shipping routes or established traffic lanes;
- (f) traffic density and frequency;
- (g) type of traffic;

- (h) nature and quantity of the wreck's cargo, the amount and types of oil (such as bunker oil and lubricating oil) on board the wreck and, in particular, the damage likely to result should the cargo or oil be released into the marine environment;
- (i) vulnerability of port facilities;
- (j) prevailing meteorological and hydrographical conditions;
- (k) submarine topography of the area;
- (l) height of the wreck above or below the surface of the water at lowest astronomical tide;
- m) acoustic and magnetic profiles of the wreck;
- (n) proximity of offshore installations, pipelines, telecommunications cables and similar structures; and
- (o) any other circumstances that might necessitate the removal of wreck.

ARTICLE 7

Locating wrecks

1. Upon becoming aware of a wreck, the Affected State shall use all practicable means, including the good offices of States and organizations, to warn mariners and the States concerned of the nature and location of the wreck as a matter

of urgency.

2. If the Affected State has reason to believe that a wreck poses a hazard, it shall ensure that all practicable steps are taken to establish the precise location of the wreck.

ARTICLE 8

Marking of wrecks

1. If the Affected State determines that a wreck constitutes a hazard, that State shall ensure that all reasonable steps are taken to mark the wreck.

2. In marking the wreck, all practicable steps shall be taken to ensure that the markings conform to the internationally accepted system of buoyage in use in the area where the wreck is located.

3. The Affected State shall promulgate the particulars of the marking of the wreck by use of all appropriate means, including the appropriate nautical publications.

ARTICLE 9

Measures to facilitate the removal of wrecks

1. If the Affected State determines that a wreck constitutes a hazard, that State shall immediately:

(a) inform the State of the ship's registry and the registered owner;

and

- (b) proceed to consult the State of the ship's registry and other States affected by the wreck regarding measures to be taken in relation to the wreck.

2. The registered owner shall remove a wreck determined to constitute a hazard.

3. When a wreck has been determined to constitute a hazard, the registered owner, or other interested party, shall provide the competent authority of the Affected State with evidence of insurance or other financial security as required by article 12.

4. The registered owner may contract with any salvor or other person to remove the wreck determined to constitute a hazard on behalf of the owner. Before such removal commences, the Affected State may lay down conditions for such removal only to the extent necessary to ensure that the removal proceeds in a manner that is consistent with considerations of safety and protection of the marine environment.

5. When the removal referred to in paragraphs 2 and 4 has commenced, the Affected State may intervene in the removal only to the extent necessary to ensure that the removal proceeds effectively in a manner that is consistent with considerations of safety and protection of the marine environment.

6. The Affected State shall:

- (a) set a reasonable deadline within which the registered owner

must remove the wreck, taking into account the nature of the hazard determined in accordance with article 6;

- (b) inform the registered owner in writing of the deadline it has set and specify that, if the registered owner does not remove the wreck within that deadline, it may remove the wreck at the registered owner's expense; and
- (c) from the registered owner in writing that it intends to intervene immediately in circumstances where the hazard becomes particularly severe.

7. If the registered owner does not remove the wreck within the deadline set in accordance with paragraph 6(a), or the registered owner cannot be contacted, the Affected State may remove the wreck by the most practical and expeditious means available, consistent with considerations of safety and protection of the marine environment.

8. In circumstances where immediate action is required and the Affected State has informed the State of the ship's registry and the registered owner accordingly, it may remove the wreck by the most practical and expeditious means available, consistent with considerations of safety and protection of the marine environment.

9. States Parties shall take appropriate measures under their national law to ensure that their registered owners comply with paragraphs 2 and 3.

10. States Parties give their consent to the Affected State to act under paragraphs 4 to 8, where required.

11. The information referred to in this article shall be provided by the Affected State to the registered owner identified in the reports referred to in article 5, paragraph 2.

ARTICLE 10

Liability of the owner

1. Subject to article 11, the registered owner shall be liable for the costs of locating, marking and removing the wreck under articles 7, 8 and 9, respectively, unless the registered owner proves that the maritime casualty that caused the wreck:

- (a) resulted from an act of war, hostilities, civil war, insurrection, or a natural phenomenon of an exceptional, inevitable and irresistible character;
- (b) was wholly caused by an act or omission done with intent to cause damage by a third party; or
- (c) was wholly caused by the negligence or other wrongful act of any Government or other authority responsible for the maintenance of lights or other navigational aids in the exercise of that function.

2. Nothing in this Convention shall affect the right of the registered owner to limit liability under any applicable national or international regime, such as the Convention on Limitation of Liability for Maritime Claims, 1976, as amended.

3. No claim for the costs referred to in paragraph 1 may be made against the registered owner otherwise than in accordance with the provisions of this Convention. This is without prejudice to the rights and obligations of a State Party that has made a notification under article 3, paragraph 2, in relation to wrecks located in its territory, including the territorial sea, other than locating, marking and removing in accordance with this Convention.

4. Nothing in this article shall prejudice any right of recourse against third parties.

ARTICLE 11

Exceptions to liability

1. The registered owner shall not be liable under this Convention for the costs mentioned in article 10, paragraph 1 if, and to the extent that, liability for such costs would be in conflict with:

- (a) the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended;
- (b) the International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea, 1996, as amended;
- (c) the Convention on Third Party Liability in the Field of Nuclear Energy, 1960, as amended, or the Vienna Convention on Civil Liability for Nuclear Damage, 1963, as amended; or national law governing or prohibiting limitation of liability for nuclear

damage; or

- (d) the International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001, as amended; provided that the relevant convention is applicable and in force.

2. To the extent that measures under this Convention are considered to be salvage under applicable national law or an international convention, such law or convention shall apply to questions of the remuneration or compensation payable to salvors to the exclusion of the rules of this Convention.

ARTICLE 12

Compulsory insurance or other financial security

1. The registered owner of a ship of 300 gross tonnage and above and flying the flag of a State Party shall be required to maintain insurance or other financial security, such as a guarantee of a bank or similar institution, to cover liability under this Convention in an amount equal to the limits of liability under the applicable national or international limitation regime, but in all cases not exceeding an amount calculated in accordance with article 6(1)(b) of the Convention on Limitation of Liability for Maritime Claims, 1976, as amended.

2. A certificate attesting that insurance or other financial security is in force in accordance with the provisions of this Convention shall be issued to each ship of 300 gross tonnage and above by the appropriate authority of the State of the ship's registry after determining that the requirements of paragraph 1 have been complied with. With respect to a ship registered in a State Party, such certificate shall be issued or certified by the appropriate authority of the State of the ship's registry;

with respect to a ship not registered in a State Party it may be issued or certified by the appropriate authority of any State Party. This compulsory insurance certificate shall be in the form of the model set out in the annex to this Convention, and shall contain the following particulars:

- (a) name of the ship, distinctive number or letters and port of registry;
- (b) gross tonnage of the ship;
- (c) name and principal place of business of the registered owner;
- (d) IMO ship identification number;
- (e) type and duration of security;
- (f) name and principal place of business of insurer or other person giving security and, where appropriate, place of business where the insurance or security is established; and
- (g) period of validity of the certificate, which shall not be longer than the period of validity of the insurance or other security.

3. A State Party may authorize either an institution or an organization recognized by it to issue the certificate referred to in paragraph 2. Such institution or organization shall inform that State of the issue of each certificate. In all cases, the State Party shall fully guarantee the completeness and accuracy of the certificate so issued and shall undertake to ensure the necessary arrangements to satisfy this obligation.

- (a) A State Party shall notify the Secretary-General of:
 - (i) the specific responsibilities and conditions of the authority delegated to an institution or organization recognized by it;
 - (ii) the withdrawal of such authority; and
 - (iii) the date from which such authority or withdrawal of such authority takes effect.
 - (iv) an authority delegated shall not take effect prior to three months from the date on which notification to that effect was given to the Secretary-General.
 - (v) the institution or organization authorized to issue certificates in accordance with this paragraph shall, as a minimum, be authorized to withdraw these certificates if the conditions under which they have been issued are not maintained. In all cases the institution or organization shall report such withdrawal to the State on whose behalf the certificate was issued.

4. The certificate shall be in the official language or languages of the issuing State. If the language used is not English, French or Spanish, the text shall include a translation into one of these languages and, where the State so decides, the official language(s) of the State may be omitted.

5. The certificate shall be carried on board the ship and a copy shall be

deposited with the authorities who keep the record of the ship's registry or, if the ship is not registered in a State Party, with the authorities issuing or certifying the certificate.

6. An insurance or other financial security shall not satisfy the requirements of this article if it can cease for reasons other than the expiry of the period of validity of the insurance or security specified in the certificate under paragraph 2 before three months have elapsed from the date on which notice of its termination is given to the authorities referred to in paragraph 5 unless certificate has been surrendered to these authorities or a new certificate has been issued within the said period. The foregoing provisions shall similarly apply to any modification, which results in the insurance or security no longer satisfying the requirements of this article.

7. The State of the ship's registry shall, subject to the provisions of this article and having regard to any guidelines adopted by the Organization on the financial responsibility of the registered owners, determine the conditions of issue and validity of the certificate

8. Nothing in this Convention shall be construed as preventing a State Party from relying on information obtained from other States or the Organization or other international organizations relating to the financial standing of providers of insurance or financial security for the purposes of this Convention. In such cases, the State Party relying on such information is not relieved of its responsibility as a State issuing the certificate required by paragraph 2.

9. Certificates issued and certified under the authority of a State Party shall be accepted by other States Parties for the purposes of this Convention and shall be regarded by other States Parties as having the same force as certificates

issued or certified by them, even if issued or certified in respect of a ship not registered in a State Party. A State Party may at any time request consultation with the issuing or certifying State should it believe that the insurer or guarantor named in the certificate is not financially capable of meeting the obligations imposed by this Convention.

10. Any claim for costs arising under this Convention may be brought directly against the insurer or other person providing financial security for the registered owner's liability. In such a case the defendant may invoke the defences (other than the bankruptcy or winding up of the registered owner) that the registered owner would have been entitled to invoke, including limitation of liability under any applicable national or international regime. Furthermore, even if the registered owner is not entitled to limit liability, the defendant may limit liability to an amount equal to the amount of the insurance or other financial security required to be maintained in accordance with paragraph 1. Moreover, the defendant may invoke the defence that the maritime casualty was caused by the wilful misconduct of the registered owner, but the defendant shall not invoke any other defence which the defendant might have been entitled to invoke in proceedings brought by the registered owner against the defendant. The defendant shall in any event have the right to require the registered owner to be joined in the proceedings.

11. A State Party shall not permit any ship entitled to fly its flag to which this article applies to operate at any time unless a certificate has been issued under paragraphs 2 or 14.

12. Subject to the provisions of this article, each State Party shall ensure, under its national law, that insurance or other security to the extent required by paragraph 1 is in force in respect of any ship of 300 gross tonnage and above, wherever registered, entering or leaving a port in its territory, or arriving at or

leaving from an offshore facility in its territorial sea.

13. Notwithstanding the provisions of paragraph 5, a State Party may notify the Secretary-General that, for the purposes of paragraph 12, ships are not required to carry on board or to produce the certificate required by paragraph 2, when entering or leaving a port in its territory, or arriving at or leaving from an offshore facility in its territorial sea, provided that the State Party which issues the certificate required by paragraph 2 has notified the Secretary-General that it maintains records in an electronic format, accessible to all States Parties, attesting the existence of the certificate and enabling States Parties to discharge their obligations under paragraph 12.

14. If insurance or other financial security is not maintained in respect of a ship owned by a State Party, the provisions of this article relating thereto shall not be applicable to such ship, but the ship shall carry a certificate issued by the appropriate authority of the State of registry, stating that it is owned by that State and that the ship's liability is covered within the limits prescribed in paragraph 1. Such a certificate shall follow as closely as possible the model prescribed by paragraph 2.

ARTICLE 13

Time limits

Rights to recover costs under this Convention shall be extinguished unless an action is brought hereunder within three years from the date when the hazard has been determined in accordance with this Convention. However, in no case shall an action be brought after six years from the date of the maritime casualty that resulted in the wreck. Where the maritime casualty consists of a series of occurrences, the six-

year period shall run from the date of the first occurrence.

ARTICLE 14

Amendment provisions

1. At the request of not less than one-third of States Parties, a conference shall be convened by the Organization for the purpose of revising or amending this Convention.

2. Any consent to be bound by this Convention, expressed after the date of entry into force of an amendment to this Convention, shall be deemed to apply to this Convention, as amended.

ARTICLE 15

Settlement of disputes

1. Where a dispute arises between two or more States Parties regarding the interpretation or application of this Convention, they shall seek to resolve their dispute, in the first instance, through negotiation, enquiry, mediation, conciliation, arbitration, judicial settlement, resort to regional agencies or arrangements or other peaceful means of their choice.

2. If no settlement is possible within a reasonable period of time not exceeding twelve months after one State Party has notified another that a dispute exists between them, the provisions relating to the settlement of disputes set out in Part XV of the United Nations Convention on the Law of the Sea, 1982, shall apply *mutatis mutandis*, whether or not the States party to the dispute are also States

Parties to the United Nations Convention on the Law of the Sea, 1982.

3. Any procedure chosen by a State Party to this Convention and to the United Nations Convention on the Law of the Sea, 1982, pursuant to Article 287 of the latter, shall apply to the settlement of disputes under this article, unless that State Party, when ratifying, accepting, approving or acceding to this Convention, or at any time thereafter, chooses another procedure pursuant to Article 287 for the purpose of the settlement of disputes arising out of this Convention.

4. A State Party to this Convention which is not a Party to the United Nations Convention on the Law of the Sea, 1982, when ratifying, accepting, approving or acceding to this Convention or at any time thereafter shall be free to choose, by means of a written declaration, one or more of the means set out in Article 287, paragraph 1, of the United Nations Convention on the Law of the Sea, 1982, for the purpose of settlement of disputes under this Article. Article 287 shall apply to such a declaration, as well as to any dispute to which such State is party, which is not covered by a declaration in force. For the purpose of conciliation and arbitration, in accordance with Annexes V and VII of the United Nations Convention on the Law of the Sea, 1982, such State shall be entitled to nominate conciliators and arbitrators to be included in the lists referred to in Annex V, Article 2, and Annex VII, Article 2, for the settlement of disputes arising out of this Convention.

5. A declaration made under paragraphs 3 and 4 shall be deposited with the Secretary-General, who shall transmit copies thereof to the States Parties.

ARTICLE 16

Relationship to other conventions and international agreements

Nothing in this Convention shall prejudice the rights and obligations of any State under the United Nations Convention on the Law of the Sea, 1982, and under the customary international law of the sea.

ARTICLE 17

Signature, ratification, acceptance, approval and accession

This Convention shall be open for signature at the Headquarters of the Organization from 19 November 2007 until 18 November 2008 and shall thereafter remain open for accession.

- (a) States may express their consent to be bound by this Convention by:
 - (i) signature without reservation as to ratification, acceptance or approval; or
 - (ii) signature subject to ratification, acceptance or approval, followed by ratification, acceptance or approval; or
 - (iii) accession.

(b) Ratification, acceptance, approval or accession shall be effected by the deposit of an instrument to that effect with the Secretary-General.

ARTICLE 18

Entry into force

1. This Convention shall enter into force twelve months following the date on which ten States have either signed it without reservation as to ratification, acceptance or approval or have deposited instruments of ratification, acceptance, approval or accession with the Secretary-General.

2. For any State which ratifies, accepts, approves or accedes to this Convention after the conditions in paragraph 1 for entry into force have been met, this Convention shall enter into force three months following the date of deposit by such State of the appropriate instrument, but not before this Convention has entered into force in accordance with paragraph 1.

ARTICLE 19

Denunciation

1. This Convention may be denounced by a State Party at any time after the expiry of one year following the date on which this Convention comes into force for that State.

2. Denunciation shall be effected by the deposit of an instrument to that effect with the Secretary-General.

3. A denunciation shall take effect one year, or such longer period as may be specified in the instrument of denunciation, following its receipt by the Secretary-General.

ARTICLE 20

Depositary

1. This Convention shall be deposited with the Secretary General.
2. The Secretary-General shall:
 - (a) inform all States which have signed or acceded to this Convention of:
 - (i) each new signature or deposit of an instrument of ratification, acceptance, approval or accession, together with the date thereof;
 - (ii) the date of entry into force of this Convention;
 - (iii) the deposit of any instrument of denunciation of this Convention, together with the date of the deposit and the date on which the denunciation takes effect; and
 - (iv) other declarations and notifications received pursuant to this Convention;
 - (b) transmit certified true copies of this Convention to all States that have signed or acceded to this Convention.

ARTICLE 21

Languages

The Convention is established in a single original in the Arabic, Chinese, English, French, Russian and Spanish languages, each text being equally authentic.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

GENERAL ELECTION 2020

The States are asked to decide whether, after consideration of the policy letter entitled "General Election 2020" dated 7th March 2019, they are of the opinion:-

1. That a General Election of People's Deputies be held on Wednesday, 17th June 2020.
2. That *the Reform (Guernsey) Law, 1948*, be further amended to provide that with effect from the General Election to be held in June 2020 there shall be one island-wide electoral district to elect 38 Deputies for a four-year term and that each voter would have up to 38 votes at each election.
3. To agree the following proposals with effect from the June 2020 General Election:
 - (a) For the purposes of entitlement to be inscribed on the Electoral Roll, the phrase "ordinarily resident" should be defined. A person should be treated as being ordinarily resident during any period only if they were living lawfully in Guernsey and had their home in Guernsey throughout that period.
 - (b) Individuals with no fixed or permanent address should be able to register on the Electoral Roll.
 - (c) A person should be able to apply to the Registrar-General of Electors for their name and address to be omitted from the Electoral Roll available for public inspection. Such application shall be made in such form and manner and accompanied by such information, documents and other material as the Registrar-General of Electors may require.
 - (d) The right to make rules relating to the publication, inspection and availability of the Electoral Roll should be transferred from the States' Assembly & Constitution Committee to the Committee *for* Home Affairs.
 - (e) References to 'Christian names' should be changed to 'forenames' in the legislation and in relevant documents.
 - (f) The Registrar-General of Electors should in relevant circumstances be able to request proof of the date of birth of Islanders wishing to be registered on the Electoral Roll. A failure unreasonably to provide proof of age following a request shall entitle the Registrar-General to refuse to inscribe an elector on the Roll.

- (g) The Registrar-General of Electors should have the power to remove a person's name from the Electoral Roll where satisfied, on the basis of evidence available to them, that the person is no longer resident or is deceased.
- (h) The Registrar-General of Electors should have the ability to create a Supplementary Register and Supplementary Electoral Roll.
- (i) Existing provisions should be amended to enable the Registrar-General of Electors to provide to each polling station a mechanism or facility through which the details of those Islanders casting their vote can be recorded, and which can subsequently be used to identify any instances of double voting.
- (j) The *Loi Relative au Scrutin Secret, 1899, as amended* should be repealed and replaced by appropriate, equivalent provisions in the Reform Law.
- (k) The full age to be eligible to stand for election as a People's Deputy should be reduced to 18 years old and the *Law Reform (Age of Majority and Guardianship of Minors) (Guernsey) Law, 1978* amended accordingly.
- (l) Candidates should be required to be inscribed on the Electoral Roll to be eligible to stand for election as a People's Deputy.
- (m) Nomination of a candidate for office as a People's Deputy should be made in such form and during such period and subject to such conditions as the Presiding Officer prescribes and that the nomination period should commence and end as determined by the Presiding Officer further to a recommendation from the States' Assembly & Constitution Committee.
- (n) The regulated period should commence from the start of the nomination period and end on the day of the election.
- (o) The definition of political parties should be based upon the criteria set out by the Venice Commission.
- (p) A registration process based upon paragraphs 10.6 to 10.12 should be created for political parties who wish to endorse one or more of their members for candidacy in the 2020 General Election.
- (q) Expenditure limits for candidates who are members of political parties and political parties should be set by Ordinance to allow for developments over time for this new process and the *Reform (Guernsey) Law, 1948* should be amended to include power enabling the States to make such an Ordinance.
- (r) The rules relating to donations/loans to candidates and parties should be based upon the recommendations in paragraphs 10.23 - 33.
- (s) The rules relating to postal votes should be amended to enable:

- (i) a person to also return their vote to a polling station; and
 - (ii) the Registrar-General to re-issue or cancel postal ballot packs in specific circumstances.
- (t) Every eligible voter should be entitled to vote at an advance polling station and the relevant arrangements should be introduced in line with paragraphs 11.15 - 22.
- (u) The Committee should be able to make regulations, in consultation with the Registrar-General, regarding the dates and times at which polling stations must be open for advance voting and on Election Day.
- (v) The Registrar-General of Electors, rather than the Constables of a Parish, should provide for the establishment of polling stations (further to consultation with the Constables of the Parishes concerned) and any such additional polling stations as they may deem convenient to the voter.
- (w) The structure overseeing the administration of elections should be amended to enable the appointment of a Returning Officer for the Island and the appointment of polling station Officers as set out in paragraphs 13.23 to 13.30.
- (x) Relevant arrangements should be put in place to enable an electronic vote count and a manual vote count, if required.
- (y) Following a recount (or if no eligible candidate requests a recount within the permitted period) a tied election should be broken by drawing lots using a method decided by the Returning Officer.
- (z) A by-election should be triggered when the casual vacancies in the office of Deputy reaches two vacancies.
- (aa) Arrangements should put in place to enable international observers to be invited to participate in an election observation exercise.
- (bb) The dates of the July 2020 States' Meetings should be as set out in column two of the table under Section 17 and that a 'special meeting' is scheduled on Tuesday 28th July to debate 'The States of Guernsey Accounts 2019'.
4. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

GENERAL ELECTION 2020

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

7th March, 2019

Dear Sir

1 Executive Summary

- 1.1 The States' Assembly & Constitution Committee ('the Committee') is mandated to advise the States and to develop and implement policies in relation to elections to the office of People's Deputy.
- 1.2 The purpose of this policy letter is primarily to propose amendments to *The Reform (Guernsey) Law, 1948, as amended* ('the Reform Law') to enable all 38 deputies to be elected on an Island-wide basis and all voters to have up to 38 votes at the General Election in June 2020 to give effect to the results of the Referendum held in October 2018.
- 1.3 There are a number of further considerations relating to the General Election 2020 but as these do not require legislative amendments (e.g. manifestos, voter education and engagement, hustings, website etc.) they will be covered in a policy letter to be presented to the States later in 2019. This later policy letter will also contain a breakdown of estimated costs and request the relevant budget.

2 Introduction

a) Background to the policy letter

- 2.1 On 19th February, 2016¹, the States resolved:

¹ The Requête '[Island Wide Voting Referendum](#)' was presented to the States in Billet d'État III (Volume III) and considered at the meeting on 16th February, 2016.

That for the 2020 General Election and thereafter all deputies shall be elected on an island-wide basis and all voters shall have the same number of votes as there are deputies' seats provided that such a system shall first have been approved in an island wide referendum.

To direct the States Assembly and Constitution Committee to report to the States as expeditiously as possible detailing the proposals to give effect to Proposition 1 including the methodology of the election and the holding of a referendum.

- 2.2 The Committee presented the proposals for the referendum to the States in June 2017². The States agreed to proceed with the holding of a multi-option referendum on the method of electing People's Deputies to the States of Deliberation and agreed that preferential and transferable voting would be used to determine which of options A to E³ was the most favoured.
- 2.3 The referendum on Guernsey's voting system was held on 10th October, 2018 and the vote count held on 11th October, 2018. The results were as follows:

	Round 1	Round 2	Round 3	Round 4
Option A	5,304	5,390 + 86	5,755 + 365	6,017 + 262
Option B	3,486	3,761 + 275	3,898 +137	
Option C	3,760	3,914 + 154	4,220 + 306	5,448 +1,228
Option D	672			
Option E	940	1,004 + 64		
Blank Papers	5	5	5	5
Spoilt Papers	212	212	212	212
Exhausted Papers	n/a	93	289 + 196	2,697 + 2,408
	14,379	14,379	14,379	14,379

- 2.4 Option A was successful with 52.48% of the votes in Round 4. Option A is summarised as follows:

² [Referendum on Guernsey's Voting System](#) P.2017/49 was presented to the States in Billet d'État XIV and considered at the meeting on 21st June, 2017.

³ Options A to E are included in Schedule 1 of the ["The Electoral System Referendum \(Guernsey\) Law, 2018"](#)

- 1 Island-wide electoral district to elect 38 Deputies
- An election would be held every 4 years for all Deputies at once
- Each voter would have 38 votes at each election
- Each Deputy would serve for 4 years.

2.5 The States agreed in November 2017⁴ that it would introduce the electoral system which was the most favoured in the referendum, provided that the number of persons voting in the referendum exceeded 40% of those persons inscribed on the Electoral Roll who were eligible to vote on the day of the referendum. At its closure on 4th October 2018, the Electoral Roll contained the names of 31,865 people. The number of votes cast in the referendum was 14,379. The turnout was therefore 45.1% and the threshold met.

b) Preparation for the 2020 Election

2.6 Working with the Committee *for* Home Affairs, the Committee recognises the following will measure the success of the 2020 General Election:

- i. a high percentage of those eligible to vote are registered on the Electoral Roll;
- ii. a good number of candidates stand for election;
- iii. the majority of those on the Electoral Roll cast their votes; and
- iv. there is a fair, efficient and democratic election.

2.7 The Committee *for* Home Affairs and the Committee acknowledge the unique challenges that the 2020 General Election will bring and agree that operationally the creation of a new Electoral Roll and the delivery of the 2020 General Election should be progressed as a single project. Essential to the successful delivery of all aspects of the 2020 General Election is the early appointment of a Lead Election Officer, as set out in the Committee *for* Home Affairs policy letter 'Preparation for a New Electoral Roll' which it is intended will be considered on 24th April, 2019, at the same meeting as this policy letter.

c) Preparation for a new Electoral Roll

2.8 The Committee *for* Home Affairs is mandated to advise the States and to develop and implement policies on matters relating to its purpose, including the Electoral Roll.

2.9 The two Committees agreed it would be logical for all the proposed changes to the Reform Law to be contained within one policy letter and this policy letter therefore contains proposals agreed with the Committee *for* Home Affairs relating to changes to the Electoral Roll.

⁴ ['Referendum on Guernsey's Voting System - Voter Turnout P.2017/88'](#) was presented to the States in Billet d'État XXI and considered at the meeting on 8th November, 2017.

d) Amendments to *The Reform (Guernsey) Law, 1948, as amended*

2.10 The Reform Law has specific provisions relating to proposals, such as those included in this policy letter, which would amend that legislation (under Article 3 – Quorum). The provisions can be summarised as follows:

- If **two-thirds** of the Members present and voting approve the propositions, the propositions will be carried and the relevant resolutions will be final.
- If **a majority but less than two-thirds** of the Members present and voting approve the propositions, there are two options:
 - a) the resolution will be deemed to be carried after seven days unless an application is made to the Presiding Officer by seven Members (see (b) below).
 - b) if an application is made by seven Members to the Presiding Officer, the Presiding Officer will bring the 'resolution' before the States of Deliberation as soon as possible after three months has passed from the resolution being made. When presented to the States, the resolution will need to be passed by a simple majority to be carried and finalised.

2.11 The Committee has reviewed the Reform Law and identified the areas that require amendment. It has also considered areas where the administration of the Election would be improved by the introduction of new innovations e.g. the introduction of advance polling stations (section 11), the ability to use electronic vote count technology (section 14) etc. and made recommendations accordingly.

e) Political parties and associations

2.12 A key issue raised in the consultation leading up to the preparation of this policy letter was the potential introduction of political parties and associations in Guernsey. The Committee has looked at such organisations – howsoever titled – one of whose fundamental purposes is to participate in the public affairs of the Island by supporting or otherwise endorsing a candidate at an election of the States of Deliberation.

This is covered in section 10 of this report and recommendations are made to enable the formal creation of political organisations, associations or parties, should candidates wish to coalesce under such a formal structure.

f) Candidate and Party expenditure in elections

2.13 A further key issue raised through consultation was the candidate and party expenditure limits and rules when campaigning in advance of a General

Election. The Committee has set out its initial thinking in section 9, and invites political and public feedback. Final recommendations in respect of spending limits and any government grant or benefits-in-kind will be included in the Committee's second policy letter later in 2019.

g) Content of the policy letter

2.14 The policy letter is set out in the order that events take place for a General Election. It commences with the proposed date of the General Election and the formation of the Electoral Roll and concludes with the count of the votes and the proposed dates of the July 2020 States' Meetings. An appendix report is attached which details matters considered by the Committee but where no proposals have been made.

2.15 In drawing up the proposals contained in this policy letter, the Committee took into account the conclusions from the 2016 post-election review report undertaken by the Registrar-General of Electors⁵ (the "2016 Registrar-General of Electors' report"). It also considered the following documents:

- European Convention on Human Rights (in particular Article 3 of Protocol 1 - Right to free elections); and
- Code of Good Practice in Electoral Matters - Guidelines and Explanatory Report adopted by the Venice Commission; and
- CPA Recommended Benchmarks for Democratic Legislatures; and
- United Nations Convention against Corruption; and
- International Covenant on Civil and Political Rights; and
- Declaration of Principles for International Election Observation and Code of Conduct for International Election Observers; and
- CPA BIMR Election Observer Mission - Jersey General Election - May 2018

h) Layout of the propositions

2.16 The Committee proposes that the General Election is held on Wednesday 17th June, 2020 (Proposition 1) and the Reform Law is amended to enable an Island-wide General Election to be held (Proposition 2). It has listed a number of further changes the Committee is proposing under Proposition 3 for ease of reference and to enable Members to hold separate votes on the Committee's recommendations if they so wish.

3 Date of the General Election

3.1 Article 29(3) of the Reform Law states that the date for the holding of any General Election shall be appointed by Ordinance and Article 29(1) provides that General Elections shall be held in the month of June from 2020. The persons elected will take office on 1st July, 2020. The Committee proposes the

⁵ The Registrar-General of Electors will be referred to as the "Registrar-General" in this policy letter.

General Election takes place on **Wednesday 17th June 2020**.

- 3.2 The Committee is conscious of the increased time it may take the voter to complete their ballot paper. To seek to ease congestion on the proposed Election Day, the Committee is also recommending that advance polling stations should be established (section 11) in the week before.
- 3.3 It has also consulted with the Douzaines regarding whether they would be happy to run or assist with parish polling stations on Tuesday 16th June. The Douzaines have stated that if parish polling stations are going to operate for two days, the States of Guernsey would need to provide the resources to facilitate this.
- 3.4 The table below shows the dates of the General Election and Members taking office between 2004 – 2016, and the number of clear days between the two:

	Date of General Election	Date of taking office	Clear days between
2020	<i>17th June</i>	<i>1st July</i>	<i>13 days</i>
2016	27 th April	1 st May	3 days
2012	18 th April	1 st May	12 days
2008	23 rd April	1 st May	7 days
2004	21 st April	1 st May	9 days

- 3.5 The Committee is proposing the Election take place on Wednesday 17th June, 2020 for a number of reasons.

(a) Vote counts and recounts

- 3.6 The Committee is investigating employing electronic equipment to count the votes, given the significant increase in the number of votes that are likely to be cast under the new electoral system. This is covered in section 14. However, it is imperative that appropriate time is allowed after Election Day to enable a manual count, and potential recount, to take place. It believes that setting the Election Day later in June e.g. on 24th June, 2020 (as suggested by some Members), may not allow sufficient time for a manual count (and any potential recount) to take place, if required.

(b) Initial induction for persons elected

- 3.7 As shown in section 17 of this policy letter, the Committee is suggesting that the first States' Meeting to elect the President of the Policy & Resources Committee takes place on 1st July, 2020. The Committee believes it is sensible for some initial induction sessions to take place before Members are formally sworn in and stand for Committee positions. The Committee will be working closely with Deputies and the public in the latter part of 2019 to ascertain what

should be included in such an initial induction (as well as the more comprehensive induction to be undertaken after they have taken their oath of office).

(c) Consideration of Committee positions

- 3.8 The Committee believes the period between the date of the General Election and the date of taking office would provide elected persons sufficient time to consider not just the Committee positions they might wish to stand for, but also consider who they may vote for in Committee elections, and to learn more about their colleagues in advance of such elections.

(d) Sufficient period for campaigning

- 3.9 The Committee gave careful consideration as to the length of the campaign period, and raised this with current Deputies at a workshop in December 2018. It was initially minded to suggest a longer campaign period than previous years, given the increased volume of candidates the voters have to assess and choose from. However, a number of Deputies voiced concern regarding an elongated campaign period, stating that ‘election fatigue’ could occur.
- 3.10 As set out in section 8, ‘Nominations’, a campaign period running from the opening of nominations on Tuesday 12th May to Election Day on Wednesday 17th June, 2020, would only be one day shorter than in previous elections (and does not span any lengthy school holidays, as was the case in previous elections):

	Nomination Open (a)	Nomination Close (b)	Date of Election (c)	Days btw a + c
2020	12 th May	15 th May	17 th June	36 days
2016	21 st March	31 st March	27 th April	37 days
2012	12 th March	16 th March	18 th April	37 days
2008	17 th March	26 th March	23 rd April	37 days

- 3.11 After consideration, the Committee concluded there was sufficient time between the opening of the nomination period and the General Election for the candidates to promote their candidacy, and for the voter to consider all candidates.
- 3.12 For the reasons above, the Committee has decided that the next General Election should be held on **Wednesday 17th June, 2020** and that it is what it proposes at Proposition 1.

4 The change from seven to one electoral district

- 4.1 Under the current electoral system, for the purpose of elections to the office of

People's Deputy, Guernsey is divided into districts. The decision to introduce an Island-wide electoral district (i.e. a single electoral district) will mean many of the references to distinct electoral districts in the legislation will need to be amended.

- 4.2 The Committee recommends that the Reform Law be amended as appropriate to provide that with effect from the General Election to be held in June 2020 there shall be one Island-wide electoral district to elect 38 Deputies for a four-year term and that each voter would have up to 38 votes at each election (Proposition 2).

5 The Electoral Roll

- 5.1 The Committee *for* Home Affairs is mandated to advise the States and to develop and implement policies on matters relating to its purpose, including the Electoral Roll.

- 5.2 The two Committees have worked closely together to review the relevant sections of the Reform Law relating to the Electoral Roll. A number of existing provisions remain appropriate and do not require amendment aside from minor changes to reflect the change in the number of electoral districts; however some amendments and new provisions are suggested as follows.

(a) Persons entitled to vote

- 5.3 In order to be entitled to be inscribed on the Electoral Roll and thus entitled to vote, amongst other things, a person must be ordinarily resident on the date of his or her application. He or she must also have been ordinarily resident for at least 2 years immediately preceding that date, or at any time for a period before that date for a period or periods of at least 5 years. The 2016 Registrar-General of Electors' report recommended that consideration should be paid to the inclusion of a definition of 'ordinarily resident'. This suggestion was also made during the Committee's consultation leading up to this policy letter.
- 5.4 The Committee considered possible definitions, and concluded that for the purposes of entitlement to be inscribed on the Electoral Roll (Article 27(1)(c) and (d)), the definition of 'ordinarily resident' should be that a person shall be treated as being ordinarily resident during any period only if they were living lawfully in Guernsey and had their home in Guernsey throughout that period, or words to that effect. The Committee therefore recommends the Law is amended to define 'ordinarily resident' and Proposition 3(a) relates.

(b) No fixed or permanent address

- 5.5 The 2016 Registrar-General of Electors' report suggested specific provision should be included to accommodate individuals who would be eligible to vote but who do not have a fixed or permanent address when registering. This

would enable individuals to register at an address where they spend a significant proportion of their time.

- 5.6 The Committee agrees with this suggestion and recommends that the appropriate arrangements are put in place to facilitate this. Proposition 3(b) relates.

(c) Application to be included on an anonymous register

- 5.7 The current provisions surrounding the details which must be listed on the Electoral Roll (name and full address) means that it is not possible for individuals to register anonymously. Anonymous registration, which has been in place in the UK for a number of years, allows people whose safety would be at risk if their name or address were listed on the electoral register to register to vote without their details being made public.
- 5.8 The Committee *for* Home Affairs' policy letter states: *The Committee has made representations to the SACC that appropriate amendments should be made to the Reform Law which would facilitate in limited cases the ability to register anonymously on the Electoral Roll. This will be detailed in the SACC's forthcoming Policy Letter.*
- 5.9 The Committee *for* Home Affairs proposes that the Registrar-General should have discretion to allow a person to register to vote but for their details not to appear on the public version of the Electoral Roll in circumstances where the Registrar-General is satisfied that should an individual's details be in the public domain they, their family or their property would be at risk. This proposal is also supported by the Registrar-General.
- 5.10 It is anticipated that the proportion of Islanders wishing to avail themselves of this option is likely to be very small but it is important that such a provision is included to ensure individuals are not disenfranchised because of personal safety concerns.
- 5.11 Any Roll made available to candidates would omit the names of any individuals who have applied for their details not to appear on the public version of the Electoral Roll.
- 5.12 It is recommended that appropriate amendments are made to existing provisions to enable a person to apply to the Registrar-General for their name and address to be omitted from the Electoral Roll available for public inspection. Such application shall be made in such form and manner and accompanied by such information, documents and other material as the Registrar-General may require. Proposition 3(c) relates.

(d) The ability to make rules regarding the publication and availability of the Electoral Roll

5.13 Under Article 34 and 35 of the Reform Law, the Committee has the right to make rules regarding the following:

- The publication of all sections of the Electoral Roll in respect of each District for inspection, in such manner, and at such time and place and for such period as the Committee may prescribe (*Article 34.(5)*).
- All sections of the Electoral Roll being published each year in such manner, and at such time and place and for such period as the Committee may prescribe (*Article 34(6)*).
- the persons or classes of persons to whom copies of the Electoral Roll shall be made available;
- the manner in which, the means by which and the times and places at which copies of the Electoral Roll shall be made available;
- the charges and conditions subject to which copies of the Electoral Roll shall be made available (*Article 35(2)*).

5.14 Given the Electoral Roll is compiled by the Registrar-General and is a mandated responsibility of the Committee *for* Home Affairs, the data controller is the Committee *for* Home Affairs. In light of this, it has been proposed that it would be more appropriate for the Committee *for* Home Affairs to set the rules, after consultation with the States' Assembly & Constitution Committee, surrounding the use of that data. The Committee concurs with this suggestion and Proposition 3(d) relates.

(e) Compilation of the Electoral Roll

5.15 Article 25(2) of the Reform Law references the inclusion of individuals "Christian" name on the Electoral Roll. The Registrar-General recommends that it would be more appropriate to make reference solely to forenames. Proposition 3(e) relates.

5.16 In order to assist the Registrar-General's ability to improve the accuracy of the Electoral Roll by the more ready identification of duplicate registrations, it is recommended that the Registrar-General be able to request proof of the date of birth of Islanders wishing to be registered on the Electoral Roll. This information would not be shared more widely and would not be listed on any published version of the Electoral Roll. Proposition 3(f) relates. A failure unreasonably to provide proof of age following a request would entitle the Registrar-General to refuse to inscribe an elector on the Roll.

5.17 Article 34(1) of the Reform Law requires the Registrar-General to make application forms for inclusion on the Electoral Roll available: *...on or before the seventh day of September (or on or before such other day, or during such other*

period, as may be specified by Ordinance of the States made under this paragraph) in any year so specified...

- 5.18 The provision is premised on the traditional distribution of paper forms throughout households in September. The Registrar-General intends to maintain a similar approach for the 2020 General Election, however, recognising that with an increasing emphasis on electronic means of communication, the provision may prove restrictive in respect of the future evolution of enrolment processes. There has, over recent elections, been a growing trend for online registration and it is expected that this will grow further for 2020.
- 5.19 Additionally given that future elections will take place in June rather than April, it is recognised that commencing an enrolment campaign the proceeding September may not be appropriate. The Registrar-General has suggested that consideration should be given to moving the enrolment period to last from November 2019 to April 2020. Proposition 2 of the Committee *for* Home Affairs policy letter relates.
- 5.20 Article 34(8A) of the Reform Law enables the Registrar-General to remove a person's name and address from any section of the Electoral Roll on the grounds that the person is no longer resident at that address or is deceased, further to an application being made by specified persons. It is recommended that this provision is extended to enable the Registrar-General to be able to remove individuals from the Roll (without an application being made) where he or she is satisfied on the basis of evidence is available to them that the person is no longer resident at that address or is deceased. Proposition 3(g) relates.
- 5.21 The Committee recommends the relevant legislative and administrative changes are made to facilitate the above changes.

(f) Supplementary Electoral Roll

- 5.22 Under Section 4 of the Committee *for* Home Affairs policy letter, it advises that the Committee has requested that the Registrar-General give particular consideration to the practical steps necessary should a closure date of the Electoral Roll later than the 30th April 2020 be adopted.
- 5.23 The Registrar-General has suggested that it may be that a Supplementary Register would be needed, whereby individuals who registered before a certain date would be registered on the substantive Electoral Roll, which would be provided to candidates and would be used for the issuance of postal votes, but those registering after this date would be listed on a supplementary Electoral Roll. Individuals registered on the Supplementary Electoral Roll would be able to vote in person on Election Day.
- 5.24 The Committee *for* Home Affairs recognises that the possible advantages of

such an approach for the voter need to be balanced with the increased administrative burden which would be placed on the Registrar-General.

- 5.25 The Committee recommends the relevant changes are made to enable a Supplementary Register and a Supplementary Electoral Roll to be created, should this be required, and Proposition 3(h) relates.

(g) Availability of the Electoral Roll at polling stations

- 5.26 Under Article 27(3) of the Reform Law, the Returning Officer of each District keeps at each polling station a list of voters who voted at that polling station. These lists are used as a means to identify persons who may have voted more than once.
- 5.27 The Registrar-General has advised that this provision, premised on the traditional manual processes on Election Day, could prove restrictive in the future digitalisation of the Election. Rather than specifically establishing the 'list of voters', which can already be in electronic form, it is recommended that it is replaced or supplemented by a broader provision which places a duty on the Registrar-General to provide to each polling station a mechanism or facility through which the details of those Islanders casting their vote can be recorded, and which can subsequently be used to identify any instances of double voting.
- 5.28 It is recommended the relevant changes are made to facilitate the above and Proposition 3(i) relates.

6 Elections to be determined by Secret Ballot Law

- 6.1 Article 30 of the Reform Law requires elections to be held in accordance with the law from time to time regulating the procedure for Secret Ballot - the *Loi Relative au Scrutin Secret, 1899, as amended*.
- 6.2 The Committee believes there is merit in the relevant provisions of the Law relating to Secret Ballots to be included in the Reform Law given it is a short piece of legislation which is a nineteenth century enactment drafted in French.
- 6.3 The Committee therefore recommends that the *Loi Relative au Scrutin Secret, 1899, as amended* is replaced by appropriate, equivalent provisions in the Reform Law. Proposition 3(j) relates.

7 Eligibility as People's Deputy

- 7.1 Article 8 states that any person of full age shall be eligible to hold the office of People's Deputy provided that the person:
- *is ordinarily resident in this Island on the date of their nomination as a candidate for that office, and*

- *has been ordinarily resident in this Island –*
 - (i) *for a period of two years immediately before that date, or*
 - (ii) *for a period or periods of at least five years in the aggregate at any time before that date,*
- *has not at any time during the five years immediately preceding the date of the election been sentenced for an offence by a court in the United Kingdom, any of the Channel Islands, or the Isle of Man, to imprisonment for a period of six months or more (whether suspended or not) without the option of a fine, unless that sentence was quashed or reduced to less than six months on appeal.*

(a) Full age

- 7.2 The Reform Law does not define “full age”. The [Law Reform \(Age of Majority and Guardianship of Minors\) \(Guernsey\) Law, 1978](#) changed the meaning ‘in any enactment’ of ‘full age’ from 20 to 18 but expressly excluded from the change the use of ‘full age’ in section 8 of the 1948 Reform Law under Section 1.(4):

(4) This section shall not affect the construction of the expression "full age" in section eight of the Reform (Guernsey) Law, 1948.

- 7.3 Full age under the Reform Law therefore continues to be 20. Most jurisdictions set the minimum age as 18. Feedback from the Youth Commission after the 2016 General Election indicated that perhaps one or more of their membership would have considered standing had the minimum age been 18.
- 7.4 The Committee believes full age should be 18 years old and therefore recommends the [Law Reform \(Age of Majority and Guardianship of Minors\) \(Guernsey\) Law, 1978](#) is amended accordingly, as set out in Proposition 3(k).

(b) Requirement to be on the Electoral Roll

- 7.5 At present, a candidate does not have to be inscribed on the Electoral Roll to be nominated, whilst both the proposer and seconder of their nomination are required to be on the Roll. It was proposed that the eligibility criteria should be amended to require candidates to be validly inscribed on the Electoral Roll.
- 7.6 Committee Members had mixed views on this proposal. Some felt that the voter would expect candidates to be on the Roll if they were standing for election. Other Members felt it was an unnecessary requirement. Such a requirement is not contained in the eligibility criteria for election in Jersey or the UK but is required in the Isle of Man.
- 7.7 By majority (Deputies Le Tocq and Ferbrache dissenting), the Committee agreed to propose that the eligibility criteria are amended to include a

requirement that a person shall be eligible to hold the office of People's Deputy (and thus stand as a candidate) only if the person is validly inscribed on the Electoral Roll at the date of nomination. Proposition 3(l) refers.

8 Nominations

- 8.1 Article 32(1) of the Reform Law states that every nomination of a candidate for office as a People's Deputy shall be in writing signed by two persons whose names are inscribed on the section of the Electoral Roll representing the District for which the candidate intends to stand, and shall be delivered to the Presiding Officer of the States not later than such time on such day, being a day before the 22 days next preceding the day fixed for the holding of the election, as the Presiding Officer may appoint.

(a) Setting the nomination period

- 8.2 Under the Law, the Presiding Officer of the States appoints the closing date for the nomination period however the Law makes no reference to when the nomination period opens or the form on which a nomination should be submitted. It would therefore theoretically be possible for a nomination to be submitted at any time in advance of a General Election as long as it was submitted signed by two people on the Electoral Roll.
- 8.3 The Committee has concluded that the Law should be amended to make it clear that a nomination should be made in such form and during such period and subject to such conditions as the Presiding Officer prescribes. It further concluded that the period should commence and end as determined by the Presiding Officer further to a recommendation from the States' Assembly & Constitution Committee and therefore recommends the relevant provisions be put in place. Proposition 3(m) relates.

(b) The nomination period

- 8.4 The final States' Meeting of this political term is scheduled to take place on the 6th May, 2020 and could potentially last until the 8th May. Liberation Day is on Saturday 9th May. It is not yet known whether an alternative or additional Public Holiday may be scheduled for a weekday, to mark the 75th anniversary of the Liberation.
- 8.5 It has been tradition that the nomination period commences after the final States' Meeting of the term. The Committee considered whether the May States' Meeting should be brought forward to April to enable a longer period between the nomination period and the date of the General Election. It initially considered suggesting the meeting scheduled for the 6th May be moved to April with a nomination period running from Monday 27th April to Friday 1st May.
- 8.6 The Committee sought Deputies' views at a workshop in December 2018

regarding this proposal. Deputies present broadly favoured the retention of the 6th May States' Meeting and also favoured a short nomination period of three days following the final States' Meeting.

- 8.7 In order to avoid any possible conflict with the weekend of Liberation Day, the Committee considered the election timeframe if nominations were instead to open on Tuesday 12th May. It noted that a campaign period running from the opening of nominations on Tuesday 12th May to Election Day on Wednesday 17th June, 2020, would only be one day shorter than in previous elections:

	Nominations Open (a)	Nominations Close (b)	Date of Election (c)	Days btw a + c
2020	<i>12th May</i>	<i>15th May</i>	<i>17th June</i>	<i>36 days</i>
2016	21 st March	31 st March	27 th April	37 days
2012	12 th March	16 th March	18 th April	37 days

- 8.8 When considering the options for the nomination period, the Committee is conscious that the voter will need to assess manifestos and information regarding a far greater number of candidates than in previous elections and was concerned that five weeks would not be sufficient time to enable the public to fully familiarise themselves with candidates. At the Deputies' Workshop, some Members countered this view, suggesting a period longer than five weeks could lead to election fatigue.
- 8.9 On balance, the Committee has agreed to recommend to the Presiding Officer that the nomination period last for three days: opening at noon on Tuesday 12th May, and closing at 4:00 p.m. on Friday 15th May, 2020.
- 8.10 The Committee is working with the Bailiff's Chambers to review the administrative processes surrounding the nominations, including the ability for nominations to be submitted 'by proxy' and for there to be clarity about the dates the nomination forms need to be signed by proposers/seconders.

9 Candidate Expenditure and Grants

- 9.1 While the Committee is not recommending legislative changes to the process of candidate expenditure limits being set, it felt this item would be of interest to both potential candidates and the public alike, and agreed it merited inclusion in the initial Policy Letter.

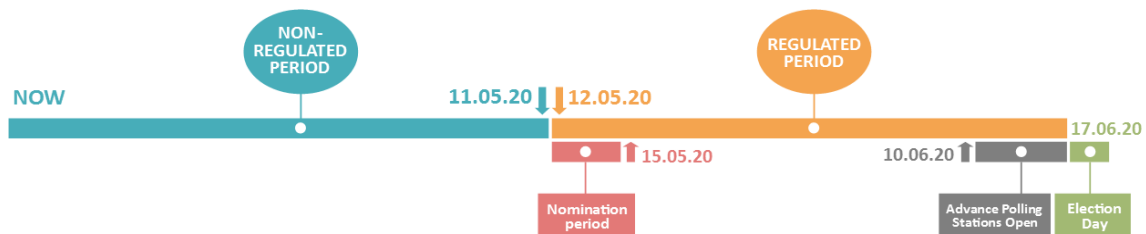
(a) The 'regulated period'

- 9.2 In the run up to the General Election, there is a set time where campaign spending limits apply and this is commonly known as the 'regulated period'. The regulated period is set out in the Elections Ordinance which details the date of the People's Deputies' Election, the date of the closure of the Electoral

Roll, the electoral expenditure and the hours of polling. For at least the last three elections, the Ordinance has specified the regulated period as follows:

‘A candidate in an election for the office of People’s Deputy may, during the period beginning on the day on which he delivers his nomination form to the Presiding Officer of the States and ending on the day of the election, expend money or give value in money’s worth in respect of that election up to a maximum of X’.

- 9.3 In the UK, the regulated period begins on the day after the date a candidate officially becomes a candidate and ends on polling day. The Committee has concluded that the regulation period should commence from the start of the nomination period and end on the day of the election, and that the Ordinance when prepared will include this. Proposition 3(n) relates. The diagram below sets out the regulated period:



(b) Candidate expenditure

- 9.4 Article 44 of the Reform Law covers expenditure by candidates and provides that no candidate in any election shall expend any sum of money or give any value in money's worth otherwise than in accordance with such provisions as shall, from time to time, be prescribed by Ordinance.
- 9.5 The limit set by Ordinance does not affect the right of any candidate to purchase copies of the Electoral Roll and any such purchase can be expended in addition to the maximum permissible amount. Any candidate who contravenes the provisions of Article 44 – by himself or by his servant or agent – shall be guilty of an offence.
- 9.6 The Committee is content that the provisions of Article 44 should still apply, with the expenditure limit for candidates set by Ordinance. In proposing the level of candidate spending limits, the Committee will be guided by the view of the Electoral Commission⁶ which concluded that such limits should:
- allow candidates to communicate with voters, so the voter is engaged and able to participate meaningfully in the process;
 - deter excessive spending, to prevent the perception of undue influence over the outcome of the election; and

⁶ [The Electoral Commission, Candidate spending limit review: Draft recommendations for consultation \(November, 2013\), p.9](#)

- not be set so low as to detrimentally constrain reasonable levels of expenditure, which could impact on trust in the system.
- 9.7 The Committee will propose the expenditure limit for candidates and parties (together with any subsidies or benefits-in-kind to be provided by the States) in its next policy letter, once further information is collected regarding costs that candidates might reasonably incur. The Committee intends to propose an expenditure limit that will enable a candidate to reach every household on the Electoral Roll with their own manifesto, should they wish to do so.
- 9.8 The Committee appreciates that candidates will need to reach a much larger number of voters than in previous elections, in the same amount of time, making advance preparation of manifestos or other election materials almost essential. Previous expenditure rules have not allowed candidates to spend money on election materials until they have submitted their nominations. In practice, experienced candidates have managed this by preparing their materials in advance and settling invoices only during the campaign period.
- 9.9 The Committee agreed that, ahead of the 2020 General Election, the rules should be clarified to provide clearer guidance on what potential candidates can spend before the nomination period opens. The 2016 Registrar-General of Electors' report also recommended that further consideration be given to the guidance available in respect of election expenditure.
- 9.10 Consistent with the approach taken in the 2018 Referendum, whereby there was clarity as to what were allowable types of referendum expenses, the Committee will publish guidance⁷ which will set out what candidate spending includes (e.g. advertising, unsolicited material sent to voters, administrative costs etc.) and what does not count (e.g. volunteer time, use of personal car or property etc.).

(c) Grants to candidates

- 9.11 The 2015 Policy Letter entitled '[General Election 2016](#)'⁸ provided information about the grants given to candidates between 2004 to 2016. It is repeated here for ease of reference:

6. Grants to candidates

- 6.1 *In the 2004 and 2008 General Elections the States defrayed 50% of the cost of postage at the minimum local postage rate for each candidate who wished to send, on one occasion only, letters, manifestos and/or*

⁷ This guidance will be similar to the 'Guidance for candidates and agents' produced by the Electoral Commission for the 2016 General Election entitled '[Part 3 of 6 - Spending and donations](#)'

⁸ [States Assembly and Constitution Committee - General Election 2016 \(Billet d'État XI 2015\)](#)

other communications through the post to each elector in the electoral district where that candidate was standing, subject to certain provisos.

- 6.2 *In respect of the 2012 General Election the States decided instead to allow candidates to claim up to £500 of receipted expenditure. In 2012 all candidates claimed the full £500, except for three who claimed less than £500 and three who chose not to claim anything. The total cost to the States was £37,100. The Committee believes that providing grants to candidates is a fairer method as it gives candidates more choice as to what type of campaigning they carry out, especially as some candidates rely increasingly on electronic means of publicising themselves.*
- 6.3 *The States have directed the Treasury and Resources Department to take account of the costs of compiling the new Electoral Roll and managing the election process when recommending the 2016 Cash Limit for the Home Department⁹. The breakdown of the estimated total costs of £162,000 included a provision of £50,000 in respect of grants to candidates. In the last three General Elections the numbers of candidates were 82, 88 and 78 respectively. The Committee suggests that the level be set at £50,000 divided by the average number of candidates and then rounded down slightly, which is £600. This is a slightly higher figure than simply increasing £500 to take into account price inflation in the interim. The Committee acknowledges that this would lead to expenditure of £2,800 above that which has already been agreed if the number of candidates at the Election equalled the highest number out of the last three elections and if every one of those candidates claimed the full value of the grant. Equally, the Committee acknowledges that if the number of candidates at the Election equalled the number at the last Election and, as at the last Election, three candidates do not claim any grant, expenditure by the States would be £5,000 below that which has already been agreed. However, it believes that no one should feel unable to stand on the grounds of the expense necessary to be a credible candidate. Nor does it wish to commit the States to a substantial increase in expenditure in this area. The Committee believes that £600 is a good compromise and is what is proposed at Recommendation 4.*
- 6.4 *In the longer term the Committee hopes its successors will propose modest but above-inflation increases in the sum which candidates can reclaim from the States in order to minimise the number of people who might feel unable to stand on the grounds of the expense necessary to be a credible candidate. The Committee accepts that any such proposals would, of course, need to have regard to the prevailing condition of public finances.*

9.12 The Committee has given careful consideration to the issue of grants to

⁹ [Billet d'État XXIV of 2014, Article 16, Home Department – Preparation of a New Electoral Roll](#)

candidates. If a candidate wished to print an individual manifesto and post this to every house on the Electoral Roll, this is likely to cost a very minimum of £5,000 per candidate. It is a facet of the new Electoral System that it will cost considerably more to print and post information out to the voter in an Island-wide system than it does under the current system.

- 9.13 In the 2016 General Election, the States provided a grant of £600, which was just over 25% of the total expenditure limit of £2,300. A grant of £1,250 or more per candidate (the equivalent to 25% of £5,000 or more) would, multiplied by 80 candidates¹⁰, cost the States at least £100,000.
- 9.14 The Committee considered that this was unlikely to be acceptable to the taxpayer, and would not be an appropriate use of government resources, particularly as the running of an Island-wide election is likely to incur substantial additional costs over and above the costs of previous elections.
- 9.15 Concerns were raised in the consultation regarding the ability of wealthier candidates to potentially disproportionately influence an election, given the resources available to them for promotion. The Committee considered what other options could be available to provide a 'level playing field' to candidates and concluded that the system which operated in Jersey for their elections was worth piloting for the first election under Island-wide voting.
- 9.16 The States of Jersey does not give candidates a grant. It provides a number of ways that all candidates can be equally promoted via information disseminated from the States of Jersey, including:
- the production of a combined candidates' manifesto booklet delivered to all households on the Electoral Roll; and
 - information uploaded onto a website (e.g. contact details, manifestos etc.); and
 - short candidate videos uploaded onto the website.
- 9.17 The Committee believes introducing a system similar to the above would benefit both the voter and candidates, and is minded to propose this in its second policy letter later this year. The principle of the States providing a benefit-in-kind was common to elections before 2008 (when the States defrayed postage costs rather than providing a grant) and so is not new to Guernsey.
- 9.18 The production of a combined manifesto booklet would mean that the voter would not be overwhelmed by a large number of separate manifestos being delivered to their home, and would enable them to refer to a single booklet when assessing potential candidates, rather than having to accumulate a large number of separate manifestos. The provision of a single booklet would also minimise the cost to the taxpayer in printing and distribution (likely similar to

¹⁰ In the 2016 General Election, 81 candidates stood; in 2012, 78; in 2008, 88; and in 2004, 82.

the amount put aside for grants for candidates in the 2016 General Election).

- 9.19 Given the value of the proposed work commissioned by the States of Guernsey on behalf of candidates, the Committee does not believe further public expenditure, in the form of a grant, should be given to candidates by the States, and it intends to make recommendations accordingly in its second policy letter.
- 9.20 **The Committee is inviting public and political feedback on these proposals before it finalises its recommendations to the States.**
- 9.21 Given the intention to also publish the manifestos online, it is suggested that the voter is invited to indicate their communication preferences (email, phone, and/or post). The Committee, together with the Committee *for* Home Affairs, will explore whether it is possible to enable individual to 'opt out' from hard copies should a voter wish to access electronic documents only. Further consideration will be given to the electronic distribution of manifestos, as set out in the Committee *for* Home Affairs policy letter.
- 9.22 The Committee has listened to Deputies' feedback on the format and length of manifestos in the booklet. A number of Members did not believe a limit of 600 words (as in Jersey) would be sufficient to promote their candidacy. Whilst the Committee was initially minded to suggest a limit of 2 x A4 sides for each candidate, it has compromised on this, having listened to Members' concerns, and will look to enable each candidate to have up to 4 x A4 sides in the booklet. This will be a maximum and not all candidates may wish to submit manifestos of that length.

10 Political Parties

- 10.1 As stated in paragraph 2.12, a key issue raised in the consultation leading up to the preparation of this policy letter was the potential introduction of political parties in Guernsey. This section will make recommendations to facilitate the formal creation of political parties, should candidates wish to coalesce under a formal party structure.
- 10.2 While the processes of a number of jurisdictions have been researched, the Committee believes that the principles endorsed by the Venice Commission on political parties offer the best approach for Guernsey to adopt¹¹. The Commission's principles are based on well-evidenced and rigorous investigations, but still offer the flexibility for the 'light touch' approach that the Committee wishes to use to regulate political parties.
- 10.3 A further key issue raised through consultation was the candidate and party expenditure limits and rules when campaigning in advance of a General Election. Article 44 of the Reform Law defines the restrictions behind the

¹¹ <https://www.venice.coe.int/WebForms/pages/?p=01 Elections and Referendums&lang=EN>

expenditure limit for individual candidates. Article 45A(1) effectively prevents a person other than a candidate (or their servant or agent) from expending any sum of money or giving any value in money's worth with a view to promoting or procuring the election of a candidate in any election. However, there is no legislation relating to the expenditure limit of a political party promoting the party and its policies generally during the campaign period.

- 10.4 A political party may identify as a 'group', 'association', 'organisation' or under a different term, but the Committee recommends such bodies will be classified as a political party if they meet the criteria set out by the Venice Commission, which defines a political party as:

*"A free association of persons, one of the aims of which is to participate in the management of public affairs, including through the presentation of candidates to free and democratic elections."*¹²

- 10.5 The Committee therefore recommends appropriate provisions are drafted to include a definition of political parties based upon the criteria set out by the Venice Commission. Proposition 3(o) relates.

(a) Registration

- 10.6 The Committee believes that in order to ensure fairness in the electoral process political parties should be registered and recommends that an approach similar to that of the Isle of Man (IoM) would be the most appropriate for the registration of political parties in Guernsey.

- 10.7 The IoM's Representation of the People Act 1995 was amended in 2015 to incorporate new rules for political parties. The new provisions were not introduced due to concerns regarding the conduct of any existing party; rather they were:

*"...a recommendation of best practice in order to increase the amount of publicly available information regarding parties which support or endorse candidates for election..."*¹³

The most important new provision was that political parties had to be registered before they could support or endorse a candidate(s) for election. In addition, the registration application required some basic information and supporting paperwork, incorporating the following:

- Party name & emblem

¹² Venice Commission – Guidelines on Political Party Regulation

[https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2010\)024-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2010)024-e)

¹³ <https://www.gov.im/media/1348995/guidance-on-why-and-how-to-register-a-political-party-ahead-of-the-2016-general-election-to-the-house-of-keys.pdf>

- Number of officeholders and their roles (e.g. to include Leader, Treasurer & Secretary)
 - Postal address
 - Written constitution (party structure, aims & objectives, number of members standing for election, membership rules etc.)
 - Financial accounts
- 10.8 This approach from the IoM appears to be thorough enough to be acceptably transparent but not so much that it veers away from the desired 'light touch' approach that the Committee recommends.
- 10.9 It is important to stress that the Committee is not submitting proposals for the regulation of political parties due to any concerns regarding the development of such groups. The proposals arise simply to ensure fairness by adequate, publicly available and transparent information regarding parties which support or endorse candidates for election to the States of Deliberation.
- 10.10 It would seem sensible for registration applications to be made via a pro-forma to the Greffe, given its role as the Island's public registrar. An important consideration in this process is to ensure that it is not onerous, and is accessible to all potential applicants. An application fee could be charged but only to cover the costs to administer the process, as an arbitrary fee set at a higher level may discourage some parties from registering. As head of registration, HM Greffier would need to be satisfied that an application meets the statutory requirements set out in the legislation; once he is satisfied, the party's details would be approved and held on an official register.
- 10.11 The main benefits of registering political parties are as follows:
- The ability for candidates to state their party affiliation on ballot papers.
 - The acceptance of pre-requisite conditions by parties such as transparent financial accounting.
 - Enabling the voter to be able to check the public register of registered parties and find out information about its memberships, accounts etc.
- 10.12 Any groups that have an interest in the election but who do not aim to participate in the management of public affairs, including through the endorsement of candidates, do not need to register as a political party. Examples of these 'third parties' include focus groups, charities and local organisations. Third parties are discussed in more detail from paragraph 10.34. The Committee recommends that changes are made to enable the registration of parties and that the Reform Law should be amended to enable the States by Ordinance to provide for the registration of political parties and the consequences for candidates of parties that fail to register and Proposition 3(p) relates.

(b) Expenditure Limits

- 10.13 The Committee has carried out research on how other jurisdictions regulate the spending of political parties, and has discovered that there are a number of different approaches. Some jurisdictions with existing parties rely on previous data in order to set limits (for example, the percentage of votes that parties received in prior elections); other jurisdictions have no spending limits, and utilise the financial reporting post-election to ensure that there has been no activity by parties that could be considered unethical or illegal.
- 10.14 An interesting finding from the OECD's 'Financing Democracy' report was that only c.30% of all countries set limits on political party spending. France, Iceland, Ireland and Japan are some examples of countries that do not set limits on party spending (but do apply limits to individual candidate spending).¹⁴
- 10.15 The Venice Commission approaches this issue with a view that the Committee supports:
- "It is reasonable for a state to determine a maximum spending limit for parties in elections in order to achieve the legitimate aim of securing equality between candidates. However, the legitimate aim of such restrictions must be balanced with the equally legitimate need to protect other rights such as rights of free association and expression. This requires that spending limits to be carefully constructed so that they are not overly burdensome."*
- 10.16 The main challenges in trying to find a suitable formula to calculate what an appropriate limit is for political party spending in Guernsey are the unique circumstances that the Island finds itself in; specifically the lack of any political party history to call upon, the lack of established 'political parties' at the present time and the adoption of Island-wide voting in a single electoral district. A number of different approaches were considered by the Committee as it attempted to balance the potential requirements of individual candidates and political parties. As stated in the 'Candidate Expenditure' section of this policy letter, candidates will be set a spending limit for the election period, and this will apply equally to candidates whether they are a political party member or an independent.
- 10.17 The Committee considered it fundamental that rules should be in place for how much political parties are able to spend in elections. This would serve to ensure that parties with access to significant amounts of money would not be able to use these funds to give their candidates an unfair advantage over independent candidates.

¹⁴ OECD - Financing Democracy – Funding of Political Parties & Election Campaigns & the Risk of Policy Capture (<http://www.oecd.org/corruption/financing-democracy-9789264249455-en.htm>)

- 10.18 From this starting point, the Committee considered whether parties should be permitted to have a 'party expenditure limit' which could be utilised for promoting the party and its policies generally during the elections. However, after discussion, it was concluded that this would give candidates affiliated to parties an unfair advantage over independent candidates, as additional funds would be available to promote the party with which the candidate was linked.
- 10.19 The Committee then considered a scenario whereby party members who were being endorsed for election by a party could assign a proportion of their individual spending for promotion of the party generally. The benefits of this approach is that it provides a clear link between the candidate and their party, and it gives that candidate the flexibility to decide how they apportion their election funds (within the set limit) in order to promote themselves as both individual candidates and members of a party collective. The Committee felt that to keep the 'split' spending equitable, a cap of 50% should be set as the maximum amount of an individual candidate's spending limit that can be used for party promotion.
- 10.20 The Committee is of the opinion that this 'split' spending scenario appears to represent the fairest option in terms of equality between candidates who are not in a party versus those who are. It should be noted that the option is for a party member to allocate **up to 50%** of their candidate spending limit. It may be the case that candidates in a party agree to a lower figure e.g. 10%, or they may choose not to allocate any spending to the party at all. In theory, a candidate within a party may have slightly less of their spending limit to use for themselves overall (if they choose to allocate some to the party) but they could benefit collectively from the pooling of resources to promote party candidates and the party and its policies.
- 10.21 While the above approach will require clear delineation between what constitutes candidate spending and party spending, which the Committee will endeavour to provide recommendations for by adapting the Electoral Commission's guidance on 'splitting campaign spending'¹⁵, the Committee feels that it represents a flexible solution in keeping with the 'light touch' regulation approach and in the absence of local experience of parties upon which to develop proposals.
- 10.22 Given rules relating to party expenditure may well develop over time, it is recommended that such rules and the consequences of failing to observe those rules are set by Ordinance to enable the States of Deliberation to set the limits available, and to develop the rules in response to experience. In order to give effect to this recommendation the Committee recommends that the *Reform (Guernsey) Law, 1948, as amended* should be further amended to include a

¹⁵ The Electoral Commission - Splitting campaign spending
http://www.electoralcommission.org.uk/_data/assets/pdf_file/0008/155564/Expert_Paper_Splitting_campaign_spending.pdf

power enabling the States to make any necessary Ordinance if required at any future time. Proposition (q) relates.

(c) Donations

10.23 The UN Convention against Corruption¹⁶, in Article 7.3, states:

“Each State Party shall also consider taking appropriate legislative and administrative measures, consistent with the objectives of this Convention and in accordance with the fundamental principles of its domestic law, to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties.”

10.24 For both individual candidates and political parties, a donation can be defined as money, goods, property or services which are given:

- towards candidate/party spending
- without charge or on non-commercial terms

Some examples of donations include:

- a gift of money or other property
- payment of an invoice for candidate or party spending that would otherwise be paid by the candidate/party
- a loan that is not on commercial terms
- sponsorship of an event or publication
- free or specially discounted use of property or facilities, for example the free use of an office¹⁷

10.25 In the vast majority of jurisdictions researched, anonymous donations cannot be accepted, and must either be returned via the route they were transferred to the recipient, or if this is not possible, should be transferred to the local government for general revenue usage. This rule is in place to increase financial transparency and to avoid illegal or unethical payments being made to a candidate or party.

10.26 The Committee recommends adopting this rule, and to also ensure that potential donors are aware of this stipulation before the election process begins.

10.27 The UK has rules on permissible donors which clearly define the sources from which candidates and political parties can receive donations/loans. One of the main rules is that candidates and political parties are not permitted to receive

¹⁶ UN Convention against Corruption
https://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf

¹⁷ Guidance for candidates and agents: Part 3 of 6 – Spending and donations
http://www.electoralcommission.org.uk/_data/assets/pdf_file/0010/179911/2015-UKPGE-Part-3-NI-candidates-and-agents-FINAL.pdf

any donations/loans from any source outside of the UK. The Committee recommends that a similar approach on this matter is adopted by Guernsey, so that donations/loans can only be received by sources from within Guernsey. A donation from outside Guernsey would be considered as being from an overseas source, and therefore could not be accepted, and would need to be returned via the process detailed in paragraph 10.25. In addition, the Committee recommends that in the case of donations being received from individuals, these donors must be eligible to be on the Electoral Roll.

10.28 Research on best practice on donations has also suggested that a minimum value should be set for the declaration of donations so that candidates and parties do not have to bear the administrative burden of registering nominal donations. The UK Electoral Commission sets this level at £50, and the Committee recommends that Guernsey adopts the same level. In addition, any donations given that are in-kind or at a reduced rate should be financially reported as being at full market rate.

10.29 A number of jurisdictions have upper limits in place for donations, in order to prevent donors from having an undue influence. As stated by the International Institute for Democracy & Electoral Assistance (IDEA):

“...over 40 per cent of the countries analysed use some form of limit on how much eligible donors are allowed to contribute. Unlike donation bans, donation limits do not directly target particular types of interests. Instead, the focus is on limiting the influence that any one donor may have on a political party or candidate, and subsequently on the political process as a whole.”¹⁸

10.30 After discussion, the Committee was not minded to introduce a form of limit on how much donors could contribute. Donations would need to be disclosed therefore there would be transparency in the process. Under the current system, there are no limits on what someone could donate to an individual and any such donations do not need to be disclosed. In an effort to maintain a ‘light touch’, and noting that a candidate will only be able up to expend up to a certain amount in promoting their candidature, the Committee agreed not to set a limit.

10.31 The Committee recommends, in the interests of transparency, that when a party or a candidate receives a donation, they must report such donations received as part of a return to the Returning Officer. Such donations would be published on a register on the States of Guernsey website.

10.32 If a candidate or a party has not received any reportable donations they must still, as part of their returns, submit a report called a ‘nil return’. The

¹⁸ International Institute for Democracy & Electoral Assistance (IDEA) – A Handbook on Political Finance <https://www.idea.int/publications/catalogue/funding-political-parties-and-election-campaigns-handbook-political-finance>

Committee recommends that similar rules are adopted for Guernsey and Proposition 3(r) relates.

- 10.33 Contravention of the rules relating to donations should be a criminal offence punishable by a fine.

(d) Third Parties

- 10.34 A third party is defined as any group that has an interest in the election but is not endorsing any members as election candidates. Examples of these 'third parties' include focus groups, charities and local organisations. As touched on in paragraph 10.12, these groups do not need to register as a political party.
- 10.35 It should be noted that if a group is formed as a third party, but at some point after this decides to endorse a member as an election candidate, it would become a political party according to the criteria in paragraph 10.4. The group would then be required by law to register as a political party, and would be bound by those registration and expenditure rules.
- 10.36 Most countries have no regulations on third-party spending. Of those that do, some impose various limits on spending or require third parties to submit financial reports¹⁹.
- 10.37 In theory, the majority of existing groups in Guernsey that might wish to support either individual candidates or political parties would already be registered as a Non-Profit Organisation (NPO). NPOs are defined as *"Any organisation established, solely or principally, for the non-financial benefit of its members, or for the benefit of society or any class or part of society."*²⁰

By registering in this manner, NPO's are required by law to provide the following:

- details of the purposes, objectives and objects of the organisation
- details of the manner in which the assets, funds and income of the organisation are applied or used
- records of all financial transactions in order to evidence the application or use of the organisation's assets, funds and income
- annual financial statements filed with the Registrar

These points cover similar ground to that proposed in the registration of political parties (paragraph 10.6 onwards), and would make use of existing legislation and procedures, rather than having to start afresh.

¹⁹ International Institute for Democracy & Electoral Assistance (IDEA) – A Handbook on Political Finance <https://www.idea.int/publications/catalogue/funding-political-parties-and-election-campaigns-handbook-political-finance>

²⁰ <http://www.guernseyregistry.com/newcharitynpoinfo>

10.38 The Committee does not recommend setting any spending limits for third parties during the election period at this stage. It feels that the combination of donation regulations and the statutory financial accounting procedures (for candidates, political parties and third parties) would provide enough confidence that third parties were not having an undue or unethical influence on the election.

11 Advance voting

11.1 Advance voting is a process by which the voter can vote in an election prior to the appointed Election Day. There are three potential forms of advance voting:

- postal voting; and
- advance polling stations; and
- I-voting.

11.2 The benefits of advance voting is that it can:

- increase voter participation, with the voter being able to vote when it is convenient for them, and
- give the voter ample time to carefully consider the candidates and the ballot paper, given the larger number of votes available to the voter; and
- reduce congestion at polling stations on a single day.

11.3 The ability to introduce I-voting was explored by the Committee. I-voting can encompass voting from a personal computer to voting via an app on a mobile device. It could take place anywhere in the world and could largely replace the need for postal voting.

11.4 Given the limited time available before the 2020 General Election, having explored potential options with the Future Digital Services programme ('FDS programme'), the Committee believes introducing I-voting for 2020 is not possible. It does however support the introduction of I-voting and will take steps to investigate how it could be introduced in future.

(a) Ordinance as to postal and other means of voting

11.5 Article 15A (1) of *The Reform (Amendment)(Guernsey) Law, 1972, Part II* 'Voting by Post' enables the States to make provisions by Ordinance as it sees fit in relation to postal voting and other means of voting, whether or not involving attendance at a polling station, at elections for the office of People's Deputy.

11.6 This means the States has the flexibility to amend the process around postal voting, and introduce other means of voting, by Ordinance and therefore if another means of voting becomes feasible in the run up to the 2020 General Election, this can be accommodated.

(b) Postal voting

- 11.7 The 2018 referendum saw over 9% of the Electoral Roll (2,906) opt for a postal vote which was an increase of 970 applications from the 2016 General Election. There are no restrictions on who can opt for a postal vote.
- 11.8 Given the number of votes available to the voter in the 2020 General Election, it is highly likely there will be a substantial demand for postal votes in 2020.
- 11.9 The issuing of postal votes is presently administratively burdensome and the Committee is working with the Committee *for* Home Affairs to look at how the process can be streamlined and improved. It will also be working with the FDS programme to ascertain what digital improvements could be introduced.
- 11.10 The Committee proposes the process for the return of postal votes be amended. At present, the postal vote has to return to the Registrar-General by noon on Election Day. In the UK, if a person is too late to post their ballot paper they can take it to their local polling station or the Electoral Registration Office on polling day before the polls close. The Committee believes the voter should have the option to take their postal vote to a polling station and the relevant changes introduced. This proposal is supported by the Registrar-General and is included as Proposition 3(s)(i).
- 11.11 Postal voting is labour intensive and to facilitate a potential significant increase in the number of people who will use this option, the States of Guernsey will need to allocate appropriate resources in addition to the Election Team proposed in the Committee *for* Home Affairs policy letter to cover the postal voting application period. This view is supported by the Registrar-General. This will be covered in the Committee's next policy letter.
- 11.12 The Registrar-General has suggested that legislative changes should be considered to enable postal ballot packs to be re-issued:
- to replace an irrevocably damaged postal ballot pack
 - to replace a lost or not received postal ballot pack
 - to correct a procedural error
- 11.13 It was further suggested that capacity should be introduced to enable postal ballot packs to be cancelled once they have been dispatched, subject to the introduction of suitable safeguards to prevent duplicated voting.
- 11.14 The Committee agrees with the suggestions put forward by the Registrar-General and recommends any necessary legislative or administrative changes should be considered to enable postal ballot packs to be re-issued in specific circumstances and for postal ballot packs to be cancelled further to dispatch if required. Proposition 3(s)(ii) relates.

(c) Advance polling stations

- 11.15 An advance polling (or pre-polling) station is a designated early voting polling station where a voter can vote in the same way they would if voting on election day. In order to increase participation in the General Election, and potentially ease congestion on Election Day, the Committee is proposing the introduction of a system of advance polling stations. Such a system has been in operation in Jersey for some years.
- 11.16 It is recommended that every eligible voter is entitled to vote at an advance polling station. It is recommended that it should be the responsibility of the Registrar-General to provide facilities and publicise arrangements for voting at advance polling stations, and manage the administration of the process. The Registrar-General should have the ability to delegate the administration of the process. Proposition 3(t) relates.
- 11.17 It is suggested the Registrar-General provides facilities at an appropriate and accessible location or locations for advance voting and that such facilities should also be provided on specified weekdays and a Saturday and/or Sunday prior to the election. The Committee should be able to make regulations, in consultation with the Registrar-General, regarding the dates and times at which the facilities must be open for advance voting. Proposition 3(u) relates.
- 11.18 The Registrar-General should undertake appropriate publication of the arrangements for voting at advance polling stations, including the location and opening hours for advance polling stations and the day and time the arrangements will cease.
- 11.19 A voter wishing to vote in a public election by casting their vote before the poll at a location provided for may do so by attending the specified location(s) on the dates/times publicised. The Registrar-General will supervise the conduct of the ballot at the advance polling stations.
- 11.20 The Registrar-General will be required to ensure the ballot boxes are securely stored overnight during the advance polling station process. HM Greffier has agreed that secure facilities can be provided at the Royal Court for this purpose.
- 11.21 The Registrar-General will arrange for the transport of the votes to the Returning Officer before the poll closes.
- 11.22 The provision of advance polling stations will have a financial implication and will form part of the budget request which will be detailed in the next policy letter. This element is expected to cost in the region of £10,000.

12 Polling cards

- 12.1 In previous elections, the States of Guernsey has issued personalised 'polling

cards' to voters. During consultation with the Douzaines, it was suggested such cards are reintroduced to assist in expediting the process of people attending polling stations and being issued their ballot paper.

- 12.2 Issuing polling cards would also have the benefit of assuring the voter that they are registered on the Electoral Roll (particularly if they had signed up to the Roll earlier in the year). It can also provide information on the polling stations the voter can attend.
- 12.3 Whilst every voter attending a polling station will be strongly encouraged to attend with their polling card, it will not be mandatory to provide a polling card at the polling station.

13 Polling stations

- 13.1 At the outset, it should be noted that historically the parishes have voluntarily carried out a significant part of the running of general elections, including providing venues for voting (for which any costs incurred are reimbursed by the States) and people to administer polling stations. The June 2017 referendum policy letter acknowledged that *"the costs borne by the States would be increased should the assistance of the parishes ever be withdrawn under any of the options..."*.
- 13.2 Whilst the parishes have broadly indicated that they wish to be involved in the 2020 General Election, in the consultation leading up to this letter, concerns were raised regarding resourcing polling stations on Election Day and any 'pre-election day'. The States of Guernsey will need to provide resources to ensure the parishes are able to administer any polling stations they are involved with and this will be covered in the second policy letter.
- 13.3 It is intended that polling stations should be opened on Tuesday 16th June and Wednesday 17th June 2020 (Election Day) and any necessary legislative and administrative provisions put in place to enable this.
- 13.4 The Registrar-General has acknowledged the potential benefits of allowing votes to be cast over two days, particularly given the voting process may take longer with the ability to cast 38 votes. However, it is important to highlight that facilitating this will have resource implications that will need to be taken into account, particularly given the issues some Douzaines have experienced in resourcing polling stations on a single day.
- 13.5 At present, any person whose name is inscribed on the section of the Electoral Roll for a district may vote at any polling station in that District (Article 27(2)). With the move to Island-wide voting, these provisions require amendment.
- 13.6 The Committee considered the options available for individuals to cast their vote on Election Day and the previous day. It considered the options for the

voter to vote:

- (i) at any polling station; or
- (ii) only at their Parish polling station; or
- (iii) at either a 'super polling station' or at their parish polling station.

- 13.7 After careful consideration, the Committee is recommending that Election Day is run in line with option (iii): the voter being able to vote at either a 'super polling station' or at their parish polling station. The Committee will set out the pros and cons of each option in the following section and explain why it is proposing option (iii).

(i) The voter being able to vote at any polling station

- 13.8 Whilst the Committee agrees that the voter being able to vote at any polling station on Election Day would be the ideal under an Island-wide system, at the present time it is unable to guarantee that the technology and infrastructure could be put in place to facilitate this.
- 13.9 In order to facilitate voting at any polling station, an electronic Electoral Roll, updatable in real-time across all polling stations would need to be implemented. This may be possible with the support of the Future Digital Services Programme.
- 13.10 There are many advantages to voting at any polling station on Election Day. It is arguably within the 'spirit' of Island-wide voting and demonstrates the 'single' electoral district in operation. It also presents the opportunity to increase voter engagement in enabling the voter to vote at whichever polling station is most convenient to them. It also reduces the risk of attending the 'wrong' polling station if the voter has recently changed address. If the system is fail-safe, this should reduce the potential for electoral fraud as it should prevent a voter from voting at two different polling stations.
- 13.11 However, the question remains as to whether such a system could be facilitated and what costs would be involved in enabling such a system for the first Island-wide vote. This system would need to be extensively tested and would need to be impervious to technological issues. The infrastructure at every polling station would need to be sufficient to support such a system. All individuals manning the polling station would need to be trained and be confident with the technology. The risks of IT or system failures would create significant problems – it would be impossible to effectively run a manual-based process for the entire Electoral Roll at each polling station. A further concern for the Committee is that certain polling stations could be overwhelmed with voters, causing delays, whilst others may see very few.
- 13.12 On balance, and in the absence of any guarantee at this juncture that such a system can be facilitated, the Committee is not minded to recommend such a system be put in place for the 2020 General Election.

(ii) The voter being able to vote only at their Parish polling station

- 13.13 At present, voters can only vote within their electoral district. This is a tried and tested process which can be facilitated using existing procedures. Whilst not within the 'spirit' of Island-wide voting, restricting voters to voting within their parish would help manage the estimated footfall at the various polling stations, rather than risk having large numbers visiting specific polling stations which may cause delays (e.g. polling stations based in St Peter Port).
- 13.14 Retaining the requirement for voters to vote in their parish for the first Island - wide vote would have a number of benefits. The system is straightforward to administer and less vulnerable to IT issues than Island-wide polling stations. Both Parish officials and the voter will be familiar with the process of voting at their parish polling station. It would also maintain the strong historic link between the Douzaines and the General Elections.
- 13.15 The disadvantages of maintaining such a system is that requiring a voter to only vote in their parish does not accord with an 'Island-wide' vote. It is also potentially inconvenient to require the voter to vote at their parish polling station, rather than an 'Island-wide' polling station. It is likely that the peaks and troughs seen at polling stations on Election Day at certain times would continue. There remains the risk of attending the wrong polling station if the voter has not updated their address details.
- 13.16 Whilst the Committee appreciates the administrative benefits that retaining a parish polling station would bring, it does not believe this is in the spirit of Island-wide voting, and believes a compromise can be achieved.

(iii) The voter being able to vote at either a 'super polling station' or at their parish polling station

- 13.17 The Committee believes offering the voter a 'hybrid system' of the option of voting at an Island-wide 'super' polling station or their parish polling station is the compromise that is appropriate for the first Island-wide vote.
- 13.18 This system would provide the voter with a choice whether to vote at their parish polling station or at a 'super polling station' conveniently located. Such a system would benefit from many of the advantages of (i) and (ii) and hopefully assist in managing footfall on Election Day.
- 13.19 The Committee acknowledges there is the potential for some confusion for the voter as to where and when they can vote but the Committee is confident this can be overcome with appropriate education and promotion.

Polling stations on Election Day

(a) Responsibility for the establishment of polling stations

- 13.20 Under the current system, polling stations are established in each District by the Constables of the Parishes concerned in accordance with any Resolution of the States.
- 13.21 Given the move to Island-wide voting, the intention to introduce advance polling stations and the need for flexibility as to where polling stations are established, it is suggested that amendments are made to require the Registrar-General to establish polling stations, further to consultation with the Constables of the Parishes concerned.
- 13.22 It is also recommended that amendments are made so that the Registrar-General, rather the Constables of a Parish, should provide for the establishment of such additional polling stations as they may deem convenient to the voter. Proposition 3(v) relates.

(b) Polling station officials

- 13.23 Under the legislation currently, a Returning Officer is appointed for each Electoral District by the Royal Court (further to an application from the Law Officers) and a Deputy Returning Officer is appointed for each District which comprises more than one Parish.
- 13.24 The Returning Officer has a number of responsibilities relating to Elections set out in the legislation including:
- retaining the appropriate section of the Electoral Roll at the relevant polling stations; and
 - maintaining a list of people who have voted at each polling station; and
 - maintaining order at the polling station; and
 - causing the votes cast to be counted, including the postal votes received; and
 - communicating the result of the vote count to the Presiding Officer of the States, and exhibiting the result at each polling station in the District; and
 - enabling a candidate or his nominated representative present at any counting of votes to have such reasonable facilities for overseeing the proceedings and all such information in respect of them; and
 - subsequently comparing lists from the polling stations in their district and reporting to the Law Officers if a voter appears to have voted more than once; and
 - receiving returns of expenditure by every candidate in their district.
- 13.25 Under the current system, the Constables and Douzaines supervise the conduct

of the ballot at the polling stations in their respective Parishes and have the specific responsibility for sealing the ballot boxes on conclusion of the voting and handing these to the Returning Officer.

13.26 Given the move to Island-wide voting, the Committee is proposing some changes to the structure overseeing the administration of elections.

13.27 The bulk of responsibilities currently designated to the Returning Officers at the polling stations would be carried out by appointed Officers (however so titled) for each polling station who would be responsible for, amongst other matters:

- retaining the Electoral Roll at their polling station; and
- maintaining a record of the individuals who have voted at the polling station; and
- maintaining order and supervising the conduct of the ballot; and
- sealing the ballot boxes on conclusion of the voting; and
- causing the sealed ballot boxes to be securely transported to the Returning Officer.

13.28 The Committee proposes that the vote count would be carried out under the supervision of a Returning Officer nominated by the Committee for approval by the Royal Court. The Returning Officer would have essentially the same duties and powers as district returning officers at previous General Elections in respect of vote counts and declarations. The Returning Officer would also be responsible for the scrutiny of returns of expenditure by every candidate at the election and comparing lists from the polling stations to check whether any voter appears to have voted more than once.

13.29 The Returning Officer would be responsible for, amongst other matters:

- on receipt of the sealed ballot boxes, causing the votes cast to be counted, including the postal votes; and
- communicating the result of the vote count to the Presiding Officer of the States; and
- informing the polling station Officers of the result; and
- enabling a candidate or his nominated representative present at any counting of votes to have such reasonable facilities for overseeing the proceedings and all such information in respect of them; and
- subsequently comparing lists from the polling stations and reporting to the Law Officers if a voter appears to have voted more than once; and
- receiving returns of expenditure by every candidate.

13.30 The Committee recommends that the relevant necessary amendments are made, as set out in Proposition 3(w).

14 Vote Count

- 14.1 Historically the parishes have voluntarily carried out the vote count in each district, with the Returning Officer for the district causing the votes cast to be counted, including the postal votes received; and communicating the result of the vote count to the Presiding Officer of the States, and exhibiting the result at each polling station in the District.
- 14.2 As stated in the previous section, the Committee proposes that the vote count would be carried out under the supervision of a Returning Officer nominated by the Committee for approval by the Royal Court.
- 14.3 It is envisaged the votes will be counted in a central location (rather than at individual polling stations) either on the night of Election Day (if possible) or the following day. Arrangements will be put in place to ensure the secure transport of the ballot boxes to the central location.

(a) Counting the votes

- 14.4 In the 2010 report²¹ on Island-wide voting, the then Committee commented as follows:

Vote Count

- (a) *18,576 electors voted in the 2008 General Election. If, in an election for 45 Island-wide Deputies, the same number of voters used 70% of the maximum number of votes possible, that would amount to over 585,000 votes. In the 2008 General Election just over 91,000 votes were cast. These figures indicate that in an Island-wide election there could be a six-fold increase in the number of votes to be counted. More conservatively it can be assumed that there would at least be a quadrupling of the number of votes cast.*
- (b) *In all of the present electoral districts large teams of people work diligently in the counting of votes after the poll has closed. However, the present system is both labour-intensive and time-consuming. With a considerably larger number of candidates and votes to be counted the margin of error is likely to increase.*
- (c) *Whilst a manual count would not be impossible, it would take so long that the introduction of Island-wide voting effectively makes it essential to employ electronic equipment to count the votes. Electronic counting is used by some U. K. authorities but, because the machines are used relatively infrequently, they are hired rather than purchased. There are a number of U. K. companies that specialise in hiring out such equipment which may*

²¹ [States Assembly and Constitution Committee – Island Wide Voting – 3rd Report \(Billet D'État III 2011\)](#)

include peripheral items such as special ballot boxes which ensure that ballot papers are not folded (creased ballot papers are prone to being rejected by the machinery and as a consequence have to be processed manually).

- 14.5 21,803 voters turned out for Guernsey's 2016 General Election, a significant increase (17%) of voters from 2008. The Committee looked at the figures from 2008 to 2016 in the context of Island-wide voting, as set out in the table below:

Date of General Election	Number of voters	Seats	If used 70% of votes available	If used 100% of votes available
27 th April 2016	21,803	(38)	579,960	828,514
18 th April 2012	20,459	(45)	644,459	920,655
23 rd April 2008	18,576	(45)	585,144	835,920

			If everyone on the Roll voted...	
Referendum on Guernsey's voting system	Number of people on the Roll		70% of votes available	100% of votes available
10 th October, 2018	31,865	(38)	844,423	1,210,870

- 14.6 The Committee is investigating the options for electronic vote counting with the FDS Programme. It is also looking at how a manual process would be undertaken, if such was required. It is also looking at the provisions for recounts – both electronic and manual.
- 14.7 The Committee is initially looking to find an electronic vote counting solution in partnership with the FDS Programme. Should this not be achievable through the Programme, it will seek alternative options to implement such as system as it believes this to be an essential feature of the 2020 General Election.
- 14.8 Given the volume of votes to be cast, as identified in the 2010 report, a manual vote count would be labour-intensive and time-consuming. It would require a vast number of volunteers to administer and a significant space to accommodate, and if a manual vote count was required, the States of Guernsey would need to provide the resources and facilities to enable this. Proposition 3(x) relates.

(b) Procedure in the case of an equality of votes

- 14.9 In the case of a tied vote, the Reform Law currently requires a further election to be held (Article 31). The Committee considered whether to retain this provision or to propose that a tied election is broken by drawing lots using a method decided by the Returning Officer.

- 14.10 The current system of holding a further election in respect of such candidates only would be administratively burdensome and costly under Island-wide voting. There has never been a tied vote in UK General Elections but it has happened in local elections.
- 14.11 In the UK, when the number of votes is equal or very close, candidates can ask for a recount and there is no official limit to the number of times votes can be recounted. If the results remain a tie, elections are broken by drawing lots, using a method decided upon by the Returning Officer. Whichever candidate wins the lot is treated as though they had received an additional vote that enables them to be declared elected. In May 2017, there was a tie in the election of one of the seats on Northumberland County Council. After two recounts, the ward could not be split so the candidates had to draw straws to find a winner.
- 14.12 Article 41 of the Reform Law sets out the provisions relating to recounts under the existing system. At present, an unsuccessful candidate may write to the Presiding Officer of the States (not later than 24 hours after the public declaration of the poll) and demand a recount if there is a less than 2% difference between the votes cast for them and a successful candidate. Such recount is treated as final and conclusive as to the result of the poll. The Committee believes that this provision should be retained under Island-wide voting.
- 14.13 Whilst some of the Committee felt that the drawing of lots is unsatisfactory, it concluded that under an Island-wide electoral system it was a pragmatic solution. On balance, it agreed to propose that, following a recount (or if neither candidate requests a recount within the permitted period), a tied election is broken by drawing lots using a method decided by the Returning Officer. This is set out in Proposition 3(y).

15 A casual vacancy in the office of Deputy ('by-elections')

- 15.1 Article 29(2) of the Reform Law states *"a casual vacancy in the office of Deputy occurring before the first day of December next preceding the date of a General Election shall be filled by election and any person so elected shall hold office for the remainder of the four year term then current. If such vacancy occurs after the 30th day of November next preceding the date of a General Election it shall be in the discretion of the Presiding Officer of the States whether or not an election shall be held to fill the vacated office until the date of such General Election"*.
- 15.2 The Committee has considered whether this provision should be retained or revised due to the change in the electoral system. The system is changing from the voter voting for up to, and being represented by, either five or six people (depending on their district) to voting up to, and being represented by, 38 people. Therefore, the occurrence of a casual vacancy under an Island-wide

system will not cause the democratic deficit that it would do under a district system.

- 15.3 The Committee considered whether a provision should be introduced that would see a by-election being held only when the casual vacancies in the office of Deputy reaches two vacancies. It looked at whether this could negatively impact the operation of the States of Deliberation and its Committees.
- 15.4 It noted that attendance of meetings of the States of Deliberation varies – through Members being absent on States’ business, through sickness or by being off-Island. The States manages to weather such absences and still conduct its business.
- 15.5 In respect of Committee membership, in the current States, whilst a number of Members hold seats on more than one Committee, over one-quarter of Members only hold one seat on a Committee (this figure excludes Presidents and Members of P&R). Running with one casual vacancy should therefore not significantly negatively impact the operation of Committees.
- 15.6 The Committee noted that from 2008 to 2017 Sark operated a similar system under its Reform Law, such that a by-election would take place only after a certain number of vacancies occurred.
- 15.7 Whilst not the key driver in its deliberations, the Committee did note the significant funds that would need to be expended to hold a by-election on an Island-wide basis. It further noted the poor voter turnouts in by-elections in 2015 and 2016 in comparison with turnout in General Elections.
- 15.8 There were differing views amongst Committee Members as to what to recommend to the States. Some Members believed that the existing provision should be retained and simply amended to ensure it was applicable to Island-wide elections. Other Members felt it was more reasonable for a by-election to only be held when a certain vacancy level was reached.
- 15.9 There was some consideration of a suggestion that the person who came “39th” in the General Election vote count should automatically be appointed in the event of a vacancy however this was dismissed by the Committee. It concluded that Election Day provided a snapshot of the voter’s wishes at a certain point in time and, depending on when a casual vacancy would occur, it would not be appropriate to simply assume that the voter would wish the “39th” individual to be elected, or that the individual would remain able or willing to take up the post.
- 15.10 On balance, a majority of Members (with Deputies Merrett and Ferbrache dissenting) agreed to propose that provisions should be introduced to only trigger a by-election when the casual vacancies in the office of Deputy reaches two vacancies. If Members wish to retain the existing provisions, they can

reject the proposal by voting against Proposition 3(z).

16 Election Observers

- 16.1 The Committee proposes that international observers should be invited to participate in an election observation exercise in respect of the 2020 General Election and/or to have the opportunity to do so in future elections. It therefore proposes that any necessary provisions should be included in the legislation to facilitate this. The Committee recognises that independent election observers help to assure the legitimacy of the Election process, and considers this especially important as a new system of Island-wide voting is introduced for the first time. Proposition 3(aa) relates.
- 16.2 It recommends that the Committee, after consultation with the Policy & Resources Committee, shall appoint one or more observers of a public election and present a report to the States of Deliberation informing it of the appointment.
- 16.3 An observer who has been appointed should have the right under the Law to:
- a) have a copy, free of charge, of any electoral register in force for the election; and
 - b) be present when pre-poll votes are taken;
 - c) be present in any polling station where an elector may vote in the election –
 - (i) while preparations are being made to open the poll, and
 - (ii) during the poll.
 - d) be present during any count in the election.
- 16.4 Provision should also be included to set out conditions of an observer attending advance polling stations or polling stations. This should include that an observer shall not, when attending advance polling stations or polling stations:
- a) attempt to influence a voter by means of any sign or clothing, in conversation, or otherwise; or
 - b) do anything to compromise the secrecy and integrity of advance voting or voting at a polling station.
- 16.5 An observer exercising the right to be present:
- a) when advance votes are taken, shall comply with any directions given to the observer by the Registrar-General, or an official nominated by him, for the purpose of ensuring the complete secrecy and regularity of advance voting.
 - b) at a polling station shall comply with such directions as are given to him or her by a polling station Officer.
 - c) At a vote count shall comply with such directions as are given to him or her by a Returning Officer.

An observer who contravenes the rules regarding attending advance polling stations or polling stations shall be guilty of an offence and liable to a fine as set out in legislation.

17 Dates of July 2020 States' Meetings

- 17.1 In its policy letter entitled 'Dates of States' Meetings – 2019 – 2020' dated 27th June 2018, the Committee stated as follows:

The Committee will report to the States with a proposed date for the June 2020 General Election in 2019, once the outcome of the referendum on Guernsey's voting system is known. It concluded that it would be premature, in advance of the outcome of the referendum, to recommend Meeting dates from mid-May to August 2020 at this point in time...any further Meeting dates to be scheduled before September 2020 will be included in the 2019 policy letter.

- 17.2 The Committee considered the dates set after previous elections in considering when to schedule in the election meetings. Column 2 of the table below sets out the meeting dates that the Committee will be recommending in Proposition 3(bb). Please note the dates in green show the number of days from the previous row.

	2020	2016	2012	2008	2004
Last States Meeting of previous term (a)	06.05.20	08.03.16	06.03.12	12.03.08	10.03.04
Date of Election	17.06.20 (+42 days)	27.04.16 (+50 days)	18.04.12 (+43 days)	23.04.08 (+42 days)	21.04.04 (+42 days)
Election of Chief Minister / President of P&RC	01.07.20 (+14 days)	04.05.16 (+7 days)	01.05.12 (+13 days)	01.05.08 (+8 days)	01.05.04 (+10 days)
Election of P&RC Members	03.07.20 (+2 days)	06.05.16 (+2 days)			
Election of Ministers / Presidents	07.07.20 (+4 days)	11.05.16 (+5 days)	08.05.12 (+7 days)	06.05.08 (+5 days)	04.05.04 (+3 days)
Election of Departments / Committees	10.07.20 (+3 days)	18.05.16 (+7 days)	11.05.12 (+3 days)	08.05.08 (+2 days)	06.05.04 (+2 days)
First States Meeting of new term (b)	29.07.20 (+19 days)	08.06.16 (+21 days)	30.05.12 (+19 days)	28.05.08 (+20 days)	26.05.04 (+20 days)
Gap between 'normal' States Meetings (a-b)	2 months + 23 days (11 weeks)	3 months (12 weeks)	2 months + 24 days (11 weeks)	2 months + 16 days (10 weeks)	2 months + 16 days (10 weeks)

* **Policy & Resources Committee = 'P&RC'**

- 17.3 It further agreed a States' Meeting should be convened on Tuesday 28th July to

debate 'The States of Guernsey Accounts 2019' followed by the first normal Meeting of the States on 29th July.

- 17.4 Rule 1(1) of the Rules of Procedure require the Committee to submit a policy letter in September proposing the States' Meetings which should be convened in the period from the 1st of September the following year to the 31st August of the year after that. The Committee will publish such a policy letter later this year however is minded to suggest that the first States' Meeting is convened for Wednesday 2nd September, 2020 (a five-week gap), to ensure that the summer recess does not cause a second long pause in States' business so soon after the Election period.

18 Compliance with Rule 4

- 18.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 18.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 18.3 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions have the unanimous support of the Committee, except as noted in the body of this Policy Letter.
- 18.4 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee *"to advise the States and to develop and implement policies in relation to elections to the office of People's Deputy"*.
- 18.5 Also in accordance with Rule 4(5), the Committee consulted with the:
- Committee for Home Affairs, and
 - Registrar-General of Electors; and
 - Bailiff; and
 - Douzaines; and
 - Law Officers of the Crown.

Yours faithfully

N. R. Inder
President

J S Merrett
Vice-President

P T R Ferbrache
J P Le Tocq
E A Yerby

Appendix 1: General Election: suggestions submitted and other matters

1. Introduction

- 1.1 The Committee received a number of suggestions for amendments to the legislation during the consultation undertaken in the lead up to this policy letter. This appendix report sets out why the Committee resolved not to propose amendments to the legislation relating to these suggestions.
- 1.2 There also other matters which arose during the course of the workstream which the Committee did not believe it was appropriate to progress now, but merited consideration in future.

2 Suggestions submitted

- 2.1 This section details the suggestions put to the Committee that it resolved not to progress.

(a) Eligibility as People's Deputy: Disclosure of convictions

- 2.2 During the consultation in the lead up to this policy letter, it was suggested to the Committee that candidates should be required to have a standard or enhanced DBS (Disclosure and Barring Service) criminal record check.
- 2.3 As stated under section 7.1 of the policy letter, at present, a person who has been sentenced to imprisonment by a court in the UK, Channel Islands or the Isle of Man for a period of six months or more in the five years immediately preceding the date of election is ineligible to stand as a Deputy.
- 2.4 On 17th March, 2016, further to consideration the policy letter 'Declaration of Unspent Convictions'²² the States resolved:

To approve that the Reform (Guernsey) Law, 1948, as amended, be further amended to provide that candidates for the office of People's Deputy must make a declaration of all unspent convictions which resulted in sentences of imprisonment as defined in the Rehabilitation of Offenders (Bailiwick of Guernsey) Law, 2002 in any jurisdiction anywhere in the world unless they were in respect of an act which would not constitute an offence if committed in Guernsey; that candidates must agree that appropriate verification of the information declared could be undertaken by the Returning Officer for the election; and that the declaration form would be available for inspection by the electorate at that election; and that Declarations would be destroyed as soon as the election to which they related had concluded; and that provisions would be

²² The report '[Declaration of Unspent Convictions](#)' was published in Billet d'État IX of 2016 and presented at the States' Meeting on 8th March, 2016,

included to enable the States to prescribe rules as to the publication of this information;

And

that a specific offence should be created of knowingly or recklessly making false statements, the penalty for which, in addition to any fine, imprisonment or other sentence imposed in the event of a prosecution and conviction, shall be that the States, once any legal proceedings and appeals, if appropriate, had been concluded, could by Resolution declare any person convicted of the offence ineligible to hold office as a People's Deputy or as a member of a States' Committee who is not a Member of the States until the next General Election.

- 2.5 The Committee unanimously concluded that it was satisfied with the requirement for candidates to make a declaration as agreed in 2016 and that it would not propose DBS checks for candidates. There is an extant workstream on the Committee's on-going work programme to consider what checks should be in place for States' Members once elected.

(b) Nominations: number of signatories

- 2.6 Article 32(1) of the Reform Law states that every nomination of a candidate for office as a People's Deputy shall be in writing signed by two persons whose names are inscribed on the section of the Electoral Roll representing the District for which the candidate intends to stand.
- 2.7 It was suggested the number of signatories required on the nomination form should be increased. The Committee reviewed arrangements in other jurisdictions. In the UK, the 'subscriber system' requires anyone standing for election to gather the signatures of a set number of supporters, who must be registered electors. The Electoral Commission report "Standing for election in the United Kingdom"²³ from January 2015, stated:

Without either deposit or subscriber requirements, there is a risk of large numbers of candidates (especially in high-profile elections) which could potentially lead to ballot papers that are unwieldy for voters, undermine the credibility of the election, and are difficult and costly to administer. The other side of this argument is that reducing these barriers could mean an increased range of candidates standing for election, which would mean greater choice for voters.

- 2.8 Feedback to the Electoral Commission on the subscriber system varied – some political parties stated it should be retained because it helped to validate the nomination process, however some electoral administrators suggested that the

²³ http://www.electoralcommission.org.uk/_data/assets/pdf_file/0008/180458/Standing-for-Election-in-the-UK-report-Jan-2015.pdf

process just added to the administrative process and was not particularly meaningful. However, the Commission concluded:

The argument for subscriber requirements seems to carry more weight, in that they act as a proxy for support from the electorate and are an indication that candidates are genuinely contesting the election. Having said this, in practice subscriber requirements may test administrative ability rather than support from the electorate.

2.9 It recommended:

... that subscribers should be retained to maintain trust that elections are being contested by serious candidates and avoid ballot papers that are unwieldy for voters and difficult to administer. The number of subscribers should be reviewed for each election to ensure it is proportionate to the post for which the candidate is standing.

2.10 The 2015 Report set out the number of subscribers required at elections in UK Elections (which remains accurate in 2019):

Number of subscribers required at elections in the UK Election

Election	Subscribers
UK Parliament	10
European Parliament	0
Scottish Parliament	2 (the candidate and the witness to the candidate's signature)
National Assembly for Wales	1 (could be the candidate)
Northern Ireland Assembly	10
Greater London Authority	Mayor: 330 (at least 10 from each London Borough and at least 10 from City of London) Constituency and list members: 0
Police and Crime Commissioners	100
Local, Mayoral and Parish elections in England and Wales	Local: 10 Mayoral: 30

2.11 In a General Election, the number of subscribers in the other Crown Dependencies are as follows:

Isle of Man	The nomination paper will be subscribed by: <ul style="list-style-type: none"> • 2 electors as proposer and seconder; and • By not less than 20 other electors as assenting to the nomination.
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Jersey	<p>The nomination paper will be subscribed by:</p> <ul style="list-style-type: none"> • 1 elector as proposer; and • 9 other electors as seconder
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- 2.12 The Committee debated whether the number of signatories should be increased but, by majority (Deputy Yerby dissenting), concluded that two signatories sufficed and is therefore is not making any recommendations to increase the number of signatories.

(c) Candidate deposits

- 2.13 In the political and public consultation to date, it has been suggested that consideration be given to candidates being required to provide a deposit when submitting their nomination form. Deposit requirements currently exist in the UK. The Electoral Commission report “Standing for election in the United Kingdom”²⁴ from January 2015 concluded:

“In the case of deposits, it does not seem reasonable to have a barrier to standing for election that depends on someone’s financial means. We do not think that the ability to pay a specified fee is a relevant or appropriate criterion for determining access to the ballot paper. We therefore recommend that deposit requirements are abolished”.

- 2.14 Deposits are not required in Jersey or the Isle of Man. After consideration, the Committee unanimously agreed that it would not recommend candidate deposits be introduced.

3 Other matters arising

(a) Independent oversight of Elections

- 3.1 The CPA’s report ‘Recommended Benchmarks for Democratic Legislatures’ states at point 1.1.5: *An independent Electoral Commission or similar authority shall be established for the management of the conduct of elections and its tasks shall include monitoring the election expenses of parliamentary candidates and political parties.*
- 3.2 The Venice Commission’s ‘Code of Good Practice in Electoral Matters – Guidelines and Explanatory Report’ states that an impartial body must be in charge of applying electoral law.
- 3.3 None of the Crown Dependencies currently have an Electoral Commission. The Committee believes the development of a permanent, independent election administration body should be investigated after the 2020 General Election

²⁴ http://www.electoralcommission.org.uk/_data/assets/pdf_file/0008/180458/Standing-for-Election-in-the-UK-report-Jan-2015.pdf

with a view to such a body being established for the 2024 General Election. It believes there is potential scope to look at a pan-Island Electoral Commission and will liaise with Jersey, Alderney and Sark on this.

- 3.4 The Committee noted recommendation four from final report from the 'CPA BIMR Election Observer Mission – Jersey General Election – May 2018', where it recommended:

Consideration should be given to the creation of a permanent election administration body independent of the three branches of State to provide continuous oversight and review of the electoral legal framework, including oversight of candidate and voter registration, implementation of campaign, campaign finance and media provisions, and electoral dispute resolution.

(b) Future review of the Reform Law

- 3.5 In line with consideration being given to the creation of a permanent election administration body, the Committee considered whether a full review of the legislation relating to elections should be considered.

- 3.6 The 1989 report entitled 'Constitution of the States Review Committee – Miscellaneous Items of Constitutional Reform' included in Billet d'État XVI from 28th September, 1989 contained the following section regarding amalgamating the existing Laws:

34. *Even with the amendments proposed in this Report, the Committee acknowledges that the Reform (Guernsey) Law, 1948, as amended could usefully be further reviewed to produce a single new Law taking account of the change that have taken place since 1948. It would also be useful to include in any new Law all matters relating to the Constitution and elections, e.g. including the provisions relating to Secret Ballot which are still contained in a nineteenth century enactment drafted in French. Consolidation of the present Law would not be a simple exercise and the allocation of drafting resources to this task could probably be justified only at a time when a proposed major reform requires it to be done.*

35. *However, the Committee recognises with no less than fourteen amending Laws the Law of 1948 is not easy for members of the States or of the public to follow. The Committee accordingly recommends that it should be directed to put in hand the publication of a leaflet incorporating the current text of the Law of 1948, as amended, perhaps as an appendix to the Red Committee Book, if you, Sir, are agreeable.*

- 3.7 The States resolved that:

"The various provisions and pieces of legislation which together make up that Law and the provisions of the Law relating to Secret Ballots shall be

consolidated into one new Law as soon as it may be practical to do so, and in the meanwhile that Committee shall prepare a statement incorporating the text of the current Law of 1948, as amended, and publish the text as soon as possible”.

- 3.8 The previous States’ Assembly & Constitution Committee had requested in 2017, that as part of the P&R Plan propositions, that this resolution be rescinded. This was agreed by the States of Deliberation on 6th June 2018.
- 3.9 The legislation is included in the ‘Red Book’ as required however the Committee has concluded that, after the 2020 Election, it would be timely for the Reform Law to be subject to a comprehensive review from the States’ Assembly & Constitution Committee, to incorporate lessons learnt from the 2020 Election and to review existing provisions against international best practice.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

GENERAL ELECTION 2020

The President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St Peter Port

7th March, 2019

Dear Deputy St Pier,

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the States' Assembly & Constitution Committee requests that the Propositions be considered at the States' meeting to be held on 24th April, 2019.

The policy letter needs to be considered by the States of Deliberation as soon as possible to enable the preparation of the relevant legislative changes to be made to hold a General Election in 2020. It is also noted that Committee *for* Home Affairs policy letter 'Preparation for a New Electoral Roll' will also be submitted to be considered on 24th April, 2019, and it is logical for both policy letters to be considered at the same meeting.

Yours sincerely,

N. R. Inder
President

J S Merrett
Vice-President

P T R Ferbrache
J P Le Tocq
E A Yerby

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* HOME AFFAIRS

PREPARATION FOR A NEW ELECTORAL ROLL

The States are asked to decide:-

Whether, after consideration of the Policy Letter dated 11th March 2019 of the Committee *for* Home Affairs they are of the opinion:-

1. To approve the compilation of a new Electoral Roll for the 2020 General Election of People's Deputies.
2. To direct the drafting of legislation to provide for:
 - (i) the creation of the new Electoral Roll in Proposition 1;
 - (ii) the validity of the current Electoral Roll to cease at 23:59 hours on 30th November 2019; and
 - (iii) the closure of the new Electoral Roll between 30th April 2020 and the date of the Election.
3. To direct the Policy & Resources Committee to use its delegated authority to transfer funding of a maximum of £236,000 from the Budget Reserve to the 2019 revenue expenditure budget for the Committee *for* Home Affairs to fund the 2019 costs associated with compiling the new Electoral Roll and managing the election process.
4. To direct the Policy & Resources Committee to recommend a 2020 Cash Limit for the Committee *for* Home Affairs that includes a specific additional allowance of £144,000, to fund the 2020 costs associated with compiling the new Electoral Roll and managing the election process.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* HOME AFFAIRS

PREPARATION FOR A NEW ELECTORAL ROLL

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

11th March 2019

Dear Sir

1 Executive Summary

- 1.1 A General Election of People's Deputies will be held in June 2020 ("the 2020 Election"). This Election will see the implementation of the new 'Island-wide' electoral system. The preparation for, and successful delivery of, the 2020 Election must be a priority for the States of Guernsey as a whole.
- 1.2 Any islander who wishes to vote in this Election must be registered on the Electoral Roll. A key objective for the Committee *for* Home Affairs ("the Committee") is encouraging a high percentage of those eligible to vote to register their details on the Electoral Roll.
- 1.3 Working with the States' Assembly & Constitution Committee ("the SACC") the Committee recognises the following will measure the success of the 2020 Election:
 - i. a high percentage of those eligible to vote are registered on the Electoral Roll;
 - ii. a good number of candidates stand for election;
 - iii. the majority of those on the Electoral Roll cast their votes; and
 - iv. there is a fair, efficient and democratic election.
- 1.4 In preparation for previous General Elections in 2012 and 2016, the States acknowledged that it was inappropriate for an Electoral Roll to be carried forward for use in subsequent General Elections as the base data inevitably

becomes increasingly inaccurate during the intervening years. As such, new Electoral Rolls were created for both the 2012 and 2016 Elections.

- 1.5 The Committee similarly considers that the data currently held on the Electoral Roll is insufficiently accurate to deliver the 2020 General Election. Coupled with new data protection principles which place additional emphasis on requiring that data is accurate and that data subjects are fully aware of how their data is being managed, the Committee therefore proposes the creation of a new Electoral Roll ahead of the 2020 Election and the necessary legislation be drafted to this effect.
- 1.6 The decision to introduce Island-wide voting will impact on the costs associated with delivering an election and the SACC will be bringing forward proposals to the States detailing the necessary legislative amendments to the Reform (Guernsey) Law, 1948, as amended (“the Reform Law”) and associated costs to deliver Island-wide voting.
- 1.7 The Committee and the SACC acknowledge the unique challenges that the 2020 General Election will bring and agree that operationally the creation of a new Electoral Roll and the delivery of the 2020 General Election should be progressed as a single project. Essential to the successful delivery of all aspects of the 2020 General Election is the early appointment of a Lead Election Officer.
- 1.8 The Committee has set out the funding that would be required to cover the preparation of an Electoral Roll at a cost of £120,000, and an Election Team at a cost of £260,000. The Election Team would serve the needs of both the SACC and the Committee in the delivery of both the Electoral Roll and the 2020 General Election. The cost of the Election Team is a best estimate based on previous experience, however, there may be additional costs dependent on decisions such as advance polling which is detailed in the SACC’s Policy Letter “General Election 2020” which will be considered on 24th April, 2019 at the same meeting as this Policy Letter.

2. The Electoral Roll

- 2.1 The Committee is mandated “*to advise the States and to develop and implement policies on matters relating to its purpose including... the Electoral Roll*”.
- 2.2 The Reform Law places a number of statutory duties upon the Registrar-General of Electors (the States Chief Executive) to compile the Electoral Roll and facilitate the electoral process in accordance with its provisions. The Registrar-General of Electors (“the Registrar-General”) has through The Public Functions (Transfer and Performance) (Bailiwick of Guernsey) Law, 1991 empowered the Chief Secretary of the Office *of the* Committee *for* Home Affairs to exercise all powers and duties under the Reform Law on his behalf.

- 2.3 Any islander who wishes to vote must be registered on the Electoral Roll. Registration on the Electoral Roll is not compulsory. Islanders who fulfil the eligibility criteria in the Reform Law (namely through age and residency) may submit an application to the Registrar-General to be listed on the Electoral Roll. There are currently 31,869 individuals listed on the Electoral Roll.
- 2.4 The current Electoral Roll was compiled ahead of the 2016 General Election of People's Deputies. The associated enrolment campaign ran from September 2015 to February 2016. The base data contained within the Roll will therefore be nearly five years out of date at the time of the 2020 General Election.
- 2.5 The Electoral Roll created for the 2016 Election was also used for the 2018 Referendum. At the time of the Referendum the Electoral Roll was three years old and while the Registrar-General took steps to enhance the accuracy and comprehensiveness of the Roll, it is clear that there are limited mechanisms to effectively update the Roll to remove individuals who have left the Island or to identify those who may have moved and re-registered. It is, therefore, not considered appropriate to use this Roll for the 2020 General Election.

3 Automated Electoral Roll

- 3.1 Following the 2016 General Election, the Registrar-General completed a comprehensive review of the legislative provisions surrounding the election process and the associated practical processes. This identified a number of areas for further consideration by either the Committee or the SACC. One area identified as meriting further consideration was the possible automated compilation of the Electoral Roll from information held by the e-census. It was recognised that this would negate the need for the public to re-register for each election and reduce the associated costs. The review highlighted that whilst technically possible to compile an Electoral Roll based on the information held by the e-census, it would require primary legislation to be drafted.
- 3.2 In March 2013 (Billet d'État V 2013¹) the States approved the "Rolling Electronic Census Project: Phasing and Legislation". The Policy Letter, presented by the then Policy Council, indicated that the project would be delivered in two phases. Phase One would focus on the delivery of the information contained in a traditional census via electronic means through a new Ordinance (the Electronic Census (Guernsey) Ordinance, 2013) with Phase Two delivering the wider benefits of a central names and addresses catalogue through primary legislation. It was identified that Phase Two could provide for the automated generation of a list of persons eligible to vote, which could be used to create the Electoral Roll.
- 3.3 The Committee understands that Phase Two has prioritised the drafting of

¹ [The Policy Council - Rolling Electronic Census Project: Phasing and Legislation](#)

primary legislation which will support the sharing of data between statutory revenue functions. It is estimated that the creation and testing of a system to support the practical application process will take a further 18 months. Separate primary legislation is necessary to support the creation of an automated Electoral Roll which uses data extracted from the e-census. Given the timelines for the drafting and implementation of new primary legislation, plus the design and testing of a system to support delivery, it is not considered feasible to pursue the option of an automated Electoral Roll for the 2020 Election. The Committee however continues to believe that this should be actively progressed for future elections.

- 3.4 The Committee is of the view that there may be benefit in one Committee taking responsibility for the preparation of the Electoral Roll and the delivery of the election and suggests that a review of responsibilities to coincide with the introduction of an automated electoral roll may be appropriate.

4. Proposal for the way forward

- 4.1 The accuracy of the Electoral Roll is fundamental to the successful delivery of an election. The Committee is of the opinion that the data currently held is insufficiently accurate or comprehensive to act as base data for the 2020 Election. Further the Committee is not persuaded that the existing Roll could be satisfactorily updated so as to comply with new data protection principles in the Data Protection (Bailiwick of Guernsey) Law, 2017, for example the principle of accuracy *“Personal data processed must be accurate and where applicable, kept up to date, and reasonable steps must be taken to ensure that personal data that is inaccurate (having regard to the purpose for which it is processed) is erased or corrected without delay”*.
- 4.2 At the time the data was collected for the 2016 Electoral Roll those registering, were advised that copies of the Electoral Roll would be made available for inspection and provided to candidates standing for election. The requirements of the new Data Protection legislation in this regard are much stricter, for example requiring compliance with data protection principles by design and default and requiring data subjects to be fully informed as to how their data will be used. The creation of a new Electoral Roll would greatly assist the Registrar-General to meet these new requirements.
- 4.3 The Committee notes that there is an extant States’ resolution (Billet d’État XVI 2015²) directing the Committee *for* Home Affairs to consider measures that would facilitate the electronic distribution of manifestos by candidates. The Committee recognises that while there is an ever increasing preference for

² [States’ Assembly and Constitution Committee – Facilitating Electronic Distribution of Candidates’ Election Material](#)

electronic distribution of information, such an approach is not without its challenges. The Committee does not believe that it would be appropriate for the email addresses of the electorate, even with the consent of those islanders, to be shared directly with candidates, believing that it would pose a significant data protection risk if used inappropriately. Further the Committee acknowledges that the gathering of information in respect of the preferred communication methods of individuals is likely to be complex in the context of household registration where individuals within the same home may hold differing views. The Committee therefore believes that while there would be merit in enhancing the digital availability and distribution of election information, this should be seen as an additional offering, over and above traditional communications, rather than a replacement. Individuals wishing to avail themselves of such an option would need to specifically opt in to receive such information electronically and any such information would be distributed by the States of Guernsey.

- 4.4 Registration on the Electoral Roll locally is voluntary. The Roll shows the details of every registered individual who is eligible to vote, including; first and last name, and full postal address. The Roll is published annually for inspection and is also made available to candidates in the run-up to a General Election. The Committee has made representations to the SACC that appropriate amendments should be made to the Reform Law which would facilitate in limited cases the ability to register anonymously on the Electoral Roll. This will be detailed in the SACC's Policy Letter.
- 4.5 Article 25 (3) of the Reform Law provides that the Electoral Roll shall remain valid "until such date as the States may determine by Ordinance". The Committee recommends that the compilation of a new Electoral Roll commence in September 2019 and enters into force on 1st December 2019. The Committee therefore recommends that an Ordinance be enacted terminating the validity of the current Electoral Roll at 23:59 hours on 30th November 2019.
- 4.6 Article 34 (11) (a) provides that the Electoral Roll shall be closed, in respect of an election for the office of People's Deputy, from a date appointed by Ordinance of the States. Mindful of the potential work involved in the preparation of copies of the Electoral Roll for candidates ahead of the nomination period the Committee proposes that, in respect of the 2020 Election, the Electoral Roll be closed on 30th April 2020.
- 4.7 There is the potential for work to be undertaken and funded as part of the Future Digital Services programme which could see new software introduced which depending on the extent of the functionality (in particular in relation to the processing of applications from absent voters) could allow some flexibility in this deadline. If the improved digital option becomes a realistic prospect a change to the closure date could be effected by way of a further Ordinance. It is for this reason that, unlike in previous years, the Committee has consciously

recommended that the new Electoral Roll comes into effect at a date before its official closure, so that the closure date may subsequently be amended without adverse consequences on the validity of the Roll. The Committee has specifically requested that the Registrar-General gives particular consideration to the practical steps necessary should a closure date later than 30th April be adopted.

- 4.8 The Registrar-General has suggested that it may be that a supplementary Roll would be needed, whereby individuals who registered before a certain date would be registered on the substantive Electoral Roll, which would be provided to candidates and would be used for the issuance of postal votes, but those registering after this date would be listed on a supplementary Electoral Roll. Individuals registered on the supplementary Electoral Roll would be able to vote in person on Election Day. The Committee recognises that the possible advantages of such an approach for the electorate needs to be balanced with the increased administrative burden which would be placed on the Registrar-General.
- 4.9 The creation of a new Electoral Roll will require all eligible individuals who wish to be able to vote in the 2020 General Election of People's Deputies to register. The Committee is conscious of the need to actively engage and inform the public to ensure that no islanders are disenfranchised by failing to realise the importance of re-registering. A comprehensive publicity campaign will take place, with the aim of reaching as many islanders as possible and encouraging them to ensure their details are present on the Roll.
- 4.10 As mentioned earlier the Committee is aware that there may be opportunities to further digitalise the election process and is committed to actively pursuing this opportunity. However, considering the tight timetables involved it intends to proceed with preparing the Electoral Roll using current proven technologies, until it can be assured that a fully functioning and tested model will provide a stable platform to support the delivery of the election and provide benefits over the current system. Committee staff will be working closely with the Future Digital Services Programme to ensure, should a fully functioning and tested alternative database be created during 2019, the data held on its database will be transferrable to the new system.
- 4.11 In summary the data currently held on the Electoral Roll database is not considered sufficiently accurate to deliver the 2020 General Election, and so the Committee recommends that a new Electoral Roll is compiled ahead of the 2020 Election and the necessary legislation be drafted to this effect.

5 Resources

5.1 Human Resources

- 5.1.1 Given the potential reputational and other risks associated with the delivery of a General Election the delivery of this project must be a priority for government. In most projects if something goes wrong an explanation can be provided and while the costs or timetable might change, the project continues. In the case of a General Election the stakes are much higher.
- 5.1.2 It is therefore critical that the creation of a new Electoral Roll and the delivery of a new electoral system should be approached as a single project. It is recommended that this is delivered by a dedicated team, headed by a Lead Election Officer. It is not possible to deliver the 2020 General Election within the existing senior staff resources within the Committee or the SACC.
- 5.1.3 To prepare for and successfully implement the new Island-wide electoral voting system there is a requirement for a temporary team to be created, headed by a Lead Election Officer. The team will be responsible for leading the Election 2020 project, providing advice and support to both Committees and a central point of contact for all stakeholders, including the Future Digital Services partner. The Team will complete the administrative functions associated with the compilation of the Electoral Roll and the delivery of the 2020 General Election.

5.2 Financial

- 5.2.1 In order to compile the Electoral Roll, make the necessary election arrangements to prepare for Island-wide voting and support the progression of electronic elections, additional funding will be needed for 2019 and 2020.
- 5.2.2 Staffing costs of £140,500 have been identified for 2019 and £119,500 for 2020. It is acknowledged that the staffing costs are higher than those in 2016; this is reflective of the larger team necessary in order to progress the breadth of projects necessary to successfully implement Island-wide voting and prepare for the future digitalisation of elections and the additional responsibilities attached to the Lead Officer role. It is proposed that the Lead Election Officer be responsible for the management of the entire Election 2020 budget, albeit accounting on different elements to either the Committee or the SACC as appropriate. In addition it is proposed to use temporary staff as opposed to centrally funded placements from the States' Development Schemes who were available in the run up to the 2016 Election.
- 5.2.3 The non-pay costs associated with the creation of a new Electoral Roll have been identified in the table below. These calculations assume the delivery of the Roll

using existing process and do not identify the potential savings that may be achieved through the Future Digital Services process.

Electoral Roll		
	2019	2020
Printing	8,000	3,000
Postage	31,000	2,500
IT	20,000	5,000
Administration / stationery	5,500	3,000
Advertising	31,000	11, 000
Total	£95,500	£24,500

- 5.2.4 The Committee does not consider it appropriate to draw comparisons to the budget for the 2016 General Election as costs associated with the delivery of the election will be detailed separately by the SACC, this will not include staffing costs which are contained within this report.

6 Compliance with Rule 4

- 6.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 6.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 6.3 In accordance with Rule 4(3), the Committee has included Propositions which request the States to approve a total sum of £380,000 with a predicted split of £236,000 for 2019 and £144,000 for 2020.
- 6.4 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.
- 6.5 In accordance with Rule 4(5), the Propositions relate to the duties of the Committee *"to advise the States and to develop and implement policies on*

matters relating to its purpose including [...] the Electoral Roll”.

- 6.6 Also in accordance with Rule 4(5), the Committee consulted The Registrar-General of Electors, the Law Officers of the Crown and the States’ Assembly and Constitution Committee.

Yours faithfully

M M Lowe
President

R G Prow
Vice-President

R H Graham
M P Leadbeater
V S Oliver

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

REVIEW OF STRATEGIC AIR AND SEA LINKS INFRASTRUCTURE

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'Review of strategic air and sea links infrastructure' dated 12 March 2019 they are of the opinion:-

- 1 (a) To agree that no further work is carried out to assess the business case for extending the airport runway outside its current boundaries given the other options available for meeting Guernsey's air links objectives including the work of the States' Trading Supervisory Board investigation to examine the possibility of commissioning 107 metres of starter strip/paved runway end safety area ("RESA") to increase the current available runway length from 1463 metres to 1570 for take-off and landing on RW09 and landing on RW27;

or

- 1 (b) To direct the Policy & Resources Committee to open a capital vote of up to £700,000 to commission further work on the technical, regulatory, environmental and economic business case for the extension of the airport runway beyond the current boundaries to 1,700-1,800m, as set out in paragraph 1.6 of this policy letter.
- 2 To endorse the Policy & Resources Committee using its delegated authority to approve funding of up to £400,000 charged to the Capital Reserve to commission and undertake work on contingency options relating to the Island's sea links, as set out in paragraph 7.20 of this policy letter.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

REVIEW OF STRATEGIC AIR AND SEA LINK INFRASTRUCTURE

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

8 March 2019

Dear Sir

1. Executive Summary

- 1.1 Air and sea links connectivity is recognised as a priority in the Policy & Resource Plan agreed by the States of Deliberation. The Policy & Resources Committee is aware of the robust strength of feeling amongst the resident and business community in the Island that meaningful and sustainable change is required in order to secure and enhance the Bailiwick's transport links.
- 1.2 The Committee is under no illusion that effecting this change is critical for the future economic and social wellbeing of the Island, but is cognisant that a number of steps have been taken over the previous 15 months which have enhanced air links connectivity, catalysed by the review that has been undertaken by the Committee. Conversely it believes that in the longer-term, it is the duty of the Committee to ensure contingency options in relation to sea links are assessed given the potential sale of Condor Limited by its owners, the Macquarie Group, and that **it is in relation to sea links where there is the greatest potential risk.**
- 1.3 The Committee commissioned PricewaterhouseCoopers CI LLP ('PwC') to undertake a study of air and sea links infrastructure during 2018. The study provides the level of expertise and analysis that the Committee had identified as being useful to its decision-making, and is grateful for the high quality of the work undertaken. The study is divided into two reviews, one of air links infrastructure and one of sea links infrastructure. Both of the reviews have been shared with the Committee *for* Economic Development, the Committee *for the* Environment & Infrastructure and the States' Trading Supervisory Board, and it is the view of the Committee that the overall study is useful in a number of areas of transport connectivity policy development. The review of air links is appended to this policy letter. The review of sea links is not, as it contains information that is commercially sensitive to third parties and the States of Guernsey.

1.4 The Committee supports much of the analysis provided by PwC in relation to air links infrastructure:

- That enhancing Guernsey's air links in the short-term is most likely to be achieved through market-based rather than infrastructure options, given any extension of the Guernsey airport runway outside of the current airport boundaries is likely to take five years or more;
- That larger aircraft might lead to more affordable fares, but would also lead to reduced frequency;
- That a significant number of carriers and fleets can use the existing Guernsey airport runway infrastructure at the runway's current length, with PwC estimating that there are currently c.680 such aircraft in service in Western Europe, with a further 50 currently on order;
- That an extension of the runway to 1,570m would be within the current airport boundaries and may provide additional connectivity;
- That the critical requirements for the economy are maintaining and enhancing frequency and connectivity, and these are unlikely to be achieved through either the use of bigger aeroplanes flying to and from Guernsey less frequently; or through an increase in the number of point-to-point low cost carriers that can operate to and from Guernsey;
- That extending the Guernsey airport runway to 1,700-1,800m may make it more accessible to some carriers on some routes, but that does not mean that those carriers will want to come to Guernsey without additional potentially significant financial investment in route development support;
- That extending the runway to 2,000m plus is unfeasible for financial and environmental reasons and should not be considered as a viable option; and
- That Guernsey has excellent air connectivity, and indeed that Guernsey's air connectivity has improved since the study was commenced.

1.5 The Committee disagrees with PwC's recommendation of undertaking further work to explore the business case for the extension of the Guernsey airport runway to 1,700-1,800m. This is not because PwC's overall analysis is flawed, but because the Committee needs to take into account financial and environmental matters that PwC does not. The Committee's view is that the States of Deliberation and the community will not in the final analysis support the financial and environmental cost of extending the airport runway beyond its current boundaries. This would also lead to further capital expenditure and additional fixed costs associated with operating an airport scaled to service aircraft with a significantly larger payload. As the guardian of taxpayers' money, the Committee cannot recommend using taxpayers' money on a piece of work to explore a project that it strongly believes will not be progressed.

1.6 If the States of Deliberation disagrees with that assessment and approach set out in the policy letter, they can support proposition 1 (b). The Committee has ascertained through a recent tender process that the work required to consider the technical, regulatory, environmental and economic aspects of extending the airport runway beyond the current boundary to 1,700-1,800m would cost up to £700,000.

- 1.7 The Committee supports PwC's analysis of market-based options for enhancing Guernsey's air links connectivity, and agrees with the identified benefit of being able to use these options to target investment, to create flexibility in meeting specific challenges and opportunities, and to make expeditious improvements. The Committee notes that these options are already being progressed, and that the investment in these options demonstrates a commitment across the States of Guernsey to invest in Guernsey's air links. Examples of this are:
- The Committee *for* Economic Development has used funding from the Future Guernsey Economic Fund, with the support of the Committee, to secure a pilot link from Guernsey to Heathrow from March to October 2019¹;
 - The application by Guernsey airport of a route development airport charges discount policy for new routes²;
 - The States of Deliberation has agreed to the use of Public Service Obligations on routes designated as lifeline³; and
 - The adoption by the States of Deliberation of a "quasi-open skies" approach from September 2018 has enabled the liberalisation of the licensing framework⁴.
- 1.8 The Committee supports PwC's analysis of technology options, and welcomes the utilisation of ClearView technology by the newly ordered Aurigny fleet, which was approved by the States in December 2018.
- 1.9 The Committee's view is that the success so far of the market-based options and the use of a technology solution as part of the new Aurigny fleet further reduces the need for a runway extension to 1,700-1,800m that would take a minimum of five years to put in place and would not guarantee greater frequency or resilience.
- 1.10 The Committee welcomes the States' Trading Supervisory Board's work in response to Deputy Kuttelwascher's successful requête⁵ supported by the States of Deliberation in October 2018 to examine the possibility of commissioning 107 metres of starter strip/paved runway end safety area ("RESA") to increase the current available runway length from 1463 metres to 1570 for take-off and landing on RW09 and landing on RW27, and supports in principle the extension of the runway area in this way. The Committee will view with interest the outcome of that work and the proposed next steps when the States' Trading Supervisory Board reports back to the States of Deliberation, which is anticipated in June 2019.
- 1.11 The Committee welcomes PwC's confirmation of the importance of the Island's sea links to its economic and social wellbeing. **PwC advocates that the Committee ensures that this critical connectivity is protected from disruption in the long-term through effective contingency planning** in the event that the potential sale of Condor Limited leads to a reduction or loss of sea link services.

¹ <https://www.gov.gg/article/170451/Flybe-announces-daily-airlink-to-Heathrow-from-Guernsey>

² <https://www.airport.gg/airport-fees-charges>

³ Billet D'État XIX, approved by the States of Deliberation on 18 July 2018

⁴ Billet D'État XIX, approved by the States of Deliberation on 18 July 2018

⁵ <https://www.gov.gg/article/165966/Requete---Deputy-Kuttelwascher-and-6-other-Members>

- 1.12 The Committee believes that only two of the four contingency options considered by PwC merit further analysis at this stage: on assessing the capacity and appetite of other ferry operators to operate a ferry service to Guernsey should Condor Limited not be in a position to provide the required services in the future; and on examining the cost and feasibility of establishing a stand-alone ferry service should it be required in the future. This will ensure that the States of Guernsey is prepared for any eventuality as the sale process of Condor Limited progresses.
- 1.13 Whilst those two contingency options would not mitigate any short-term risk, it may be that the further work undertaken on assessing the capability and capacity of other ferry operators to operate a service demonstrates that there is not sufficient capability or capacity in the event that it is required. On that basis, the only other option would be for the States of Guernsey to establish a stand-alone service. This would be a complex and medium-term process, so in the event that it could be required in the future, it would be useful for some initial preparatory groundwork to be undertaken. The Committee is not suggesting that either contingency option is a preferred or likely option; but it does note PwC's view that contingency planning in this area is important, just as it is on other significant matters of public service delivery.
- 1.14 The Committee is seeking the States of Deliberation's support to use its delegated authority to spend up to £400,000 on that work, which is what the most recent tendering exercise indicated that it might cost.
- 1.15 The Committee also welcomes and supports PwC's analysis that the States of Guernsey should work closely with Condor Limited and its owner in order to be fully appraised of developments in relation to any future change of ownership, and to negotiate the best possible service. The Committee has met with Condor Limited's owners in relation to the former, and the Committee *for* Economic Development has the mandate to undertake the latter, which the Committee understands that the current Committee *for* Economic Development is actively undertaking.

2. The study undertaken by PwC

- 2.1 In the June 2017 States' debate on the Medium-Term Financial Plan, the Policy & Resources Committee tabled a successful amendment⁶:

The island's strategic air and sea links are of vital importance to achieving the outcomes agreed in phase one of the Policy & Resource Plan, and should be considered in their totality. The potential extension of the Guernsey airport runway is only one component of this. As such, the Policy & Resources Committee are recommending that a review of strategic air and sea links, including the associated infrastructure, be included in the portfolio of pipeline projects. This review would provide the information required for the States Assembly to make evidence based decisions on the future of the island's strategic air and sea links.

⁶ <https://www.gov.gg/article/160174/Policy--Resource-Plan---Phase-Two> - amendment 32 to Billet D'État X11, June 2018

The Policy & Resources Committee would commission an independent external expert to complete the review. This is consistent with the processes of the capital prioritisation process that were agreed by the States of Deliberation.

Therefore the Review of Strategic Air and Sea Links Infrastructure was added to the list of pipeline projects in the States' capital portfolio.

2.2 During the second half of 2017, the then Committee for Economic Development led on the review, co-ordinating the terms of reference, engaging in a market testing dialogue with external experts, and producing a 'long list' of potential external experts who were invited to discuss the review and its scope in December 2017. This then led to a procurement process using a revised terms of reference during Q1 of 2018, which was led by the Policy & Resources Committee. In May 2018, PwC was appointed as the consultant to carry out the study on Guernsey air and sea links infrastructure.

2.3 The scope of the study was to:

- Review all relevant and available studies, agreements or other literature that the States of Guernsey and/or key stakeholders have access to. Identify any areas where there are gaps, and any areas where lack of quality means there is not sufficient confidence in the conclusions;
- Conduct an initial round of stakeholder engagement to seek out different opinions, perspectives and any other information that would be relevant;
- Conclude, based on the work available and the initial stakeholder engagement, on the list of feasible options and give a preliminary evaluation of their relative pros and cons;
- Provide a report outlining findings, conclusions and recommendations; and
- Co-develop, with the States of Guernsey, a more detailed, focused and efficient programme of work and stakeholder engagement that would enable the States of Guernsey to determine the most suitable option(s).

2.4 The sea links review focused on a first phase of providing a high level examination of possible contingency options for the future service provision for Guernsey's ferry services. These options were assessed in the context of the States of Guernsey being informed that the owners of Condor would be seeking a buyer for that business.

3. Strategic context

3.1 The Policy & Resource Plan identifies air and sea links as one of the States priorities and sets out:

"This priority will provide support to the maintenance and investigation of options for the expansion of air and sea links so that Guernsey is well connected with the UK and Europe. It is essential that the island has robust, sustainable, reliable and affordable air and sea links in order to deliver a dynamic and growing economy. This incorporates business travel to/from the island, visitor and local travel to/from the island, and the import/export of freight.

“Connectivity to major UK and international airport hubs is also a key requirement for both business and leisure travellers, and a reliable schedule and frequency of air and sea services is vital if Guernsey is to facilitate and develop its economic development opportunities.”

- 3.2 Air and sea links are vital to achieve and enable economic growth, to meet the demands of business users, residents and leisure visitors and to enable social and cultural exchange. Despite the significant changes across the air and sea transport sectors in recent decades, broadly speaking the principle remains that business travellers will predominantly use air transport and tourism visitors will predominantly use sea transport. The Committee is determined to address the concerns that air and sea link connectivity appears to be under-performing in a number of areas; and to do so in a way that provides long-term certainty rather than short-term fixes.

4. The work undertaken by PwC – context

- 4.1 During September and October 2018, the Committee considered the two reviews provided by PwC as part of its study. Subsequent to those considerations, the Committee directed officers to prepare an update for the December 2018 States meeting which set out the preferred options and costs for the next phase of the review.

- 4.2 Following that, there were three developments of relevance:

- The States’ Trading Supervisory Board was finalising a policy letter on the purchase of the three new ATR aircraft, which was approved by the States at its December 2018 meeting. The propositions in the policy letter were supported by the Policy & Resources Committee;
- The Committee for Economic Development was finalising a policy letter on the policy and investment objectives for air and sea links which was approved by the States at its December 2018 meeting. The propositions in the policy letter were supported by the Policy & Resources Committee; and
- The States of Deliberation approved Deputy Kuttelwascher’s requête, directing the States’ Trading Supervisory Board to report back to the States during the first quarter of 2019 on the potential 107m RESA.

- 4.3 Those developments meant that on 20 November 2018 the Committee considered again its response to the recommendations of the two PwC reports. The Vice-President of the Committee set out the views and recommendations of the Committee in an update statement to the States of Deliberation on 12 December 2018⁷, and those views and recommendations are reflected in this policy letter.

⁷ <https://www.gov.gg/article/169576/Statement-by-the-Vice-President-of-the-Policy--Resources-Committee>

- 4.4 The two PwC reviews were shared with the Committee *for* Economic Development and the States' Trading Supervisory Board in September 2018 and the Committee *for the* Environment & Infrastructure in October 2018. The air links review was also shared with the Scrutiny Management Committee in January 2019.
- 4.5 The two reviews provided by PwC have been of value for a number of areas of work on air and sea links and the Committee very much welcomes the input and expertise provided, and the constructive and comprehensive approach taken by PwC. However the Policy & Resources Committee has also brought its political judgement to bear on the findings and recommendations put forward by PwC, as well as considering other developments in 2018 such as the move to 'quasi-open skies'; the airport's new more competitive route development charge discount policy; the work of the States' Trading Supervisory Board on extending the RESA area; and those set out in 4.2 above. In addition, in January 2019 the Committee was made aware of the potential establishment of a pilot service from Guernsey to Heathrow, which was confirmed publicly by the Committee *for* Economic Development on 21 February 2019.
- 4.6 The review of air links is attached as appendix one to this policy letter. The review of sea links is not attached and at this stage will not be published in full. This is because it contains commercially confidential information relating to the States of Guernsey and third parties.
- 4.7 In December 2018 the States Assembly agreed the following **core strategic objectives** for air and sea links and connectivity:
- Meet the majority, if not all, of the current and future requirements of the residents of the Bailiwick;
 - Enable economic growth; and
 - Increase visitor numbers.
- 4.8 In order to achieve the core strategic objectives, **critical success factors** were identified. These are what need to be done well in order to achieve the core strategic objectives. The critical success factors agreed by the States Assembly for air and sea links are that they must:
- Act as an economic enabler;
 - Act as a social/cultural enabler;
 - Be affordable;
 - Be sustainable;
 - Optimise choice and flexibility of connections;
 - Provide reliability and continuity of service; and
 - Deliver the identified air and sea link connection priorities, including frequency.

5. Air links

- 5.1 PwC summarised the States of Guernsey's objectives for maintaining and improving air links to and from the Island as:

- To maintain and expand its air links so that Guernsey is well connected with the UK, other Channel Islands and Europe;
- To ensure that these air links are reliable, sustainable and affordable to all parts of the Island's population and the visitor market; and
- To ensure that air links enable existing business to function appropriately and support the expansion of all types of economic activity.

5.2 PwC recognised that determining the most cost-effective way to achieve these goals is complex, not least because it requires the consideration of a number of inter-related factors including:

- The airport and its infrastructure;
- Route licensing and connectivity;
- The role and objectives of Aurigny;
- Interplay between other modes of transport (in particular sea links); and
- Underlying demand for travel, including the different requirements and expectations of residents, tourists and business travellers.

Scope

5.3 PwC was asked to undertake an initial study focused on understanding the current and perceived performance of Guernsey's air transport links, reviewing a long list of potential infrastructure options and making initial recommendations as to which options should be shortlisted for further analysis. PwC was not asked to review Aurigny's strategy or operating model, nor the current air licensing framework. However a number of points were made in its findings and recommendations which reflected on Aurigny's operations, and the Committee's view in relation to these points is set out in 5.19 and in section 6 below.

Current and perceived performance of Guernsey's air links

5.4 PwC recognised that air links are critical to the economic and social wellbeing of Island communities. It also recognised that the States of Guernsey faces the challenge of maintaining and growing their air links to support economic development as well as providing essential transport services to the community.

5.5 The total number of passengers flying to/from Guernsey has been declining at 1.3% per annum from c.900,000 in 2008 to c.808,000 in 2018. This represents a 1.0% decline per annum over the last decade. Guernsey's leisure and business travel has been declining most strongly. This is in contrast to growth in total EU air transport of c.1.2% per annum, and growth in Jersey passenger movements of 2.3% per annum. The Committee welcomes Guernsey airport's new business plan and specifically its objectives to increase passenger numbers to 855,000 passengers per annum.

- 5.6 **PwC found recognition among stakeholders that the decline in passenger numbers is not solely due to factors relating to the air transport service.** For example, the States of Guernsey's consideration of its tourism strategy highlighted a need to invest in Guernsey's product offering (hotels, attractions and marketing) in order to compete with other holiday destinations.
- 5.7 The Committee's view is that the comparison with Jersey is not an apt one, particularly from a critical mass perspective. Jersey has 70% more residents (44,000 more people) and if it is taken that on average people will make 10-12 journeys each year then a rough but cautious estimate would be that Jersey has somewhere between 400-500,000 passenger movements per year. Jersey has had a different licensing framework in place for a number of years, has a different approach to route development support, and does not have ownership of slots into Gatwick Airport through a government-owned airline.
- 5.8 In evaluating the quality of Guernsey's air links, PwC considered three main attributes: connectivity, reliability and affordability.
- **Connectivity** represents how easy it is to get to the destination of your choice. It includes:
 - the number of destinations served directly;
 - the quality of those destinations in terms of their onward connections; and
 - the frequency and convenience of flight schedules.
 - **Reliability** represents how often flights leave/arrive on time. It includes:
 - resilience to bad weather conditions;
 - maintenance of the existing fleet; and
 - availability of contingency aircraft if needed.
 - **Affordability** refers to the cost of tickets, both in absolute terms and relative to similar routes from comparable destinations.
- 5.9 PwC noted that it is difficult to maximise all three attributes at the same time. Making policy decisions requires a trade-off on the relative importance of each attribute. Moreover, different passenger segments (businesses, tourists and residents) attach different priorities to each attribute. PwC therefore engaged with representatives of all three groups to understand their views with respect to each of these attributes.

Connectivity

- 5.10 Guernsey is currently served by 16 routes but did not at the time of the review have direct access to a global connecting hub. However the Committee *for* Economic Development, with the support of the Policy & Resources Committee and the airport, has now established a seven-month initial pilot link between Guernsey and Heathrow, with an ambition to that continuing on a longer-term basis if the route and service is judged a success, in terms of passenger numbers and economic benefits.

- 5.11 PwC was clear in its view that at the time of the review Guernsey is relatively well connected for an Island of its size. Since the completion of the PwC study, new routes are being operated between Guernsey and Edinburgh, Glasgow, Liverpool, Southend, Bournemouth, Newquay, Groningen as well as Heathrow, and it is the clear view of the Committee that Guernsey's connectivity is, relatively speaking, very good for a community of its size.
- 5.12 PwC reported that business and tourism stakeholders hold the view that a lack of connectivity will harm Guernsey's competitiveness as a destination, both in the eyes of travelling executives and the recruitment of employees. Business travellers value connectivity and frequency highly, and in particular value reliable early morning/late evening flights to enable day trips and efficient use of time. Business stakeholders highlighted the shortcomings of reliance on Gatwick as a connecting hub, and the Committee notes that the operation of the Heathrow route has had strong support from many businesses in enhancing the connectivity into London as well as through an international hub.
- 5.13 The Committee strongly concurs with the view of PwC that connectivity and frequency are critical for businesses and the economy. Its view is that one of the benefits of a runway extension extolled by those who support it is that it will bring in low cost carriers who will seek to reduce cost, and larger carriers with larger planes who will fly in and out less frequently. **This combination would be at odds with the stated requirements of the business community and the economy as set out in PwC's report.**

Reliability

- 5.14 PwC noted that bad weather delays have been more frequent since 2015. Delays often occur in the morning, disproportionately affecting business travellers and impacting through the rest of the day. Both businesses and residents are incurring additional costs from disruption e.g. travelling the day before critical meetings or flight connections to ensure punctuality. Stakeholders were more accepting of weather delays than delays due to maintenance or aircraft availability issues.
- 5.15 The Committee notes the comments of PwC and stakeholders in this respect. It agrees with PwC that the airport management should consider what measures can be put in place to reduce delays, including through the use of technology. However the Committee also acknowledges that the airport does not have in its gift the removal of all of the causes of delays. It also notes that the airport management and the States' Trading Supervisory Board have demonstrated a desire to look at the use of technology to support reliability where it is appropriate.

Affordability

- 5.16 PwC noted that fares from Guernsey to Gatwick are typically more expensive than fares from Jersey, and have risen since Flybe ceased its service in 2014. Respondents noted that self-connecting flights were subject to 'double Air Passenger Duty' as single-ticket options were limited.⁸
- 5.17 PwC noted that air fares are a particular concern for residents, for whom they pose a barrier to social inclusion and essential services. There is a fear that the high cost of air travel to and from Guernsey is deterring new business and tourism.
- 5.18 PwC also engaged with a number of airlines in order to understand our positions and requirements; and used their knowledge of aircraft in service and on order in Western Europe to frame their analysis.
- 5.19 The Committee offered Aurigny the opportunity to respond to the points in relation to fares in 5.15 above. The PwC report includes a graph illustrating the difference in air fares on London routes from Guernsey and Jersey. It suggests that there has been a substantial increase in fares on the Gatwick Guernsey route since Flybe withdrew from this market in 2014 and that the average one-way fare on the route in 2017 was c. US\$170 according to PwC's report. This data is not recognised by Aurigny and is rejected as being wholly inaccurate for the following reasons:
- If the average fare on the Gatwick route had been US\$170 per passenger, then Aurigny's passenger revenues on that single service alone in 2017 would have been US\$56m (or £43m) and, as such, more than the airline actually earned across all its routes. The Aurigny Group's published accounts show that its total passenger revenues across its entire network in 2017 amounted to only £41.6m;
 - The data ignores the fares target placed on Aurigny by the States of Guernsey since 2014 when it became the sole operator on the Gatwick route. Aurigny's compliance with this (and other) targets were reported to the States by the Committee *for* Economic Development in its policy letter to the States on air transport licensing in 2018. This noted that, initially, Aurigny was required to ensure that 60% of its fares should be available at £65 or less. By 2017, this had been updated to 63% at £69.50 or less. The policy letter noted that Aurigny consistently met or exceeded this target; and
 - The source data for this graph excluded fare information on tickets purchased directly with Aurigny through its website, which accounts for the vast majority of its bookings. Based on an analysis of all its bookings, rather than the more limited sample used by PwC, Aurigny has confirmed that its average one-way fare on the Gatwick service in 2014 was £63, increasing to £70 by 2017 (excluding UK Airport Departure Tax). It should also be noted that, at the time, Aurigny's fares were inclusive of baggage charges, whereas British Airways' and easyJet's were not.

⁸ Given Aurigny is not a member of any alliance or code-shares, passengers pay Air Passenger Duty multiple times, e.g. on connecting flights from Gatwick.

Aviation industry context

- 5.20 The existing runway at the airport is 1,463m long. This means that some aircraft cannot land on it, or would require payload restrictions. These primarily include the Airbus A320 family of jet aircraft (operated by airlines including British Airways, easyJet and many others) and the Boeing B737 family of jet aircraft (operated by Ryanair, among others).
- 5.21 However, PwC confirmed that there are many other aircraft that **can** land on the current runway. These include regional jet aircraft such those made by Embraer (operated by Flybe, Aurigny and others), regional turboprop aircraft such as those made by ATR (operated by Aurigny and others) and Bombardier (operated by Flybe, Eurowings and others).
- 5.22 PwC confirmed that this means there is no shortage of aircraft operating in Europe that can use the current runway. PwC estimates that there are currently c.680 such aircraft in service in Western Europe, with a further 50 currently on order. Regional aviation is a recognised segment of the aviation industry, with regional airlines playing a key role in connecting communities and feeding major hubs. In recognition, regional jets and turboprops are a key market segment for manufacturers such as Embraer, Bombardier and Airbus, all of whom are investing in their portfolio and introducing new aircraft (for example see Airbus' partnership with Bombardier on the CS100/A220 aircraft). In addition the Committee notes that Boeing has entered into a strategic partnership with Embraer that will establish a joint venture made up of Embraer's commercial aircraft and services operations. Boeing will hold 80% of the new company and Embraer 20%. Embraer has also recently started deliveries of its Next Generation E-Jet (new version of the Embraers operated by Flybe and Aurigny) as part of its investment in its product line.
- 5.23 The majority of these aircraft are flown by regional carriers. If Guernsey wants to attract low cost airlines on the widest possible range of routes it will need a longer runway. For example, easyJet has the fleet and scale to expand quickly and develop new markets and routes, and the potential to deliver lower average fares than regional airlines.
- 5.24 However, PwC's review emphasises that it is important to acknowledge the differences in the business models between low cost airlines and traditional airlines. Low cost airlines typically:
- Are not 'connecting' airlines, in that they fly point-to-point, do not normally serve hub airports, and do not typically sell connecting flight tickets;
 - Are more likely to adapt capacity to seasonal demand, adding in extra capacity during peak summer months but reducing capacity during winter;
 - Price dynamically - headline pricing may be attractive but last-minute prices can be as (or more) expensive as traditional airlines;

- May operate a lower frequency on any given route due to the larger size of their average aircraft; scheduling of flights is often a function of aircraft availability rather than traveller requirements;
- Manage their route network actively, meaning that they can shut down routes at short notice if they do not meet the required commercial thresholds; and
- Expect significant market support in order to base aircraft and grow route networks.

5.25 Low cost carriers' performance can be managed through commercial agreements but requires clear goals and objectives in order to maintain a long term relationship. Examples of the possible fragility can be seen with Ryanair's relationships with, for example, Stansted Airport and Glasgow Airport. Additionally, the Isle of Man is an example of an airport where the introduction of a low cost airline, in this case easyJet, has had negative impacts on scheduling.

5.26 The Committee's view is that given the new routes now in operation in Guernsey and the establishment of a quasi-open skies policy which liberalises the aviation market, it is clear that there are limited barriers to entry for operators wanting to set up new routes. **Given PwC's analysis on the number of potential operators who can take off and land on the current runway, there is likely to be a limited return for the community on a hugely significant investment of taxpayer funds, likely to be in the order of tens of millions of pounds.**

Infrastructure options

5.27 PwC noted that all of the infrastructure options have significant upfront costs. These options would require long-term business case analysis and accurate construction costings so that the 'best' option for Guernsey can be identified. The costs of infrastructure projects are not simply financial, but also environmental and social, and PwC noted that these options are likely to be highly sensitive to the community and impact both direct users and other stakeholder groups, in particular residents near the airport. For example, PwC noted that any option that extends the runway beyond the current airport boundary may entail land purchases and building and community relocations.

5.28 Infrastructure options considered by PwC included:

- Runway extension to 1,570m (this is the maximum length possible within the current airport perimeter);
- Runway extension to 1,700m (this is the same length as Jersey);
- Runway extension to 1,800m (this was the length likely to encourage low cost carriers such as easyJet to consider operating in Guernsey);
- Runway extension to 2,000m (this would allow B737 aircraft to operate, for example by Ryanair); and
- Investment in landing systems.

- 5.29 PwC noted that each incrementally longer runway extension could bring additional optionality to Guernsey in terms of the aircraft it would enable to land, and hence the number and type of airlines that could (in theory) operate into Guernsey.
- 5.30 However PwC also noted that whilst the provision of a longer runway will provide sufficient infrastructure for expanded airline operations, **there is no guarantee that airlines will provide any additional capacity without further financial and commercial support.** Airline fleets are finite, and airports and communities compete for routes. Airlines select routes based on perceived profitability and commercial risk considerations, not simply on their ability to land.
- 5.31 Instrument landing systems (ILS) are aids that enable landing in poorer visibility. The airport currently has Category 1 ILS, the most basic system. Upgrading the airport to Category 2 or 3 could reduce the number of flights that cannot land due to fog. PwC's review pointed out that an extension beyond the current airport boundary is also necessary for the implementation of a Category 3 solution. PwC noted that there are also aircraft-based solutions to reduce bad weather delays, such as Aurigny's new fleet that is being supplied with Clear Vision systems.
- 5.32 The Committee recognises PwC's analysis that extending the length of the runway does not automatically bring new operators or routes to Guernsey; and that encouraging operators to do so may require significant route development support in addition to the investment in the airport and runway infrastructure. The Committee also notes that there are many operators and fleets that could operate with the current existing infrastructure, who are being encouraged to do so through the market-based initiatives the States has undertaken.
- 5.33 Any extension of the airport boundary will lead to further capital expenditure, for example: terminal building alterations; emergency tenders; fuel storage capacity; and capacity of the site for vehicle parking for travellers and operational staff would need to be considered. Fixed costs associated with operating an airport scaled to service aircraft with a significantly larger payload may also increase and there may be training requirements. Of course these can be quantified and the Committee would require such extra considerations to be explored in any business case if the Assembly is minded to investigate extending the boundary of the airport to accommodate a longer runway.
- 5.34 In addition, the Committee does not believe that the size of Guernsey's population could appeal economically to a significant number of low cost carriers; nor that the operation of a significant number of point-to-point low cost carriers would improve Guernsey's overall connectivity. Low cost carriers price dynamically as they have different business models, and often last minute prices on low cost carriers are more expensive than on network carriers.

Market-based options

- 5.35 PwC noted that market-based options do not involve large upfront capital expenditure. Instead, these options require ongoing and targeted expenditure to support particular routes or airlines. This expenditure profile makes these options lower risk, as they can be stopped if they do not provide the desired result, though it also means that the expenditure is ongoing.
- 5.36 The aim of market-based options is to bring increased connectivity by changing the basis of investment decisions by airlines. These options can target particular outcomes, but need to be carefully considered in order to provide lasting legacy.
- 5.37 PwC's report looked at market-based options including:
- Route support and development to acquire a new connecting hub e.g. Heathrow;
 - Route development support and incentivisation for both existing and future operators to provide improved connectivity and destination range;
 - Potential use of Public Service Obligations (PSO) structures; and
 - Liberalisation of the Guernsey aviation market.
- 5.38 The Committee notes that these options can still be costly, but are targeted and carry less risk. Moreover, during 2018 and the first part of 2019 significant steps have been taken in respect of each:
- Route support and development to acquire a new connecting hub was put in place by the Committee *for* Economic Development, with the support of the Committee and the airport in February 2019, at an overall cost of £825,000 to secure a seven-month pilot service to Heathrow;
 - Route development support and incentivisation is in place, through the airport's route development charge discount policy, which has been of assistance and is in place for any operator putting in place a new route. The Future Guernsey Economic Fund has also been used to support the investment objectives agreed by the States in December 2018. However of the eight new routes put in place since September 2018, only one – Heathrow – has required support from the Future Guernsey Economic Fund;
 - PSOs are being established for lifeline routes; and
 - Liberalisation of the Guernsey aviation market is the outcomes of the changes to the transport licensing framework following the adoption in September 2018 of the quasi-open skies approach.

Recommended next steps – infrastructure options

- 5.39 PwC's recommendation is that the 1,570m extension appears to be the best runway option if it is feasible from a commercial and operational perspective for more than one airline.

- 5.40 **The Committee agrees with PwC's view that as the 1,570m runway does not break the boundary of the airport, and if it allows an A319 aircraft to land, then it would represent a relatively low cost and potentially beneficial solution that should be relatively quick to deliver. The Committee does not believe any further work from an independent consultant is required given the work that the States' Trading Supervisory Board is already undertaking an assessment of the potential for extending the RESA. The Committee notes that in due course the States' Trading Supervisory Board will report back to the States of Deliberation.**
- 5.41 PwC's recommendation is that the primary alternative to the 1,570m option would be an extension of the airport runway to 1,700-1,800m. Their view is that there are potential additional benefits and it is lower risk in the longer term, although there may be a substantial cost difference.
- 5.42 **The Committee notes that PwC says that a 1,700-1,800m runway could provide benefits in terms of opening up Guernsey to a wider range of fleet and airline options, including British Airways and European charter operations. However PwC has also noted that there is no guarantee that this could be the case, and that there are many current options for operators and fleets with the existing runway structure.**
- 5.43 **The Committee notes that a 1,700-1,800m runway breaks the existing airport boundary and therefore increases substantially the financial, environmental and political hurdles and the time needed to deliver it. The Committee's view is that overall the States Assembly and the community is unlikely to be persuaded that the highly significant financial and environmental costs are worth paying for what may be a limited return on investment, and for increases in connectivity that can be delivered through one or more of the options of extending the airport runway RESA, the use of ILS technology, and market-based options.**
- 5.44 **The Committee takes its role as the guardians of taxpayers' money very seriously. It cannot support undertaking further work on an option that it does not believe will have the support of the States or the community. However, if the States Assembly believes differently the Committee will commission that work.**
- 5.45 PwC say that it does not believe that the additional benefit of a 2,000m+ runway would justify the extra cost and time required. Its initial observation is that there are more than enough A320 family operators (low cost and network carriers) to provide airline optionality on a 1,700-1,800m runway. The additional marginal benefit of being able to attract B737-800 operators as well (specifically Ryanair) is, in the view of PwC, unlikely to outweigh the additional cost of this option. On that basis PwC does not recommend this option being taken forward at this point.
- 5.46 **The Committee agrees with PwC's recommendation not to undertake any further work in relation to a 2,000m+ runway.**

Recommended next steps - technology options

- 5.47 PwC's report demonstrates that there are land-based and on-aircraft solutions for mitigating the impact of bad weather in Guernsey.
- 5.48 The Committee favours actively exploring the use of other technologies. PwC's report sets out that it is possible to have future aircraft equipped with on-aircraft technology, such as Aurigny's ATR600s with Clear Vision. However, not all aircraft are suitably equipped. It will take time for aircraft equipage to catch up to allow tangible improvements for Guernsey.
- 5.49 **The Committee concurs with PwC's recommendation that on-aircraft solutions should be considered. Following the States' approval of the December 2018 policy letter, Aurigny has now placed an order for the purchase of three new ATR72-600 aircraft, which will be equipped with the 'ClearVision' system to reduce flight delays and cancellations arising from poor visibility. Approximately one-half of Aurigny's capacity between Guernsey and the UK is provided using the ATR aircraft and, as such, the system offers a good opportunity to reduce weather related disruption for passengers on some flights.**

Recommended next steps - market-based options

- 5.50 PwC's report recommends that market-based options should be taken forward and developed as part of a holistic response strategy that is not solely dependent on runway extensions. PwC points out that these options are lower risk because they do not involve up-front capital cost and can be terminated or modified if they are not working. They also offer a more immediate response than runway extensions, which may take five years or more before they are operational. They can be developed as part of a holistic air links strategy that involves infrastructure, operational and regulatory improvements.
- 5.51 **The Committee concurs with PwC's recommendation in relation to market-based options and is working with other Committees of the States to ensure that this approach is undertaken in an effective, targeted and consistent way.**
- 5.52 PwC's report states that there are significant connectivity benefits to Guernsey that would arise through connecting to a base carrier hub. Of these, Heathrow is by far the most beneficial and all Heathrow options should be strongly considered. **The Committee supported the Committee for Economic Development in establishing a seven-month pilot Guernsey to Heathrow route from 31 March 2019.**
- 5.53 PwC's report recommends that PSO routes to Gatwick and Alderney should be considered as a non-runway method of improving affordability.
- 5.54 **The Committee concurs with PwC that a PSO would allow the States to focus on Guernsey's lifeline routes and dictate the exact service levels provided. The Committee for Economic Development is currently co-ordinating this work.**

6. Aurigny

- 6.1 While outside the scope of its study, PwC noted that the States of Guernsey has the ability to utilise Aurigny to provide fleet and capacity on any of the routes discussed. It added that any infrastructure and market-based solutions should be considered with Aurigny's future strategy in mind.

Fleet optimisation

- 6.2 With regard to fleet optimisation, the PwC report notes that a review of the current Aurigny fleet would help to determine how the fleet could be optimised and should include consideration of the relative merits of leasing or purchasing aircraft.
- 6.3 In accordance with the 2017 recommendations of the Policy & Resources Committee following its Strategic Review of Aurigny, the airline has already undertaken a review of its fleet. This was completed in 2018. Subsequently, the States' Trading Supervisory Board (STSB) commissioned an independent review and verification of its findings. The results of this exercise were presented to the States by the States' Trading Supervisory Board in 2018 in its policy letter on Aurigny's ATR 72-600 aircraft acquisitions and concluded that the optimum fleet mix for its Gatwick and other UK services remained the single Embraer jet and three ATR72 aircraft. No reduction in fleet complexity was envisaged for good reasons, given the requirement for Aurigny to provide sufficient capacity to meet the Island's needs on the Gatwick route. The policy letter also included a detailed assessment of the pros and cons of either purchasing or leasing aircraft within the context of Aurigny's fleet requirements.

Interlining and codeshares

- 6.4 The PwC report suggests that an IATA Operational Safety Audit (IOSA) may be required to enable Aurigny to interline or codeshare with other airlines. Following the 2017 recommendations of the Policy & Resources Committee after its Strategic Review of Aurigny, the airline has undertaken an assessment of the pros and cons of undertaking the IOSA. Aurigny has advised that:
- The typical initial costs for enrolling in the IOSA programme would be at least £100,000 and, thereafter, maintaining the registration would likely to cost £50,000 per annum, with a biennial audit fee of between £50,000 and £70,000;
 - From its initial discussions with other potential partner airlines, the indications have been that IOSA accreditation would not be required; and
 - Many other airlines in the UK have chosen not to join the IOSA programme, including easyJet, Ryanair, Norwegian, Loganair, Blue Islands and Eastern Airways. Despite this, Blue Islands is a codeshare and franchise partner of Flybe, whilst Loganair has an interline agreement with British Airways.
- 6.5 Aurigny's view is that IOSA accreditation does not represent good value for money and neither is it a prerequisite to entering into interline or codeshare arrangements. The States' Trading Supervisory Board has previously accepted this assessment, albeit

it has asked Aurigny to keep the matter under review as part of any ongoing discussions it has with potential airline partners.

Aurigny as a “virtual” airline

- 6.6 PwC’s study suggests that consideration should be given to the operation of Aurigny as a “virtual” airline, whereby its operations are outsourced to a third party.
- 6.7 One of the Committee’s recommendations arising from the Strategic Review of Aurigny was that the company must retain its Air Operating Certificate (AOC). An AOC can only be held by the actual operator of at least one aircraft and, in the event that Aurigny did not operate any aircraft it could not hold an AOC. Legal advice provided to the States has consistently confirmed that airport slots can only be held by airlines holding an AOC. Without an AOC, Aurigny would be unable to hold its current slot portfolio at Gatwick Airport and, as such, the States would lose control of the Island’s access to that Airport.
- 6.8 Whilst it is essential that Aurigny retains an AOC and the ability to operate the critical slots, this does not preclude it from sub-contracting parts of its flying operations to other operators. However, the fleet review carried out by Aurigny in response to the aforementioned Strategic Review concluded that sub-contracting out the operation of its Embraer jet to another operator was unlikely to result in any significant benefits. In presenting the results of this fleet review to the States, the STSB accepted that this would not be an attractive option in the current market environment. It was concerned that this would entail ceding too much control of the operation of the key strategic link to Gatwick Airport. It would also leave the Island exposed to changes in the business model of the partner airline concerned, which would not necessarily remain aligned to the Island’s own future interests.
- 6.9 It should be noted that, under the “use it or lose it” slot allocation rules, airlines only have a right to keep their slots from one season to the next if they are used for at least 80% of the time. In the event that Aurigny did contract out the operation of some of its Gatwick services and that operator subsequently ceased trading, it would be essential that Aurigny retained its AOC so that it could quickly resume the operation of those services so that the associated slots are not lost and returned to the slot coordinator.

7. Sea links

- 7.1 PwC’s report confirms that the great majority of ferry passengers, vehicles and freight transported between Guernsey, Jersey, the UK and France travel on services provided by Condor Limited.

- 7.2 The Committee *for* Economic Development’s policy letter on air and sea links policy and investment objectives⁹ stated that “stakeholder feedback during the PwC air and sea links work has indicated that travel by sea has in the past been viewed as a cheaper alternative to air travel, although the experience in Jersey indicates that modal shift away from sea to air can occur if price incentives to travel by air exist. To ensure the continued viability of sea link services, operators will need to remain competitive with airline operators and/or provide a differentiated service”.
- 7.3 The Committee *for* Economic Development’s policy letter on air and sea links policy and investment objectives also referred to studies conducted by Oxera and Frontier Economics¹⁰ which concluded that the scale of the ferry market in the Channel Islands is unlikely to sustain any competition across routes by multiple operators. In addition a single operator will need to have the funds necessary to sustain continued investment in new fleet and operations. A balance will therefore need to be struck between allowing an operator a reasonable economic return on investment and the cost of providing the services.
- 7.4 In December 2018 the States of Deliberation approved the Committee *for* Economic Development’s investment objective for sea links:
- **Affordability** to enable sustainable competitive fares (passengers, vehicle and freight) reflective of the cost of the service;
 - **Connectivity** to enable a frequency of service, the capacity and the schedule that meets the critical lifeline needs of freight users and the needs of Islanders (businesses and residents) and visitors to the Island; the use of the most suitable ports to enable flexibility and connectivity across all route sectors; and to maximise opportunity for travel between the Islands (Guernsey-Jersey and Guernsey-Alderney); and
 - **Reliability** of the provision of a year round ‘lifeline’ service for freight and passengers, and sufficient contingency to allow robust continuity of service in the event of maintenance or technical issues.
- 7.5 Condor Limited’s scope of services and performance regime are defined in an Operating Agreement, signed between Condor Limited and the Harbour Master of Jersey on 15 August 2014. The term of the Agreement is seven years operation plus a three years exit and wind-down period. This means that the Agreement expires on 15 August 2024. Before the seventh anniversary of the Agreement, i.e. 15 August 2021, the Parties must agree whether to extend the Agreement beyond 15 August 2024. In the event that agreement is not reached, the Parties must agree an Exit and Wind Down Plan to be implemented over a period of three years. Engagement between the Parties on whether to extend the Agreement must happen no less than twelve months before August 2021.

⁹ Billet D’État XXVII, approved by the States of Deliberation on 12 December 2018

¹⁰ See Billet d’État XIV, 29th July, 2015: p. 1647 – Commerce and Employment Department and Public Services Department – Strategic Roll on/Roll off Ferry Services

- 7.6 Guernsey did not sign the Agreement in 2014 because there is no equivalent to the Harbours (Administration) (Jersey) Law 1961 which enables Jersey to enter into a long-term agreement with a ferry operator. A Projet de Loi entitled “The Roro Sea-links (Guernsey) Law, 2016” has been drafted but not yet brought before the States. If passed, this law will give the States of Guernsey the ability to enter into a long-term contract with and legally bind a ferry operator. **In January 2019 the Policy & Resources Committee confirmed that this legislation was now accorded high priority, agreed formally by the Prioritisation of Legislation Working Group. This means it will be completed expeditiously when it is required.**
- 7.4 Condor Limited is owned by the Macquarie European Infrastructure Fund 2, an investment fund managed by Macquarie Infrastructure and Real Assets (Europe) Limited, which is wholly owned by Macquarie Group.
- 7.5 The Committee identified a need to understand the risks to the integrity of Guernsey’s ferry services occasioned by the expiry of the Agreement in August 2024 and the potential sale of Condor Limited by Macquarie Group. The potential sale of Condor Limited could present a risk of reduction or even loss of sea link services to Guernsey. On that basis it is prudent to investigate a number of contingency options.
- 7.6 The Committee identified four contingency options as having the potential to protect the integrity of Guernsey’s sea links, including:
- Contingency Option 1: the States of Guernsey to consider purchasing Condor Limited on a sole basis;
 - Contingency Option 2: the States of Guernsey understand the capacity and appetite of other ferry operators to operate a ferry service to Guernsey/ the Channel Islands;
 - Contingency Option 3: the States of Guernsey to consider purchasing Condor Limited jointly with the Government of Jersey; and
 - Contingency Option 4: the States of Guernsey to examine the cost and feasibility of establishing a stand-alone ferry service.
- 7.7 PwC was asked to review underlying documentation and engage with key stakeholders to understand the risks to Guernsey; and to consider the potential benefits and risks of each Contingency Option and the extent to which each mitigates risks occasioned by the sale of Condor Limited and/or termination of the Agreement in 2024.
- 7.8 The Agreement specifies Minimum Service Requirements to and from Guernsey which Condor Limited is legally obliged to provide; this provides a level of protection to Guernsey’s services, however the fact that Guernsey is not a signatory means that it is reliant on the Harbour Master of Jersey to enforce the Agreement should Condor Limited not meet its obligations.

7.9 A Ferry Services Steering Group (FSSG) comprising two representatives of the Government of Jersey, two representatives of States of Guernsey and up to three directors of Condor Limited has a governance role but no power to bind the Parties or to require any action to be taken or ceased in connection with the Agreement.

7.10 Passenger and freight numbers to Guernsey are broadly flat and the picture is similar in Jersey; taken in aggregate available information indicates that Guernsey and Jersey have not experienced a consistent upward trend in passenger numbers and freight volumes over an extended period.

Overview of contingency options

7.11 PwC sets out the following summary on the perceived benefits and risks of each contingency option:

Contingency Option	Benefits	Risks
1. The States of Guernsey considers purchasing Condor Limited	<p>This option would have the benefit of giving the States of Guernsey direct management control over the scope of services, fares, performance levels and future investments.</p> <p>(However note that the owner is under no obligation to include the States of Guernsey in its sale process.)</p>	<p>Direct exposure to revenue, operational and cost risks currently managed by Condor.</p> <p>Significant ongoing investment required as current vessels reach the end of their useful lives.</p> <p>The States would become responsible for services to and from Jersey. This option may not be attractive to the Government of Jersey.</p>
2. Understand capacity/appetite of other operators	<p>Initial indications are that there would be capacity and appetite from alternative ferry operators to provide services to/from Guernsey should this be required.</p>	<p>Significant upfront investment and lead-in time would be required to:</p> <ul style="list-style-type: none"> • contract with an operator; • potentially support investment in vessels and/or infrastructure and/or systems.
3. Consider purchase of Condor Limited jointly with the Government of Jersey	<p>This option would have the benefit of bringing the States of Guernsey and the Government of Jersey direct joint management control over the scope of services, fares, performance levels and future investments.</p>	<p>Direct exposure to revenue, operational and cost risks currently managed by Condor Limited.</p> <p>Significant ongoing investment required as current vessels reach the end of their useful lives.</p>

	(However note that the owner is under no obligation to include the States of Guernsey and the Government of Jersey in its sale process).	Guernsey and Jersey have different economies and population sizes. It would be necessary to agree a mechanism for sharing costs and risks, and this would need to be capable of periodic revision.
4. Set up a stand-alone service	<p>Under this option Guernsey would specify, purchase and operate a fleet of vessels (either via a concession with an operator or directly through a state-owned company).</p> <p>As for Contingency Option 1 this would bring Guernsey direct control over the scope of services, fares, performance levels and future investments.</p> <p>Unlike Contingency Option 1, Guernsey would be acquiring new vessels.</p>	<p>Direct exposure to revenue, operational and cost risks currently managed by Condor Limited.</p> <p>Substantial upfront investment required.</p> <p>Long lead-in time to specify and commission vessels.</p>

Recommended next steps

- 7.12 PwC's review sets out that none of the contingency options is believed to offer a better outcome for Guernsey in the **short-term** than continuing to monitor and respond to the sale process currently underway. This includes exploring with the current and any potential new owner of Condor Limited the potential for securing an ongoing commitment for securing and investing in Guernsey's long-term ferry service model provision which also secures the agreed States investment objectives for sea links.
- 7.13 The Committee is in agreement with that position, and notes that the Committee *for* Economic Development is tasked in its mandate with taking forward this work. The Committee's view is that whilst progress has so far been slow during this political term, it notes that the current Committee *for* Economic Development is now actively engaged with Condor Limited and the States of Jersey on identifying options to improve current provision and secure the long-term future service provision and investment in ferry services.

- 7.14 Notwithstanding this current work, the Committee's primary area of concern is to ensure the medium and long-term provision of sea links to the Island. The current situation has been complicated by the potential sale of Condor by its current owner. The Committee's view is that given the importance of sea links, as set out clearly by PwC in its review, it is vital that Guernsey is prepared for any issue or eventuality. For that reason, having considered the detail of PwC's review, it will proceed with further work on two contingency options. Indeed, PwC's view is that while all of the contingency options pose practical challenges of implementation within available timescales, the States of Guernsey should continue to develop them in more detail.
- 7.15 The Committee will prioritise contingency options 2 and 4, after considering the potential risks relating to any future sale of Condor. This is because these are the two contingency options which do not undermine the priority of the Committee *for* Economic Development in engaging with Condor Limited and the Government of Jersey on current and future service provision and investment.
- 7.16 Whilst contingency option 2 does not mitigate any short-term risk, should there be any issue with the sale of Condor Limited by its current owners, it does ensure that the States of Guernsey would have undertaken some preparatory groundwork on the capacity and capability of other potential partners. For clarity, the Committee is not suggesting that this is a preferred or likely option; but it does believe that this is important contingency planning.
- 7.17 Whilst contingency option 4 does not mitigate any short-term risk, it may be that the further work undertaken on contingency option 2 demonstrates that there is not the sufficient capability or capacity that may be required. On that basis, the only other option would be for the States of Guernsey to establish a stand-alone service. This would be a complex process, so in the event that it could be required in the future, it would be useful for some initial preparatory groundwork to be in-hand. As with contingency option 2, the Committee is not suggesting that this is a preferred or likely option; but it does believe that this is important contingency planning.
- 7.18 The Committee's view is that the current levels of direct exposure to revenue, operational and cost risks currently managed by Condor Limited should not be transferred to the States of Guernsey and the taxpayer.
- 7.19 The Committee considers that contingency option 4 should be explored further as if such a contingency was ever required in the future, then the transfer of direct risk to the States of Guernsey would be offset by the potential for fuller control over the service, which would bring significant benefits. The Committee notes that this would be a different set of risks to those managed directly by Condor Limited.

- 7.20 The Committee's recommendation is that work on contingency option 2 and contingency option 4 is undertaken during the second and third quarters of 2019 on assessing the capacity and appetite of other ferry operators to operate a ferry service to Guernsey should it ever be required in the future; and to examine to the cost and feasibility establishing a stand-alone ferry service should it ever be required in the future. This will ensure that the States of Guernsey are prepared for any eventuality as the sale process of Condor Limited progresses.
- 7.21 PwC's view is that there is a relatively low risk that the potential sale of Condor Limited will lead to a deterioration in service provision below the obligations set out in the Agreement. Given that much of the value of Condor Limited lies in the Agreement, it is unlikely that any new owner would risk being in breach of contract and therefore at risk of termination.
- 7.22 PwC says that an acquirer is likely to want to secure an extension to the existing Agreement beyond 2024 and therefore will be incentivised, in the short term, to demonstrate its ability to deliver the current services and to actively engage with Guernsey. Therefore the States of Guernsey should focus on determining how they would engage with an acquirer in terms of articulating both their short and long term service requirements; and on how they would protect the integrity of Guernsey's sea links in the event that services were to fall below the levels defined in the Agreement.
- 7.22 The Committee concurs with this. The Committee *for* Economic Development is actively engaging with the Condor Limited and the Government of Jersey, and the Committee has met recently with the Macquarie Group.

8. Compliance with Rule 4

- 8.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.
- 8.2 In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 8.3 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.
- 8.4 In accordance with Rule 4(5), the Propositions relate to the direction of the Committee to carry out a review of the Island's strategic air and sea links infrastructure, and in so doing to further progress one of the priorities of the Policy & Resource Plan that was supported by the States of Deliberation. The reviews that are the basis of this policy letter have been shared with the Committee *for* Economic Development, the Committee *for the* Environment & Infrastructure and the States' Trading Supervisory Board. The Committee advised the States of Deliberation of its approach in a statement to the States of Deliberation on 12 December 2018.

Yours faithfully

G A St Pier
President

L S Trott
Vice-President

A H Brouard
J P Le Tocq
T J Stephens

Guernsey Air Links



Strategic options review Part A: Final report



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Introduction

Background and scope

The States of Guernsey (SoG) has set out its objectives for Air Transport as follows:

- Maintain and expand its air links so that Guernsey is well connected with the UK, other Channel Islands and Europe.
 - Provide guaranteed connectivity to lifeline and strategic routes to the Island.
 - Encourage air traffic from all other routes when this generates a significant net economic or social benefit to the Island.
 - Stimulate incremental local air passenger traffic (resident and business), and visitor passenger traffic (leisure and business) to support the achievement of visitor growth objectives.
- Ensure that these air links are reliable, sustainable and affordable to all parts of the Island's population and the visitor market
- Ensure that air links enable existing business to function appropriately and support the expansion of all types of economic activity

Determining the most cost-effective way to achieve these goals is complex, not least because it requires the consideration of a number of inter-related factors including:

- The airport and its infrastructure
- Route licencing
- The role and objectives of Aurigny
- Interplay between other modes of transport (in particular sea links)
- Underlying demand for travel, including the different requirements and expectations of residents, tourists and business travellers

In order to assist the States of Guernsey in its discussions and decision-making, PricewaterhouseCoopers CI LLP ('PwC') has been engaged to consider the options relating to the airport and its infrastructure.

This report is our draft report on Part A of our assistance. The proposed scope for work in Part B is set in the Executive Summary.

The scope of this phase of our work was as follows:

- Review all relevant and available studies, agreements or other literature that the SoG and/or key stakeholders have access to. Identify any areas where there are gaps, and any areas where lack of quality means we don't have sufficient confidence in the conclusions.
- Conduct an initial round of stakeholder engagement to seek out different opinions, perspectives and any other information that would be relevant.
- Conclude, based on the work available and the initial stakeholder engagement, on the list of feasible options and give a preliminary evaluation of their relative pros and cons.
- Lead a workshop with the SoG steering group to feed back our findings and discuss the best way forward
- Provide a written report outlining our findings, conclusions and recommendations
- Co-develop, with the SoG, a more detailed, focused and efficient programme of work and stakeholder engagement that would enable SoG to determine the most suitable option(s).

We have consulted with key stakeholders and reviewed a range of existing studies

States of Guernsey

- *Guernsey Air Links Steerco* – Gareth Jones, Mike Hopkins, Guillaume Saunal, Lily Prus
- *States of Guernsey Deputies* – Gavin St Pier, Lyndon Trott, Charles Parkinson, Jan Kuttelwascher
- Colin Le Ray – General Manager, Ports
- Simon McPhail – Deputy Director, Civil Aviation Authority

Airlines

- Mark Darby – CEO, Aurigny
- Vincent Hodder – CSO, Flybe
- Tom Barrasin – CCO, Blue Islands
- Nick Magliochetti – CEO, Waves
- Ali Gayward – UK Country Manager, easyJet
- Martin Mares – Airport Development & Procurement Manager, easyJet
- Richard Smiles – Flight Operations Technical Specialist, easyJet
- David Buckley – Flight Operations Engineer, easyJet
- Alan Campbell – Group International Relations Manager, IAG (British Airways)
- *Pilots* – Jerry Girard, Tim Robins

Other stakeholder groups

- Andrew Muter – Chief Executive, States of Alderney
- Barrie Baxter – President, Chamber of Commerce, Karel Harris (Chair Tourism Sub-Group), Ian Walker (Tourism), Ian Burdekin (Chair Retail sub group)
- Linda Johnson, James Ede-Golightly – Institute of Directors
- Tony Mancini – Deputy Chairman, Guernsey International Business Association (GIBA)
- Paul Smith – Chairman, Guernsey Investment Fund Association (GIFA)
- Michael Byrne – CEO, CICRA
- Robert Mackenzie – Tour Operator, C. I. Travel Group
- Klaus Bühring – Head of Product Management, TUI Group

Scheduled consultations

- *Attractions Engagement Group*
- *Hotel Engagement Group*
- *Self-catering Engagement Group*
- Clive McMinn – Chairman, Confederation of Guernsey Industry (CGI)

Sourced used for this report

- ASM Phase 1 Guernsey Market Review 2015
- ASM Phase 2 UK and Europe Review 2016
- ASM Phase 3 Dublin, Luton, Gatwick and Europe Review 2016
- ASM Phase 4 Air Service Development Opportunities at Guernsey Airport 2016
- GCI York Aviation Economic Assessment 2009
- Guernsey Airport Business Plan 2018-2022
- Guernsey Airport Annual Reports
- States of Guernsey Aurigny Strategic Review 2017
- States of Guernsey Review of Air Transport Licensing 2018
- States of Guernsey Economic Development Strategy, 2018
- States of Guernsey Facts & Figures, 2017
- States of Guernsey Scrutiny Review: Security of Strategic Air Links, 2015
- States of Guernsey & States of Alderney Extended Runway For Alderney Economic And Financial Analyses, 2017
- States of Guernsey Travel Surveys
- States of Jersey Tourism Statistics
- States of Jersey Transport Statistics
- Visit Jersey Business Plan 2017
- Guernsey Tourism Strategic Plan 2015 -2025

Executive summary

The air links ‘trilemma’

Guernsey’s air links strategy will need to make trade-offs between connectivity, reliability and affordability

Air links are recognised as key to the economic and social wellbeing of island communities. States of Guernsey (SoG) faces the challenge of maintaining and growing its air links to support economic development as well as providing essential transport services to its community.

The total number of passengers flying to/from Guernsey has been declining at 1.3% p.a. from c. 900k in 2008 to c. 815k in 2017. This is in contrast to growth in total EU air transport of c. 1.2% p.a. and growth in Jersey passenger movements of 2.3% p.a. Guernsey’s leisure and business travel have been declining most strongly.

There are three main attributes that define the quality of air links: **connectivity**, **reliability** and **affordability**.

1. **Connectivity** represents how easy it is to get to the destination of your choice. It includes:
 - The number of destinations served directly
 - The quality of those destinations in terms of their onward connections. For example, flights to a major hub such as Heathrow provides onward flights to anywhere in the world.
 - The frequency and convenience of flight schedules.
2. **Reliability** represents how often flights leave/arrive on time. It includes:
 - Resilience to bad weather conditions
 - Maintenance of the existing fleet
 - Availability of contingency aircraft if needed
3. **Affordability** refers to the cost of tickets, both in absolute terms and relative to similar routes from comparable destinations

These three attributes are often competing. For example increasing the frequency of flights to a major hub will often imply higher fares.

Furthermore, the relative importance of each attribute varies for different passenger groups

- Business travellers tend to prioritise connectivity and reliability over price given time constraints and the value on punctuality and predictability of services
- In-bound leisure travellers tend to prioritise affordability and a range of access points, but are more flexible on flight schedules and timing
- Residents and VFR (Visiting friends and relatives) travellers tend to prioritise both affordability and reliability of services, and in the case of Guernsey and Alderney, seek lifeline services to both London (Gatwick) and Southampton

On the next page we set out what each group has told us specifically on Guernsey, and how Guernsey’s current air links perform against each metric.

We note that the decline in passenger numbers is not solely due to factors relating to the air transport service, e.g. SoG consideration of its Tourism Strategy highlighted a need to invest in Guernsey’s product offering (e.g. hotels, attractions and marketing) in order to compete with other holiday destinations. This was reinforced by the findings and recommendations of the Strategic Review of Guernsey’s Tourism Product Offering completed by PwC for the C&ED in November 2017

Nonetheless, Guernsey’s air links need to support and enable Guernsey’s aspirations for economic growth as well as provide a critical service for residents on the island.

Current performance and perceptions

Guernsey has a high value economy but a small population; expectations for air links are high and there is a strong feeling that aspirations for that service are not being met

1. Connectivity

What the data says...

- Guernsey currently serves 16 routes but does not have direct access to a global connecting hub e.g. Heathrow, Schiphol.⁽¹⁾
- Guernsey is relatively well connected for an island of its size, e.g. scoring higher on connectivity than the Isle of Man, but performs lower than Jersey through serving fewer destinations and with less seat capacity.

What we heard from stakeholders...

- Business and tourism hold the view that lack of connectivity is harming Guernsey's competitiveness as a destination both in the eyes of travelling executives and the recruitment of employees.
- Business travellers value connectivity and frequency highly, and in particular value reliable early morning/late evening flights to enable day trips and efficient use of time.
- Business stakeholders highlighted the shortcomings of Gatwick as a connecting hub.

2. Reliability

What the data says...

- Bad weather delays have been more frequent since 2015.
- Delays often occur in the morning, disproportionately affecting business travellers and impacting through the rest of the day.

What we heard from stakeholders...

- Both businesses and residents are incurring additional costs from disruption e.g. travelling the day before critical meetings or flight connections to ensure punctuality.
- Stakeholders were more accepting of weather delays than delays due to maintenance or aircraft availability issues.

3. Affordability

What the data says...

- Fares from Guernsey to Gatwick are typically more expensive than fares from Jersey, and have risen since Flybe ceased its service in 2014.
- Respondents noted that self-connecting flights were subject to 'double APD' as single-ticket options were limited.²

What we heard from stakeholders...

- Air fares are a particular concern for residents, for whom they pose a barrier to social inclusion and essential services.
- There is a fear that the high cost of air travel to and from Guernsey is deterring new business and tourism, and even driving some businesses and residents to leave the island.

A word on Jersey

- While comparisons with Jersey are inevitable, it should be noted that Jersey has 70% more residents and over twice as many visitors. However, it does currently have competition on its key air routes e.g. Gatwick, and has capacity to UK destinations which are unavailable or infrequently served from Guernsey.
- Though we believe that Guernsey has relatively good air connectivity given its size, it clearly has some deficiencies in terms of infrastructure, competition and market reach.
- Resident expectations will always be formed in comparison to Jersey and some of the above differences could be overcome through both market-based and / or infrastructure options.

Note: (1) A 'Connecting hub' is the centre of a hub-and-spoke network for a base carrier with a business model centred around transfer passengers.

(2) Air Passenger Duty (APD). Given Aurigny is not a member of any alliance nor code-shares, passengers pay APD multiple times e.g. on connecting flights from Gatwick.

Industry context

Understanding the features of the airline market is key when considering air access options for Guernsey

Current aircraft that access the existing Guernsey runway

- There are currently c.680 aircraft in service in Western Europe that could land on Guernsey, with a further 50 currently on order.
- The majority of these are flown by regional carriers, including Flybe, BMI and KLM. Nearly half of these aircraft are in operation in the UK, Ireland, France and Benelux.
- Regional aviation is a recognised segment of the aviation industry, with regional airlines playing a key role in connecting communities and feeding major hubs.
- In recognition, regional jets and turboprops are a key market segment for manufacturers such as Embraer, Bombardier and ATR, all of whom are investing in their portfolio and introducing new aircraft.

Features of Low Cost Carriers (LCCs)








- While average fares are lower, the LCC business model implies a number of factors that should be considered
 - LCCs are not ‘connecting’ airlines, in that they fly point-to-point, do not normally serve hub airports, and do not typically sell connecting flight tickets.
 - LCCs are more likely to adapt capacity to seasonal demand, adding in extra capacity during peak summer months but reducing capacity during winter.

Features of Low Cost Carriers (LCCs) (cont.)

- LCCs price dynamically; headline pricing may be attractive but last-minute prices can be as (or more) expensive than network carriers.
- LCCs may operate a lower frequency on any given route due to the larger size of their average aircraft. Scheduling of flights is often a function of aircraft availability rather than traveller requirements.
- LCCs manage their route network actively, meaning that they can shut down routes at short notice if they don’t meet the required commercial thresholds.
- LCCs expect significant market support in order to base aircraft and grow route networks. However, they have the fleet and scale to expand quickly and develop new markets and routes.
- LCC behaviour can be managed through commercial agreements but requires clear goals and objectives in order to maintain a long-term relationship.
- Examples of the possible fragility can be seen with Ryanair’s relationship with Stansted Airport, among others
- Additionally, the Isle of Man is an example of an airport where the introduction of an LCC, in this case easyJet, has had negative impacts on scheduling.









Airline context

The airlines that have been in discussion with States of Guernsey prior to and during the initial consultation

Airline	Business model	Hubs	Channel island operator		Main priority	Fleet (see following pages)	
			Guernsey	Jersey		Aircraft type	#
	Regional airline	BHX MAN	✓	✓	Serving business and VFR travel in/out of regional UK airports	ATR72	5
						Bombardier Dash 8	54
						Embraer 175/195	17
	Low-cost carrier (LCC)	LTN LGW	✗	✓	High load factor point-to-point flights in UK and Europe	A319/320	314
	Network carrier	LHR LGW	✗	✓	Feeding international travel globally through LHR	A319/320/321	134
	Regional airline / LCC	DUS	✓	✓	Low-cost airline from the Lufthansa Group, specialising in direct flights within Europe from Germany	A319/320	78
						Bombardier Dash 8	20
						B737	7
	Low-cost carrier (LCC)	STN DUB	✗	✗	High load factor point-to-point flights in UK and Europe	B737	444
	Regional airline	LCY EDI	✗	✗	Serving business and VFR travel in/out of regional UK airports	Embraer 170/190	22
 (Incl. Cityhopper)	Network carrier	AMS	✗	✗	Feeding international travel globally through AMS	Embraer 175/190	49
						A330	13
						B737	50
	AMI leasing provider (formerly regional airline)	n/a	✗	✗	Focus on wet leasing from October 2018	AVRO RJ85	14
						Bombardier CRJ900	24
	Regional airline	GLA	✓	✓	Serving travel to/from Scotland	Dornier 328	2
						Saab 340/2000	17
	Regional airline	EMA	✗	✗	Formerly BMI regional	Embraer 135/145	19

Aircraft context

The aircraft used by relevant airlines

Manufacturer	Aircraft	Airlines	Jet / Turboprop	Description	Able to land on current Guernsey runway?
ATR	ATR 72	 Aurigny, Blue Islands, Flybe, HOP!, Eastern Airways	Turboprop	Slower than jet aircraft but cheap to operate	Yes
	Dash 8 – Q400	 Flybe, Eurowings	Turboprop	Jet-like performance, longer range and faster than ATR	Yes
Bombardier	CS100 / Airbus A220	 Swiss International, airBaltic, Odyssey (on order)	Jet	Narrow-body, twin engine, medium range jet-aircraft	Yes
Airbus	319	 British Airways, easyJet, Eurowings	Jet	Short-medium range narrow-body, commercial aircraft	No
	320	 British Airways, easyJet, Eurowings	Jet		No
Embraer	190	 KLM	Jet	Note 195 has larger engines than the 190 meaning can take off shorter runways	No
	195	 Aurigny, Flybe	Jet		Yes
Boeing	737	 Ryanair, Eurowings	Jet	Requires longer runway	No

Jet vs. Turboprop: Historically jet aircraft have had a better safety record than propeller aircraft, while customer feedback is that propellers are slower, noisier and have less capability for hand baggage

Note: (1) Total for manufacturer

From priorities to runways

For each connectivity priority, the table shows the airlines and aircraft that could provide it; a runway extension is not necessarily required to achieve most priorities

Priorities	Why connect here?	Which airlines serve this airport?	Which aircrafts do they use?	What runway length is required? ⁽¹⁾
London Heathrow New route	<ul style="list-style-type: none"> Fastest connections into London Highest connectivity of all London airports and potential hubs 	<ul style="list-style-type: none"> British Airways Flybe 	Airbus A319/320	1,700m (BA) ⁽²⁾
			Bombardier Dash 8 Q400	1,463m (Flybe)
London Gatwick Maintain route	<ul style="list-style-type: none"> Second best connections into London Second highest connectivity of all London airports, especially good for leisure 	<ul style="list-style-type: none"> Aurigny British Airways easyJet Flybe 	ATR-72	1,463m (Aurigny)
			Airbus A319/320	1,570m (EZY)⁽³⁾ 1,700m (BA)
			Bombardier Dash 8 Q400	1,463m (Flybe)
			Embraer 195	1,463m (Aurigny)
UK regional New direct routes	<ul style="list-style-type: none"> Most popular destinations for Guernsey residents' onward travel Allow access into regional carrier networks 	<ul style="list-style-type: none"> Aurigny easyJet Flybe 	Airbus A319/320	1,570m (EZY)
			Bombardier Dash 8 Q400	1,463m (Flybe)
			Embraer 195	1,463m (Aurigny)
Other connecting hubs New routes	<ul style="list-style-type: none"> Provide largest increase in connectivity, second only to Heathrow Allow access into LCC networks 	<ul style="list-style-type: none"> KLM (AMS) Flybe (CDG) 	Airbus A319/320	1,570m - 1,700m
			Bombardier Dash 8 Q40	1,463m (Flybe)
Wider leisure and business destinations New routes	<ul style="list-style-type: none"> Grant business access to wider market Improve social inclusion on Guernsey and leisure travel options for residents 	<ul style="list-style-type: none"> All of the above 	General A319/320 operations	1,570m - 1,700m

Key

Existing length

Requires extension

Note: (1) Indicative only, precise length requirement depends on payload specifications; (2) Per communication with British Airways; (3) Per correspondence with easyJet, allowing for potential payload restrictions on A320 in certain weather conditions; (4) See map for easyJet on next slide.

Option set

The option set is therefore quite broad; runway extensions are only one subset of the options open to the States of Guernsey

The following list of initiatives is non-exclusive, with the likely most acceptable solution being a combination of both infrastructure and market-based options.

We note that the expenditure profile of these options varies.

- Infrastructure options, such as extending the runway, have significant upfront sunk costs but may be considered an investment for the future. These options will require long-term business case analysis and accurate construction costings so that the 'best' option for Guernsey can be identified. The potential costs of infrastructure projects are not simply financial, but given, the nature of Guernsey, can be environmental and social. Therefore, such infrastructure options will be politically sensitive and impact both direct users and other stakeholder groups.
- Market-based options (e.g. route support or regulatory change) will require ongoing expenditure and may bring increased connectivity by changing the basis of investment decisions by airlines. These options can target particular outcomes, but need to be carefully considered in order to provide lasting legacy.
- Finally, it should be noted that any infrastructure option will require some form of market-based solution in order to attract and maintain new aviation services. This means that any set of solutions will have both ongoing capital investment (apex) and operational investment (opex) in some combination.

The timing of impact of any solution set will be a critical factor in States of Guernsey decision-making criteria. The ability to provide short term impact may outweigh longer term solutions which will face greater risk of obsolescence or market change.

The focus of this report is primarily around infrastructure and market-based options. We have not been asked to review Aurigny's strategy or operating model, nor the current air licensing framework, both of which would constitute significant market-based strategic mix of options.

Initiatives considered by our review and consultation

Runway extension options

1. 1,570m (max within current airport perimeter)
2. 1,700m (same as Jersey)
3. 1,800m (original Easyjet request)
4. 2,000m (Ryanair)

Other infrastructure options

5. ILS and navigation improvements

Market-based options

6. Route support and development to acquire a new connecting hub e.g. London Heathrow
7. Route development support and incentivisation for both existing and future operators to provide improved connectivity and destination range
8. Potential use of Public Service Obligations (PSOs)⁽¹⁾ structures
9. Liberalisation of the Guernsey aviation market

Airline options (identified but not considered in this report)

9. Aurigny fleet review
10. Aurigny interlining / codesharing options
11. Virtual airline ⁽²⁾

Note: (1) Public Service Obligations (PSOs) are obligations imposed on an organisation by legislation or contract to provide a service of general interest.

(2) Provision of wet-lease services under an Aurigny AOC.

Infrastructure options (1/2)

What are the considerations

The current runway length does not allow for the commercial operation of the Airbus A319/A320 family or Boeing B737 family of aircraft, which together represent the short-haul 'workhorses' for both low cost carriers (LCCs) and network carriers in Europe.

One benefit of a runway extension would be to make the airport accessible to these aircraft and airlines, in particular LCCs such as easyJet (which operates from Jersey). It is hoped that this increase in capacity and potential competition would lead to a reduction in airfares.

Each incrementally larger runway extension brings additional optionality to Guernsey in terms of the aircraft it would enable to land, and hence the number and type of airlines that could (in theory) operate into Guernsey. An extension beyond the current airport boundary is also necessary for the implementation of a ILS CAT 3 solution to improve poor weather access to the airport.

However, any option that extends the runway beyond the current airport boundary will entail additional financial, environmental and social costs. This will include land purchases and building and community relocations.

Whilst the provision of a longer runway will provide sufficient infrastructure for expanded airline operations, there is no guarantee that airlines will provide any additional capacity without significant financial and commercial support. Airline fleets are finite, and airports and communities compete for routes. Airlines select routes based on perceived profitability and commercial risk considerations.

What the airlines have told us

1. 1,570m extension

- We are told that this is the longest runway possible within the existing airport boundary. It would avoid a requirement to purchase land or undertake major earthworks and is potentially the lowest cost, quickest and most politically sensitive runway extension option.
- easyJet, which operates an Airbus fleet, has confirmed in writing that it would be technically possible for them to land an A319 on a 1,570 runway and an A320 with some payload restrictions.

2. 1,700m - 1,800m extension

- This would bring Guernsey into line with Jersey's runway length but would require expanding the airport's current footprint. It would however allow for improvement to the existing ILS.
- British Airways operates to a c.1,700m runway on Jersey using A319 aircraft. We have spoken to IAG and they have confirmed that such a runway length would be necessary for operations.
- 1,700m would also enable direct flights to a greater range of destinations by easyJet, including southern Spain and Italy that would not be possible with a 1,570m runway.
- Many European narrow body jet charters / carriers can also operate on this length of runway and do so in Jersey (e.g. Eurowings, Globalis, Dertours)

Infrastructure options (2/2)

What the airlines have told us (cont.)

3. 2,000m extension

- This is the runway length required to attract the full range of low-cost carriers for aircraft such as the Boeing B737-800, as operated by Ryanair. Ryanair has informed SoG officers verbally in meetings that it would likely require this length of runway. An extension to this length would incur significant additional capex cost and create greater environmental and social impact.

Investment in landing systems

- The majority of stakeholders believe that fog delays are damaging perceptions of reliability, impacting return travel and deterring businesses from setting up in Guernsey.
- There are both land-based and aircraft-based technological solutions to bad weather delays.
- Access to A319/A320 aircraft will increase reliability as these aircraft have better weather capabilities than the aircraft currently flying to Guernsey.
- It is possible to have future aircraft equipped with on-aircraft technology, such as Aurigny's ATR 72-600s with ClearVision, however this would be restricted to a limited fleet.

Cost implications of a runway extension

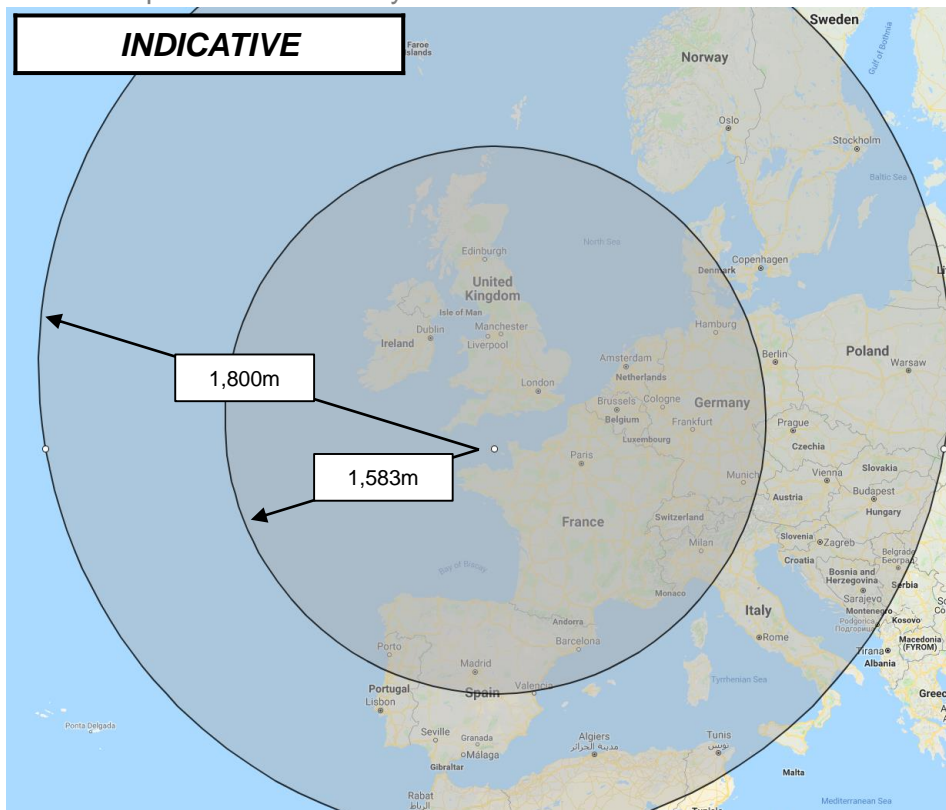
- A previous study by York Aviation in 2009 commissioned by SoG provided some indicative cost estimates for runway extensions in Guernsey. The basis of these cost estimates is unclear, and given the time that has elapsed, it will be necessary to reassess the costs of the various options presented.
- There are high level industry benchmarks for the cost of building a runway. In the most simple conditions, with flat or unobstructed terrain, a rough rule of thumb is a capital cost of c.\$100m per 1,000m of runway.
- However, the situation in Guernsey is not comparable with standard benchmarks for a number of reasons:
 - An extension beyond the boundaries of the existing airport requires significant earthworks to level the land required for the extension.
 - Most of the materials, labour and equipment required for the construction work would need to be imported, including much of the aggregates required for the earthworks.
- These factors make costing the runway options highly bespoke to Guernsey. It is possible that they could represent a further 2-3x the base cost of building the runway, which could be confirmed by a consultant engineering firm.
- A full, detailed costing of the selected runway options is recommended as part of future work.

A longer runway extension would extend the flying range for airlines operating out of Guernsey

Indicative information provided by easyJet

Estimated flying range with runway extensions⁽¹⁾

Per correspondence with easyJet



- easyJet have estimated their flying range from Guernsey based on generic Airbus A319/320 assumptions (below)
- This suggests a short extension to c.1,580m would allow direct A319/320 flights to regional UK and high density western Europe destinations
- A longer extension to 1,800m would give direct access to southern Spain, Portugal and most of Europe

Assumptions

RWY	RTOW	Range	Rwy	RTOW	Range
1583m			1800m		
A319	62000kg	650 nm	A319	63400 kg	950 nm
A320	66000kg	600 nm	A320	69000 kg	1000 nm

Note: (1) Indicative only, route specific analysis including payload, fuel and wind data will need to be undertaken to provide a more accurate evaluation

Some market-based option considerations

Heathrow

- By far the greatest impact on connectivity would come from re-establishing services into Heathrow.
 - Heathrow provides far greater air connectivity than all other London airports being a global connecting hub. Heathrow supports business, leisure and VFR segments.
 - With the provision of Crossrail and HS2, the airport will also act as a significant surface transport hub providing high-speed access to both the City of London and Canary Wharf, as well as the Midlands and northern England through HS2.
- Heathrow has traditionally been viewed as unavailable due to capacity constraints but recent changes now make Heathrow a viable option both in the short and long term.
 - In the short term, there may be “remedy slots” available due to the BA acquisition of BMI, with 7 slots being reserved for services within the British Isles. This may include Flybe Q400 operations currently under consideration for Guernsey.
 - In the longer term, the third runway at Heathrow will provide greater airport capacity and there is an expectation that regional communities will be provided with slots to support local services and communities.

Other hubs

- Amsterdam Schiphol has previously been connected to Guernsey. Our consultations have reiterated the potential for Amsterdam connections. However, slots are limited and only KLM has the capacity to provide access and connectivity through the airport.
- Flybe has indicated that Paris Charles de Gaulle is its fastest growing hub connection and that its code-share with Air France would make this a consideration for Guernsey connectivity.

Other routes

- UK regional routes that are currently underserved when compared to Jersey include Scotland and Northern Ireland. Given the distance of these routes they would require either fast turboprop (e.g. Q400) or jet services to be attractive. Our analysis of final destination of Guernsey VFR and leisure traffic suggests that Scotland could be a major source of passenger growth.
- Increased connectivity may be available through Flybe hubs at Southampton, Birmingham and Manchester, given Flybe is now integrated into major airline booking systems (GDSs) and is extending its code-shares with major carriers.
- While Guernsey residents seek improved leisure destinations, this could be achieved through either better connectivity and reliability of services via other airports e.g. Gatwick, or through direct charters during summer and winter seasons, which could become more viable with provision of larger aircraft.
- Incentivisation of airlines to provide greater route choice could be provided through
 1. Commercial discount packages and market support via the airport, and / or
 2. Government provision of Public Sector Obligation (PSO) routes supported directly by government

Initial evaluation matrix (options considered) (1 of 2)

We have mapped each potential option against their ability to meet the connectivity requirements, based on our current understanding and airline feedback

Option		Connectivity priorities					Initial view on attractiveness
		Heathrow	Gatwick	UK regional	Other hubs	Wider leisure	
Infrastructure	Existing runway	• Flybe Q400 with LHR remedy slot	• Aurigny E195	• Aurigny ATR • Flybe Q400 incl. Birmingham, Manchester	• Flybe Paris & Dublin Q400	• Eurowings – Dusseldorf	
	1,570m extension	• Flybe E190 with LHR remedy slot	• EZY A319/A320	• EZY A319/A320 incl. Scotland, N. Ireland • Flybe E190(?)	• EZY A319 - Amsterdam & Paris	• EZY - Barcelona, France and Switzerland	✓
	1,700-1,800m extension	• BA A319 (potential LHR 3rd runway option)	• EZY A319/A320 • BA A319	AS ABOVE	• Air France & Lufthansa A319/A320 - Paris / Amsterdam / Frankfurt	• EZY - Western Europe (see map)	✓
	2,000m extension	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	AS ABOVE	
Market-based	Connecting hub acquisition	✓			✓		✓
	Route support required	Required	Required	Required	Required	Required	✓
	Public Service Obligation (PSO) option	✓	✓	✓			
	Liberalisation benefit		✓	✓	✓		✓

Note these options are subject to change through further consultation. Options are technically feasible but may not be economically viable

Initial evaluation matrix (options considered) (2 of 2)

We have mapped each potential option against their ability to meet the reliability and affordability requirements, based on our current understanding and airline feedback

Option		Reliability priorities		Air fare priorities	Initial view on attractiveness
		Weather resilience	Fleet applicable	Affordability	
Infrastructure	Existing runway	STATUS QUO	STATUS QUO	STATUS QUO	
	1,570m extension	<ul style="list-style-type: none"> Improved aircraft capability with EZY A319 / A320 operations 	<ul style="list-style-type: none"> EZY A319/A320 	<ul style="list-style-type: none"> Introduction of LCC capacity via EZY should reduce average fares 	✓
	1,700-1,800m extension	<ul style="list-style-type: none"> Potential for ILS CAT 3¹ as part of runway improvements 	<ul style="list-style-type: none"> BA A319/A320 	<ul style="list-style-type: none"> Potential competition with EZY and BA as well as Aurigny should reduce average fares 	✓
	2,000m extension	AS ABOVE	<ul style="list-style-type: none"> Ryanair 737/800 	<ul style="list-style-type: none"> Addition of 737/800 operators incl. Ryanair 	

Note these options are subject to change through further consultation. Options are technically feasible but may not be economically viable

Initial Strategy & observations

Infrastructure options

The 1,570m extension appears to be the best runway option if it is feasible from a commercial and operational perspective for more than one airline.

- The 1,570m runway does not break the boundary of the airport; if it allows an A319 aircraft to land then it would represent a relatively low cost and potentially high benefit solution that should be relatively quick to deliver. It should be taken forwards for further analysis.
- We have received written confirmation from easyJet that it can operate commercially at this runway length.
- Initial feedback from British Airways is that they would require a 1,700m runway similar to Jersey, although discussions are in progress. Flybe has repeated their willingness to operate off the current runway length and are exploring any benefits that could accrue from a 1,570m runway. Clearly, the ability to attract multiple airlines would significantly de-risk this option.

A 1,700-1,800m extension should be taken forward as the primary alternative to the 1,570m option. There are clear additional benefits and it is lower risk in the longer term, although there may be a substantial cost difference.

- A 1,700-1,800m runway would be likely to provide benefits in terms of opening up Guernsey to a wider range of fleet and airline options, including British Airways and European charter operations.
- However, a 1,700-1,800m runway breaks the existing airport boundary and therefore increases substantially the financial, environmental and political hurdles and the time needed to deliver it.
- We recommend that this is taken forward as the other runway reference case and subjected to detailed cost-benefit analysis to determine if the greater cost of this option justifies the tangible benefits.

We do not believe that the additional benefit of a 2,000m+ runway would justify the extra cost and time required.

- Our initial observation is that there are more than enough A320 family operators (LCC and network carriers) to provide airline optionality on a 1,700-1,800m runway. The additional marginal benefit of being able to attract B737-800 operators as well (specifically Ryanair) is, in our view, unlikely to outweigh the additional cost of this option. On that basis we do not recommend this option being taken forward at this point.

There are land-based and on-aircraft solutions for mitigating the impact of bad weather on Guernsey. ILS upgrades are the most robust approach, although they will require a runway extension to at least 1,700m.

- The main technological solution, an upgrade of Guernsey's ILS systems to CAT II or CAT III, will require a full runway extension (at least 1,700m) to take place in order to be implemented. It is understood that the cost difference between installing CAT II and CAT III, given Guernsey's specific circumstances, is minimal, suggesting CAT III is the most sensible land-based option.
- It is possible to have future aircraft equipped with on-aircraft technology, such as Aurigny's ATR600s with ClearVision. However, not all aircraft are suitably equipped. It will take time for aircraft equipment to catch up to allow tangible improvements for Guernsey. On-aircraft solutions should be considered in the event that the States decide not to pursue a land-based solution.

Initial Strategy & observations

Market-based options

Non-runway options should be taken forwards and developed as part of a holistic response strategy that is not solely dependent on runway extensions.

- These options are lower risk because they do not involve up-front capital cost and can be terminated or modified if they are not working.
- They also offer a more immediate response than runway extensions, which may take 5 years+ before they are operational.
- They can be developed as part of a holistic air links strategy that involves infrastructure, operational and regulatory improvements.

There are significant connectivity benefits to Guernsey that would arise through connecting to a base carrier hub. Of these, Heathrow is by far the most beneficial and all Heathrow options should be strongly considered.

- Amsterdam would be an attractive connecting hub which has previously been connected with Guernsey. However, only KLM would have the capacity to provide access to the airport. This would be the most attractive potential European connecting hub due to its connectivity with regional UK airports. An Amsterdam route would not necessarily require a runway extension and already operates regional jet services.
- The States of Guernsey has since been offered a connection into Paris Charles de Gaulle by Flybe, which has indicated this is fastest growing hub connection. The code-share with Air France would make this a consideration for Guernsey connectivity.

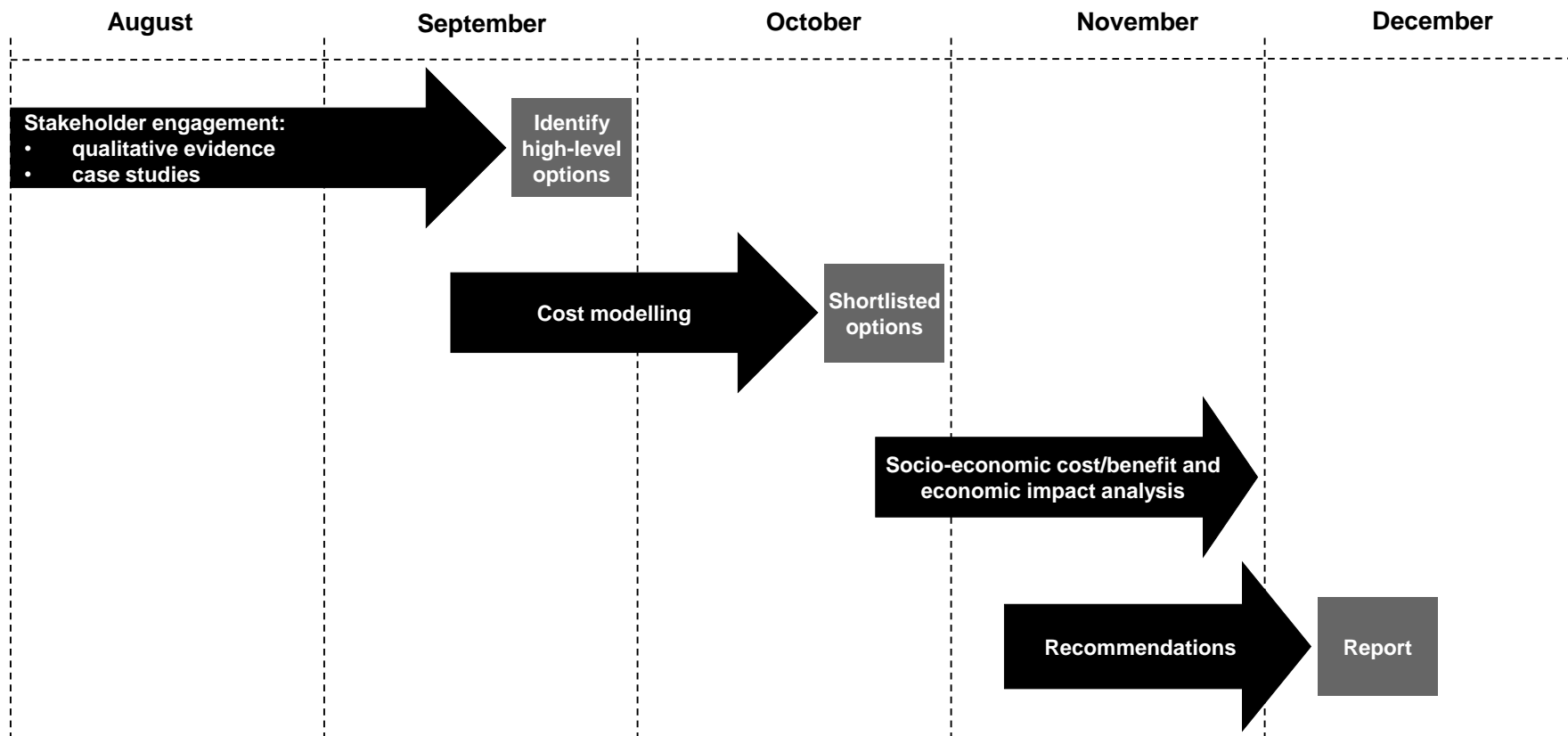
PSO routes to Gatwick and Alderney should be considered as a non-runway method of improving affordability.

- A PSO would allow The States to focus on Guernsey's lifeline routes and dictate the exact service levels provided, including schedule and air fares.

Aurigny strategy

- Whilst outside the scope of our study, the States of Guernsey have the ability to utilise Aurigny to provide fleet and capacity on any of the routes discussed. Clearly any infrastructure and market-based solutions should be considered with Aurigny's future strategy in mind.

Part B scope outline



Objectives of the review

Air and Sea links are a key priority for Guernsey and form part of the States' Policy and Resource Plan

Guernsey's Policy & Resource Plan is focused on a 20-year vision for the States

- The Policy & Resource Plan determines which policy initiatives should be prioritised by the States of Guernsey, and how this work will be resourced
- The Plan centres around four themes:

Quality of life	Community	Place in the world
<ul style="list-style-type: none">• Safe and secure place to live• Healthy community	<ul style="list-style-type: none">• One community: inclusive and committed to social justice• Lifelong learning	<ul style="list-style-type: none">• Centre of excellence and innovation• Mature international identity
Economy		
<ul style="list-style-type: none">• Strong, sustainable and growing• Sustainable public finances		

Air & sea links are a priority and are complementary to targets such as economic development & digital connectivity

- Maintenance and investigation of options for the expansion of air and sea links, so that **Guernsey is well connected with the UK, other Channel Islands and Europe**
- Essential for the island to have **robust, sustainable, reliable and affordable air and sea links** to deliver a dynamic and growing economy
 - This incorporates business, VFR⁽¹⁾ and residents' travel, both to and from the island, as well as freight
- **Connectivity to major UK and international airport hubs** is also a key requirement
- **A reliable schedule and frequency of air and sea services is vital** if Guernsey is to facilitate and develop its economic development opportunities

Note: (1) Visiting friends and relatives

Source: States of Guernsey Policy & Resource Plan, November 2017

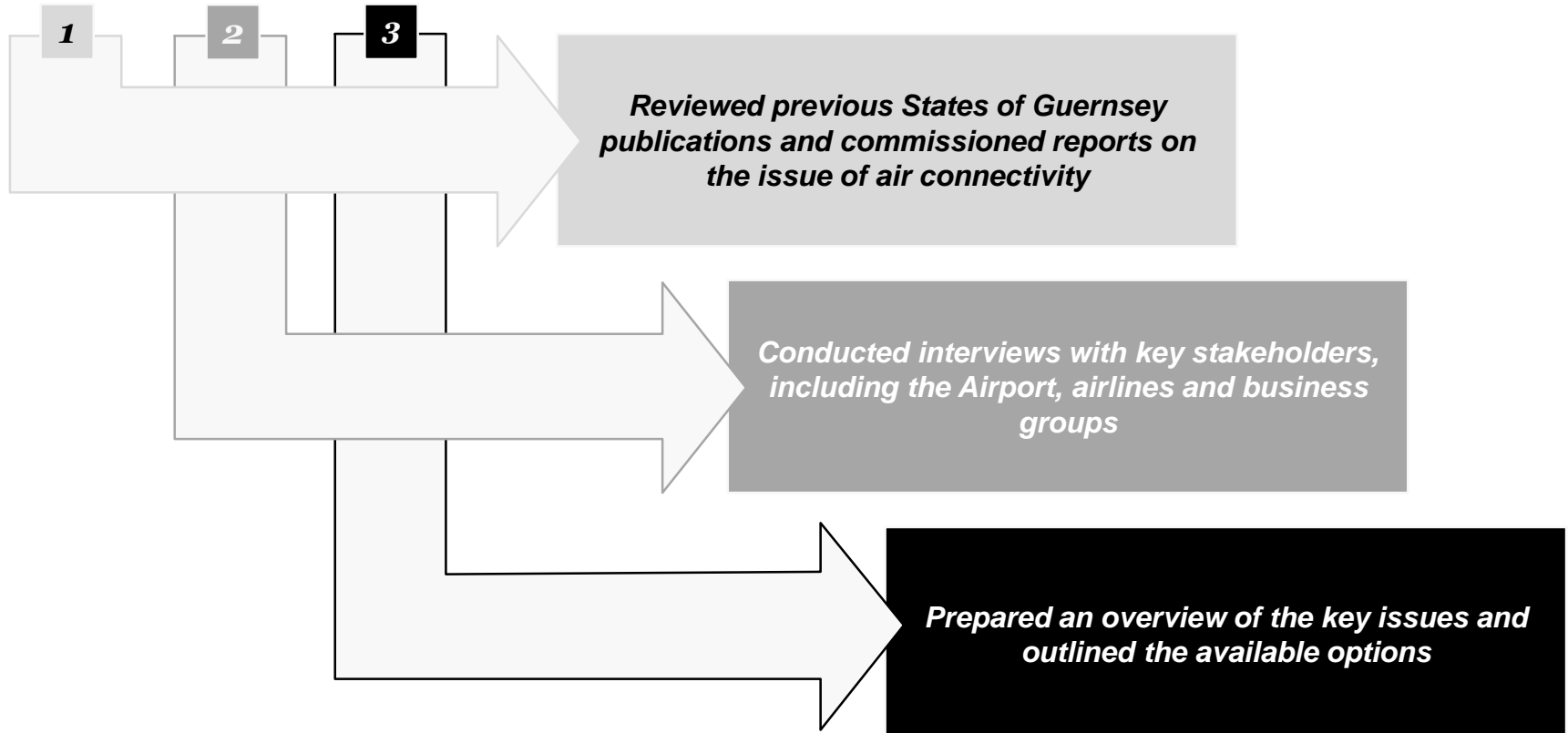
Strengthening air and sea links is a key action within the States' Economic Strategy, and an enabler of other priorities

States of Guernsey Economic Strategy – actions to promote stronger growth

Strengthen air and sea links	Enable finance sector growth and diversification	Support innovative businesses and products	Prioritise Seafront Enhancement Area work
Develop a plan for investing in Guernsey's tourism business	Updated retail strategy	Establish a pipeline of construction opportunities and develop construction skills	Implement a long-term skills development plan
Ensure the population management policy is flexible and supports skills needs	Put in place a framework to foster entrepreneurialism	Ensure the Open Market is attractive to HNWIs	Continue to develop and implement the digital framework
Establish an international university presence in Guernsey	Develop plans for the blue economy	Develop plans for renewable energy as part of energy policy	Develop a clinical and medical services 'medtech' plan
Implement the telecommunications sector strategy	Identify and remove red tape to boost competitiveness and reduce the cost of doing business in Guernsey	Develop a clear jurisdiction-wide economic risk appetite	Work to develop new markets and consolidate existing markets

Source: Guernsey Economic Development Strategy

Our work has identified a range of possible options that may address key issues with Guernsey's air links



Future work will focus on an assessment of the options identified in this report

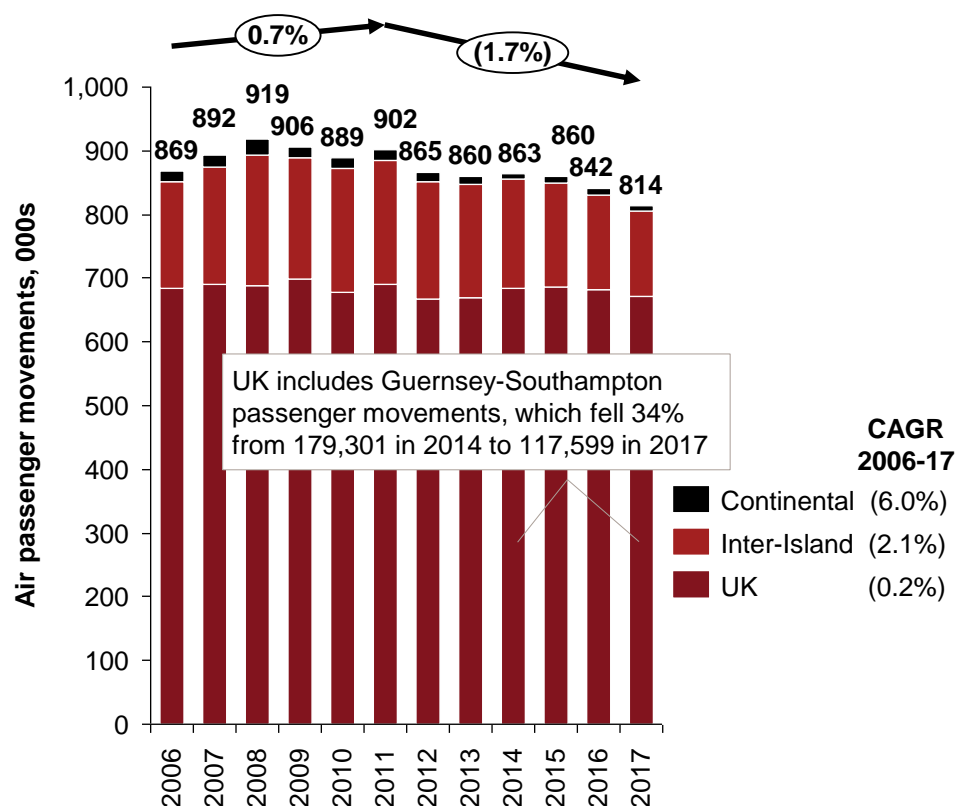
Current perceptions and actual performance

Solutions are sought to halt the evident decline in air traffic on Guernsey

Here's what the data says...

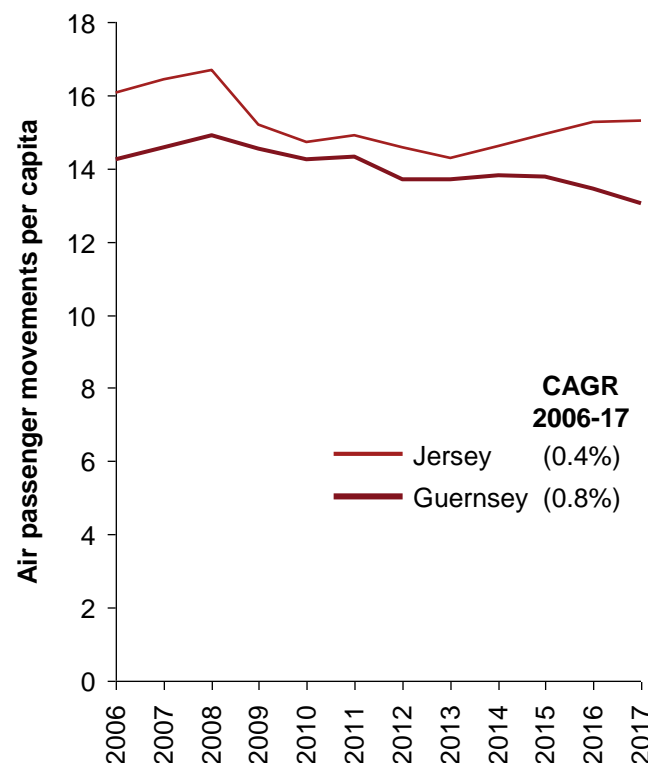
Guernsey air passengers by destination

Total air passenger movements, 2006-17



Guernsey vs. Jersey per capita pax movements

Air passenger movements per capita, 2006-17



Source: Guernsey Travel Surveys 2011-2017, Guernsey Airport, Guernsey Facts & Figures 2017, Jersey Airport, Jersey in Figures 2017

The urgency of the situation was raised by numerous stakeholders during our consultation process

Here's what people are telling us...

"The cost has become prohibitive for the man in the street. What can we do about it?"

- Deputy Jan Kuttelwascher, States of Guernsey

"The priority is fixing the view that we're a declining market and declining economy. For our members, it's about growing traffic and confidence in the economy. We know for a fact that when we lost the City route, some businesses dropped off, others went to Jersey"

- Institute of Directors

"We are at a 30-year low in terms of passenger numbers. There are c.100k fewer passengers than at the peak in 2004"

- Colin Le Ray, General Manager Ports

"The highest priority for the Chamber of Commerce is the travel issue. Flight connectivity permeates into every level of business. Hotels are not as full as they used to be, especially in winter months. We're struggling with recruitment too.

The bigger deterioration has been in the last few years, this year in particular. Everything in Guernsey is in decline. Whereas our neighbours are improving everything. Whatever we're doing today, the output is negative, so we have to change"

- Chamber of Commerce

"Transport is one of the biggest issues facing Guernsey's business sector. It's primarily air transport that's the issue - both outgoing and incoming. There's a consensus view at GIBA that the government should do something to address this immediately"

- Tony Mancini, Deputy Chairman GIBA

Connectivity, reliability and air fares are identified as key indicators that underpin the States' strategic aviation goals

	1. Connectivity		2. Reliability	3. Affordability
	Routes	Schedule & capacity		
Definition	<ul style="list-style-type: none"> An indicator of a network's concentration and its ability to move passengers from their origin to their destination seamlessly (ICAO) Number of destinations that Guernsey flies to directly, as well as ease of connecting to additional destinations via a hub Access to lifeline route 	<ul style="list-style-type: none"> Flight times – Key times differ between business and leisure traffic (i.e. early morning, noon, evening flights) Daily frequency of flights to each destination Total number of seats offered 	<ul style="list-style-type: none"> 1) Resilience to weather delays 2) Maintenance and access to contingent fleet Incidence of delays and cancellations resulting from: <ul style="list-style-type: none"> Weather (fog, wind) Mechanical issues Lack of contingency options in the event of delays for the above reasons Lack of alternative travel options (e.g. inter-island ferry) 	<ul style="list-style-type: none"> Cost of tickets for specific routes, both in absolute terms and relative to comparable routes for comparable islands Availability of low-cost alternatives Competitive air fares are important to maintain Guernsey's "open for business" position
Impact on economic growth	<ul style="list-style-type: none"> Gives businesses access to a wider marketplace Hub access reduces cost and time of reaching destinations through more complicated connections 	<ul style="list-style-type: none"> Improves access to the island and perception of Guernsey's connectivity Enhances managers' ability to oversee off-island operations Increased human and capital flows can improve returns on investment 	<ul style="list-style-type: none"> Perception of unreliable transport can deter visitors and businesses from visiting or using Guernsey as a base, or in some cases may lead to relocation 	<ul style="list-style-type: none"> Easier to attract visitors and for business travel to be justified in an age of corporate cost-cutting Improves Guernsey's competitiveness as a tourist destination
Social impact	<ul style="list-style-type: none"> Increases the level of social inclusion for Guernsey residents and VFR travel 	<ul style="list-style-type: none"> Improves perception of Guernsey being connected to the rest of the world More choice for travellers to plan a holiday with dates and times that suit their needs 	<ul style="list-style-type: none"> Less uncertainty for inbound and outbound traffic Residents often incur extra cost by travelling to the UK and staying overnight when connecting in order to avoid fog-related delays 	<ul style="list-style-type: none"> More affordable for inbound and outbound VFR traffic Inbound traffic saving on travel can in theory spend more money with local businesses once on the island

Source: PwC analysis

There are three key traveller segments, all with differing opinions and requirements for air links

Business	Leisure	Visiting friends and relatives (VFR)
<ul style="list-style-type: none">• Travelling for professional purposes including attending meetings• Tend to be time sensitive and relatively indifferent to fare levels• Usually prioritise frequent and flexible service that enables passengers to quickly change flights to a more convenient time, coupled with easy surface accessibility• Measure connectivity by frequency of service, convenience of schedule, trade time, number of direct routes available, proximity to city centre	<ul style="list-style-type: none">• Travelling for holidays• Tend to care more about fares, with cost effectiveness often the most important factor in decisions about whether to travel and where• Unacceptably high fares could cause them to change their mind about their destination• Measure of connectivity includes fares	<ul style="list-style-type: none">• Travel primarily to see loved ones• Tend to see fares as a major factor in determining how frequently they travel• However, unlike leisure travellers, they don't have the option of changing their travel destinations if fares are too high• Measure connectivity in terms of fares but less concerned with accessing additional destinations

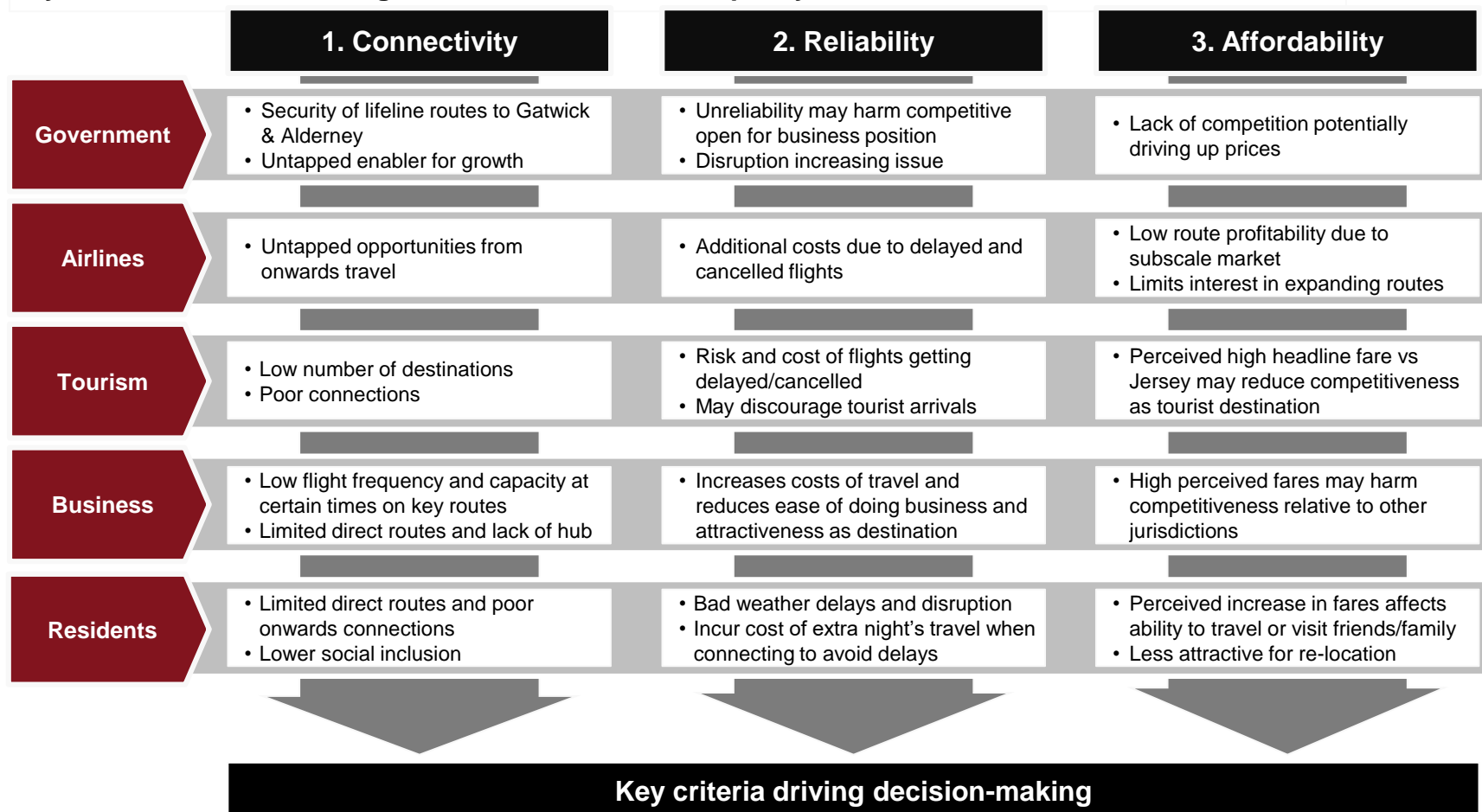
Connectivity, reliability and affordability mean different things to different passengers; their needs vary

Overview of passenger group requirements

	Business	Leisure	Visiting friends and relatives (VFR)
Connectivity	<ul style="list-style-type: none"> • Access to London • Inter-island • Connectivity to Europe and USA – Ideally direct, otherwise one connection through a hub • Schedule: Early morning flights to get to meetings. Evening flights to allow day trips 	<ul style="list-style-type: none"> • Ability to reach a range of destinations with at most one connection. Gatwick is a good hub for leisure connectivity • Schedule is less important, with day-time flights preferred 	<ul style="list-style-type: none"> • Vital lifeline links and ability to get off the island to visit or be visited by family and friends, often in Scotland and the south of England
Reliability	<ul style="list-style-type: none"> • Fog: Predictability of conditions and confidence that meetings won't be missed 	<ul style="list-style-type: none"> • Bad weather, or fear of bad weather, can add significant cost as residents often travel a day early when connecting to avoid missing connecting flights 	<ul style="list-style-type: none"> • Bad weather, or fear of bad weather, can add significant cost as residents often travel a day early when connecting to avoid missing connecting flights
Affordability	<ul style="list-style-type: none"> • Arguably less sensitive to cost than other passenger groups • Can be a significant deterrent to businesses setting up on the island, especially in industries where costs will be compared directly with Jersey • Can also be damaging for SMEs looking to make sales trips or travel for meetings 	<ul style="list-style-type: none"> • Air fares are a key concern and directly impact flight frequency for leisure passengers • Passengers will often compare prices with similar routes to and from Jersey 	<ul style="list-style-type: none"> • Cost of travel to and from the island impacts residents' perception of connectivity / isolation and frequency with which they can see friends and relatives

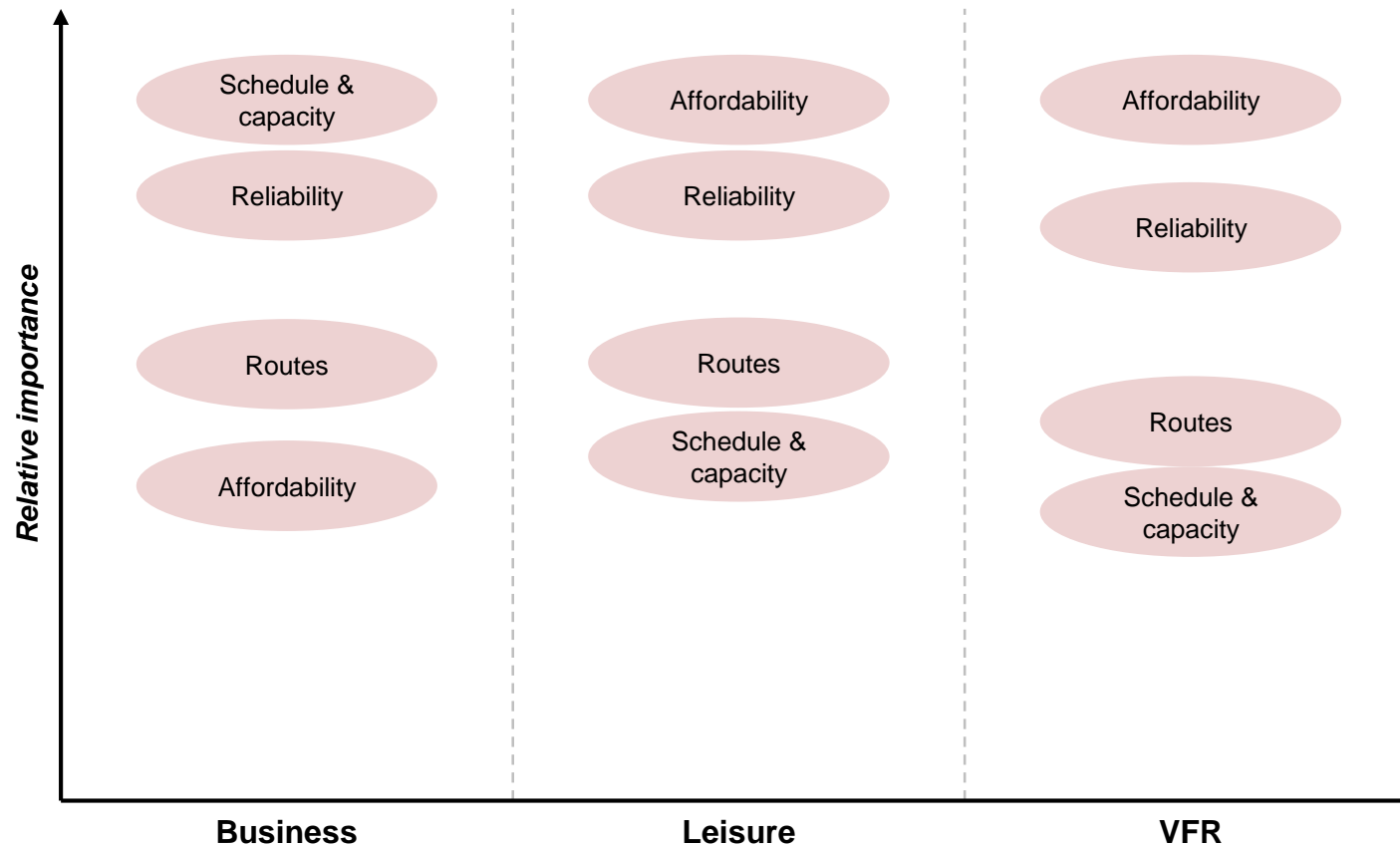
Our research and stakeholder consultation has highlighted the importance of these indicators

Key issues identified relating to indicators of air links quality



The importance of each indicator varies by passenger group. Reliability is a key issue for all passengers

Initial views on relative priorities of passenger groups



ILLUSTRATIVE

Note

These priorities are our initial views based on stakeholder feedback. Future work will test this in more detail

There is often a trade-off between connectivity, reliability and affordability

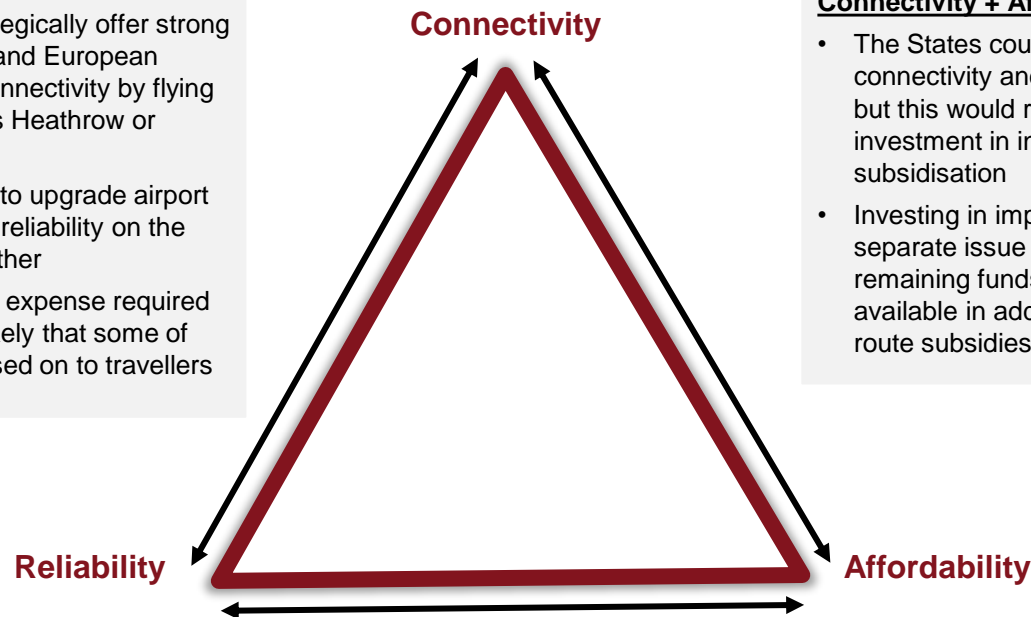
The air links 'trilemma'

Reliability + Connectivity

- Guernsey could in theory strategically offer strong connectivity to a range of UK and European airports, as well as broader connectivity by flying to a major hub airport, such as Heathrow or Amsterdam
- Similarly, it would be possible to upgrade airport or fleet technology to improve reliability on the island in response to bad weather
- However, given the significant expense required to deliver both of these, it is likely that some of the cost will ultimately be passed on to travellers in the form of higher air fares

Connectivity + Affordability

- The States could achieve good connectivity and reduced air fares, but this would require significant investment in incentives / subsidisation
- Investing in improving reliability is a separate issue and it is unclear if the remaining funds required would be available in addition to these various route subsidies



Reliability + Affordability

- It is possible to deliver reliable, affordable travel but this would likely have to be focused around specific, lifeline routes
- Keeping air fares low would either require route subsidies, or could possibly open up a situation where private airlines will only run on the most profitable routes. This could have a negative impact on connectivity

Source: Stakeholder interviews

1. Connectivity

Views on connectivity vary by passenger group. Schedule and capacity are the most consistently discussed issues

Views of key passenger groups regarding connectivity

Passenger group	Comments	
	<i>Routes</i>	<i>Schedule & capacity</i>
Business	<ul style="list-style-type: none"> Businesses prioritise direct access into London and to the other Channel Islands Connectivity to Europe and USA through a hub would reduce cost and time for business to access a wider marketplace Improved route connectivity has a multiplier effect – increased human flows and increased capital flows from expanded routes can lead to increased returns on some investments Businesses currently prefer London City for travel into London and Heathrow as a hub for onwards travel However, Gatwick may become increasingly attractive for business travel as major carriers expand their Gatwick routes 	<ul style="list-style-type: none"> Business travellers want early morning flights in order to attend morning meetings and late evening flights for convenient day trips. This is especially important for Inter-Island travel Adoption of larger aircraft has meant rationing of flight times, which affects business travellers who tend to be particularly sensitive to convenience of flight times Limited capacity at key flight times for business has also driven up cost of travel for business, which is cited as a growing issue
Leisure	<ul style="list-style-type: none"> Leisure travellers want access to a range of destinations, either directly or through (at most) one connection via a hub Gatwick is viewed as a good hub for leisure routes Currently, the most popular destinations for outbound leisure appear to be Spain, the USA and Portugal Expanded routes would give more choice in planning holidays 	<ul style="list-style-type: none"> Leisure travellers prefer day-time travel However, leisure travellers tend to be more sensitive to price than schedule, and so would benefit from a reduced schedule with larger aircraft if this allowed for cheaper fares
VFR	<ul style="list-style-type: none"> VFR travellers prioritise direct routes into London, the South of England and Scotland 	<ul style="list-style-type: none"> Improved connectivity can enhance social inclusion among residents by guaranteeing vital lifeline links off Guernsey

Given air connectivity's impact on economic and social measures, stakeholders identified it as a priority

Here's what people are telling us...

Government

*"The goals of the CfED for air transport include **maintaining and expanding air links** so that Guernsey is well connected with the UK, the other Channel Islands and Europe"*
- Air and Sea Links Review ToR 2018

Industry

*"**Gatwick is not the right airport.** It's not great for London and it's not great for connectivity. Gatwick is not bad for leisure but **Heathrow is the business airport**"*
- Vincent Hodder, Flybe CSO

Tourism

*"Guernsey is missing out hugely. Dutch, Germans, French think **it's desirable but difficult to get to and expensive.** You want **ease of access from the continent**"*
- Guernsey Chamber of Commerce

Business

*"I can tell you multiple examples of **people deciding against building businesses in Guernsey because of the lack of connectivity.** There's a lack of trust in where we're going"*
- Guernsey Chamber of Commerce

Residents

*"**Islanders want to go places, we want to connect to places.** Is the onward journey being considered?"*
- Customer feedback

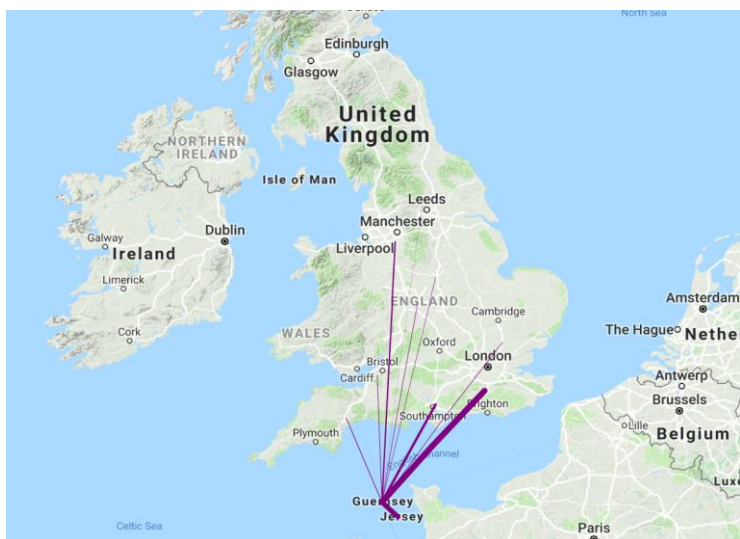
- Guernsey's current connection into **Gatwick has limited connectivity value as a hub, given the high concentration of LCCs relative to major hub carriers, a network which is predominantly Europe-focussed and its location relative to London**
 - Gatwick's value as a hub is improving as airlines such as BA and Emirates begin services and with the introduction of self-connecting services for many passengers
- Guernsey's lack of connectivity to a hub may mean **Guernsey's airlines are failing to leverage potential latent demand and constraining business opportunities**
 - However, it is difficult to understand the effect of connectivity on the Guernsey market due to the **limited available data on onward travel from Guernsey**

Guernsey currently serves 16 direct routes, with the most popular being Gatwick, Jersey and Southampton

Here's what the data says...

Guernsey Airport route network

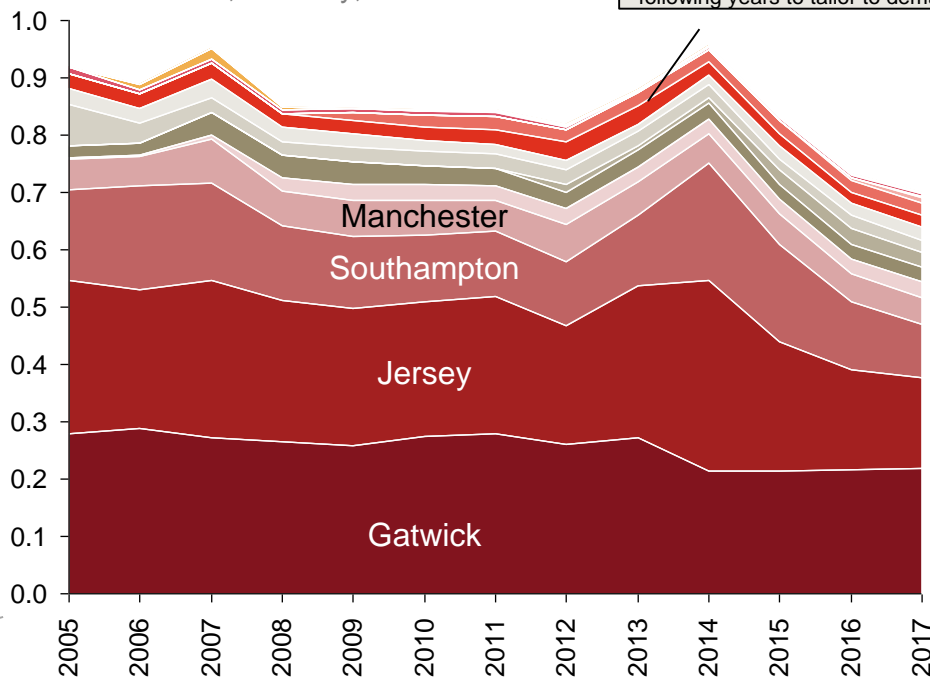
Routes served, 2018⁽¹⁾



Guernsey has 16 direct routes and a seat capacity of >700k (one way)

Seat capacity on routes from Guernsey

Millions of seats, one-way, 2005-2017



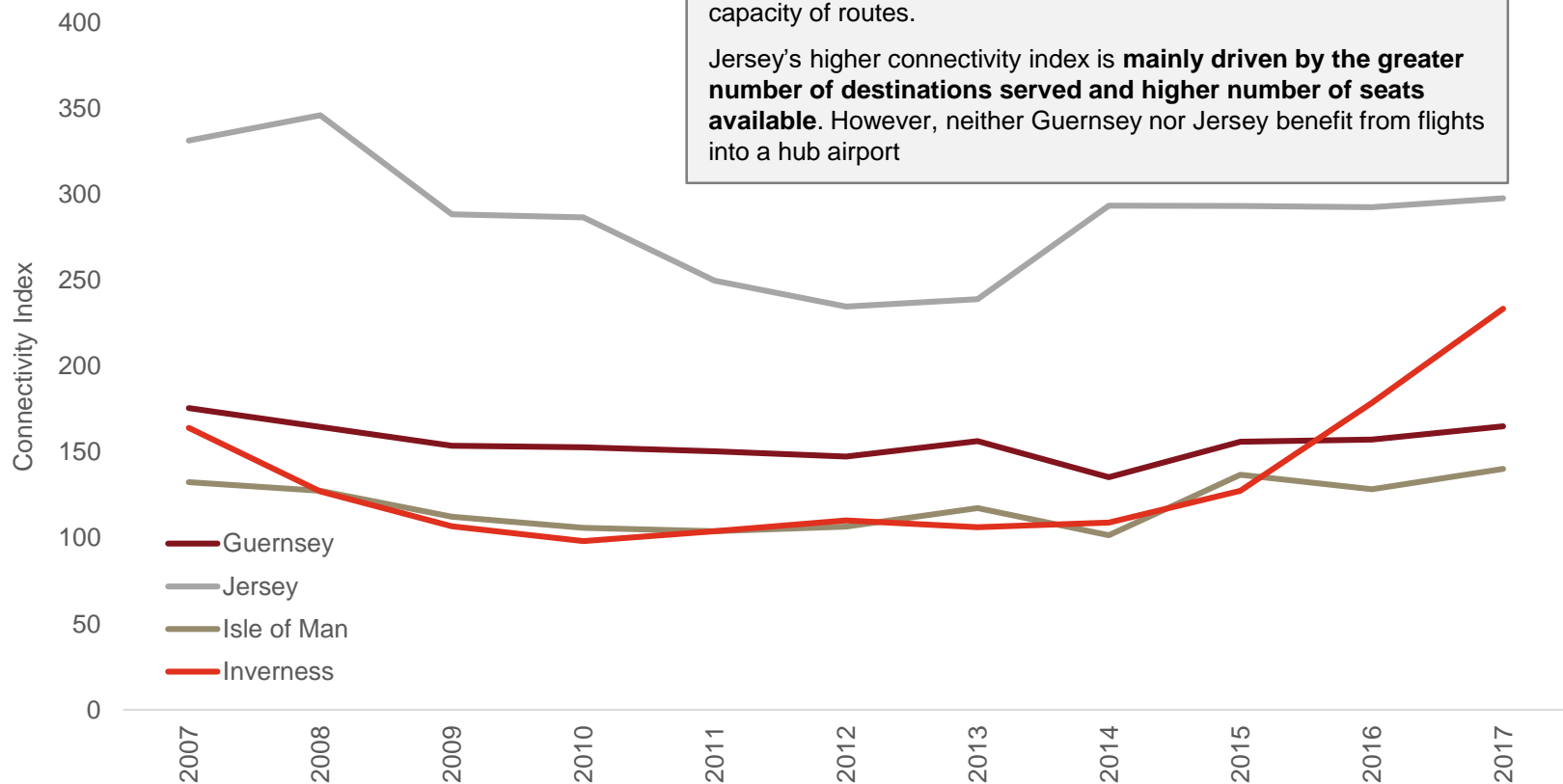
Despite a diversification in the route network from Guernsey, the number of seats offered from the island has been decreasing in recent years. Gatwick, Jersey and Southampton continue to represent the key routes from Guernsey with a market share of over 65% (in terms of seats offered) in 2017. The number of seats offered on these routes, however, has decreased significantly since 2005, from c.700,000 seats to about 470,000 in 2017. This trend is in line with passenger demand which has also been decreasing.

Note: (1) Thickness of line indicates seat capacity distribution by route; (2) London City airport is no longer served from Guernsey; * BHX & EXT are triangular routes (i.e. services are in conjunction with Jersey); Source: Planetoptim Milanamos, PwC analysis

Guernsey is relatively well-connected for an island of its size, but not as well served as Jersey

Jersey vs Guernsey connectivity index

2007-2017 ⁽²⁾



The States have identified securing the lifeline routes to Gatwick and Alderney as the priority for Guernsey's air links

Here's what people are telling us...

*"Lifeline routes are those which are **critical for the economy, residents' health and/or residents' social welfare**. Due to the size of the Bailiwick's market, these routes **must be protected and provided by a single operator**, for a defined period and at an agreed service level"*

- Guernsey Economic Vision 2017

*"All other routes add a level of **additional choice and connectivity** for residents. In order to encourage new route development and innovation... these routes should be made **exempt from air transport licensing**"*

- Guernsey Review of Air Transport Licensing 2018

"The Committee's priorities are:

- Establishing additional connectivity into London which would enable **enhanced access to a global hub**;*
- Moving to a **quasi-open skies policy** which enables competition on non-lifeline routes; and*
- Continuing to actively engage with a range of airlines to **seek opportunities for the development of new routes**"*

- Guernsey Economic Development Strategy 2018

Lifeline route 1: Guernsey-Gatwick

- As Guernsey's primary link into London, Gatwick supports significant resident and business travel and is the main connecting airport
- Travel to Gatwick currently accounts for c.37% of Guernsey's total passenger movements

Lifeline route 2: Guernsey-Alderney

- Alderney's route to Guernsey is essential to Alderney residents, including for accessing medical services
- The route is currently loss-making for Aurigny, requiring support to maintain the level of service

Following the 2018 review of Air Transport Licensing (ATL), lifeline routes may in future be protected with Public Service Obligations (PSOs)⁽¹⁾

All other routes: Quasi open-skies

- Despite being the second most-travelled route, Southampton is not a lifeline route because 1) Southampton airport is not slot constrained and 2) it does not appear commercially unviable
- All remaining routes are expected to be provided by commercial operators

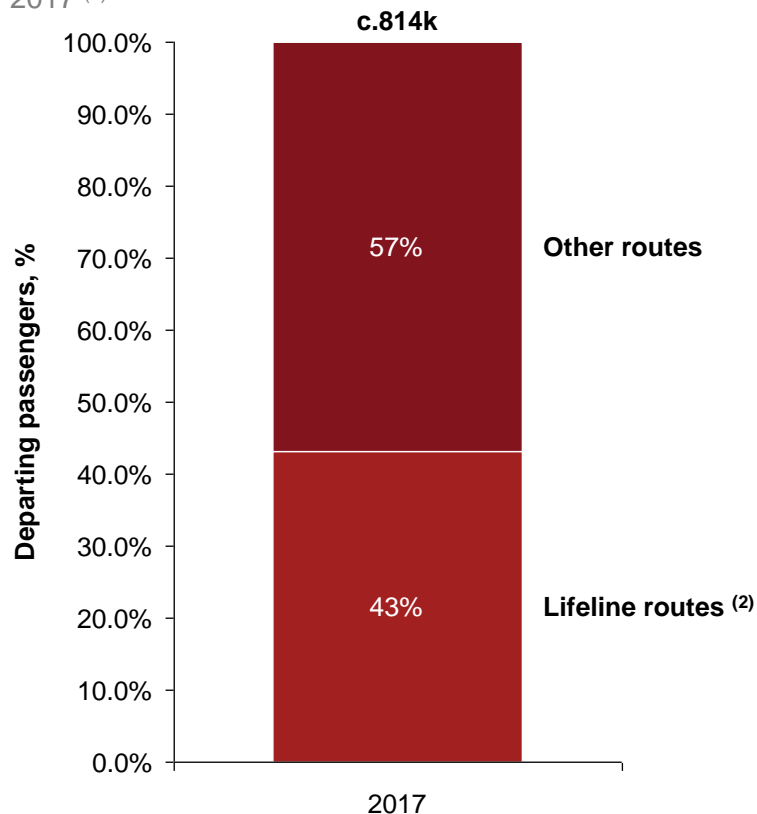
Note: (1) Public Service Obligations (PSOs) are obligations imposed on an organisation by legislation or contract to provide a service of general interest.
Source: Guernsey Economic Vision 2017, Guernsey Review of Air Transport Licensing 2018, Guernsey Economic Development Strategy 2018

Gatwick is Guernsey's most-travelled route, with 46% of all departing passengers and 71% of those travelling onward

Here's what the data says...

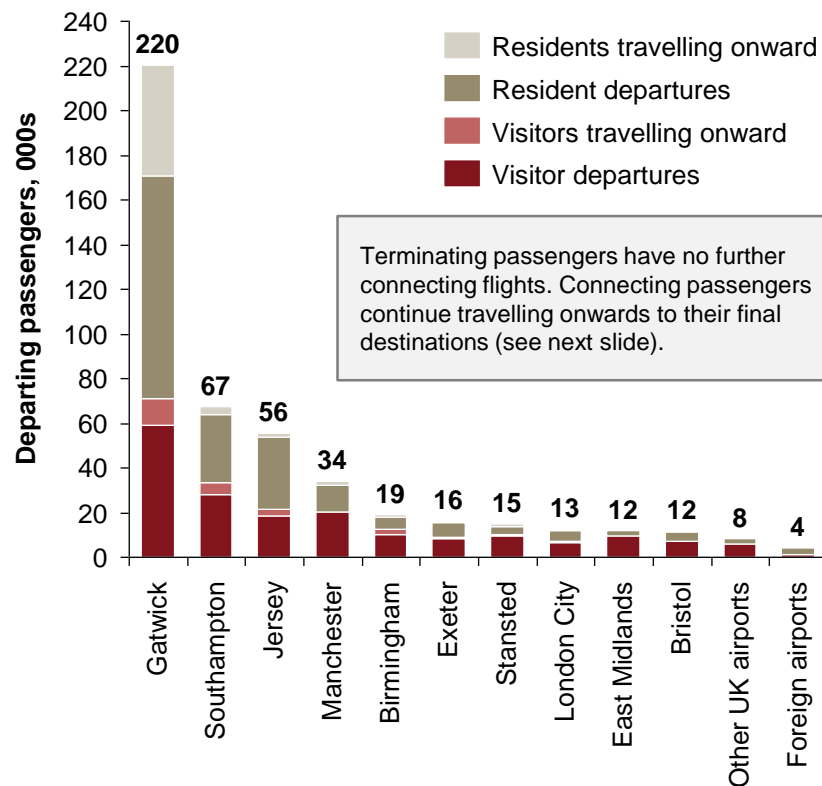
Passenger movements at Guernsey by route type

2017 ⁽¹⁾



Terminating & connecting pax from Guernsey by airport

2017 ⁽³⁾



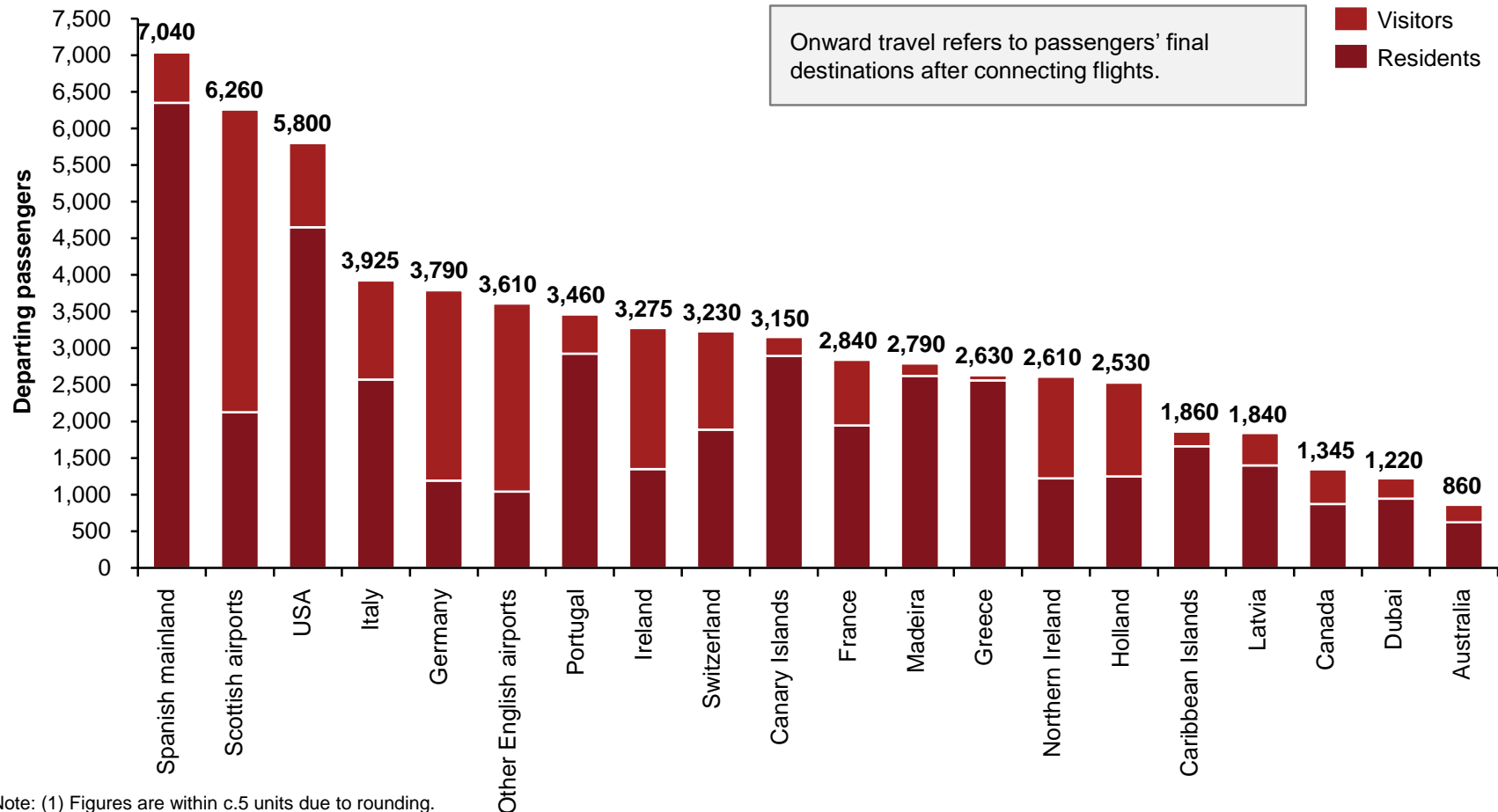
Note: (1) Include both arrivals to and departures from Guernsey Airport; (2) Lifeline routes are Gatwick and Alderney; (3) Includes departures only.

Source: Guernsey Airport Passenger Movements 2017; Guernsey Travel Survey 2017

Overall, the most popular destinations for onward travel from Guernsey in 2017 were Spain, Scotland, and the USA

Most popular destinations for onward travel from Guernsey

2017 ⁽¹⁾

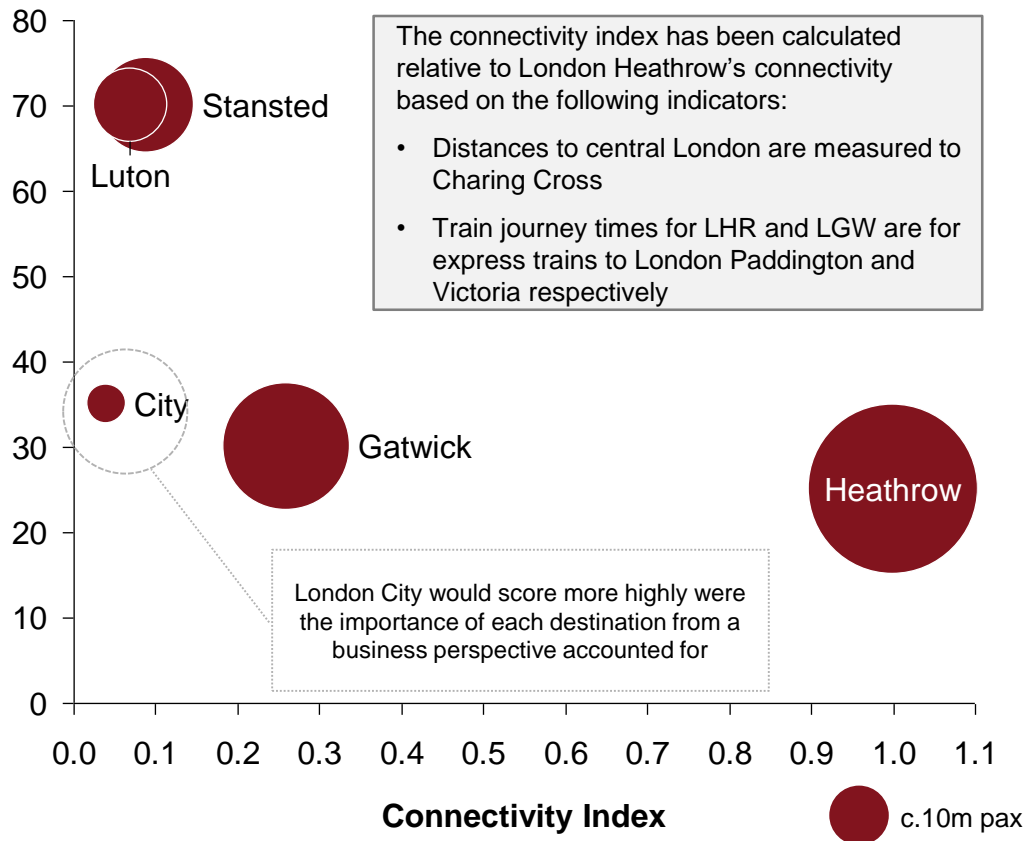


Note: (1) Figures are within c.5 units due to rounding.

Source: Guernsey Travel Survey 2017

However, Heathrow is the key hub of the London airport system...

Travel time into central London Minutes



Accessibility

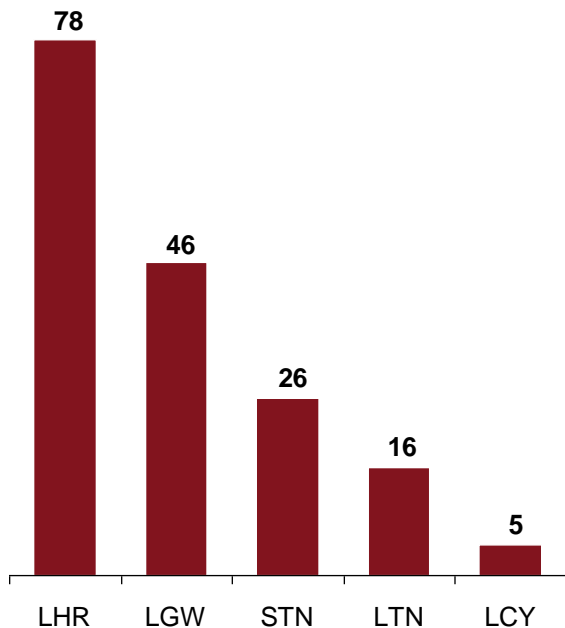
Heathrow	<ul style="list-style-type: none"> 14 miles from central London 1 hour drive to central London 25 minute train journey to central London (express) CrossRail should also significantly improve access to London
Gatwick	<ul style="list-style-type: none"> 25 miles from central London 1 hour 30 minute drive to central London 30 minute train journey to central London (express)
City	<ul style="list-style-type: none"> 8 miles from central London 50 minute drive to central London 35 minute train journey to central London
Stansted	<ul style="list-style-type: none"> 31 miles from central London 1 hour 20 minute drive to central London 1 hour 10 minute train journey to central London
Luton	<ul style="list-style-type: none"> 28 miles from central London 1 hour 10 minute drive to central London 1 hour 10 minute train journey to central London The DART and M1 improvements should also improve access and lead to an increase in catchment

...as such it could represent a better option than Gatwick for onward connections to and from Europe and the rest of the world

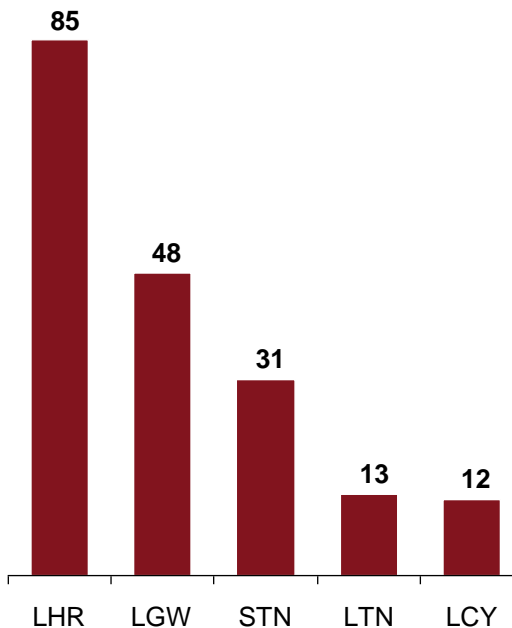
Heathrow has significantly more passengers and airlines...

...and also offers greater connectivity to non-European destinations

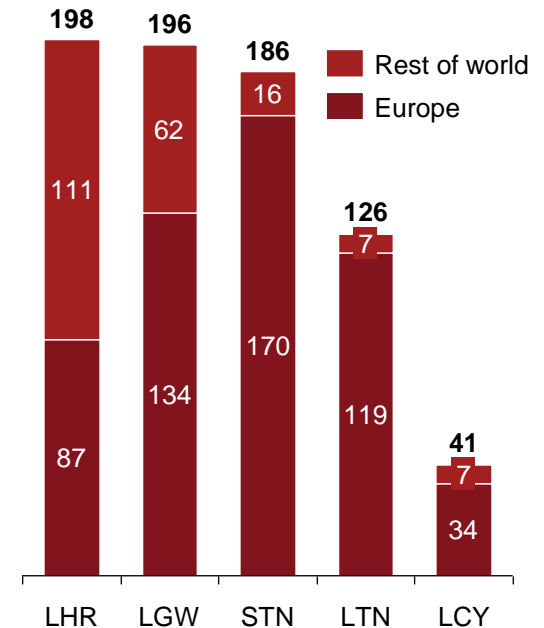
Traffic for London airports
Annual pax, 2017



Airlines operating from London airports
Airlines, 2018



Destinations served by London airports
Destinations, 2018



Source: UK CAA, CAPA (as per week of 9 July 2018)

Guernsey and Jersey can, to some extent, be expected to have different levels of service given differing market conditions...

Here's what people are telling us...

*"The comparison to Jersey is one that **causes us no end of grief from the public**. I understand why you might look at neighbours, but **they're 60% larger, in a different place in population growth and have a higher mix of non-residents who therefore travel more**"*

- Tom Barrasin, Blue Islands CEO

"People who we want to hire can connect more easily from Jersey so they'd rather work in Jersey. Everyone is asking, how come I can get to Jersey direct, or through one airport, but to get to Guernsey it's not even in the same system? People feel they are being had over because it's much more expensive to travel from Guernsey"

- Chamber of Commerce

*"Jersey is taking market share in the finance sector from Guernsey. The bigger issue is not necessarily the issues that we have, it's **the direct comparison with Jersey. Clients can choose between us**"*

- Tony Mancini, Deputy Chairman GIBA

- Passengers appear to expect Guernsey to provide the same level of services as Jersey in areas that are not necessarily comparable
 - **Guernsey's population is only c.60%** of the size of Jersey's population and **GDP is c.70%** of Jersey's
 - Jersey's financial sector and other travel-intensive business is more developed than Guernsey
 - This helps Jersey to reach **critical mass for airport profitability** and sustainably serve a wider route network
- Previous research by ASM suggested new routes from Guernsey have had c.60% of the number of passengers flying those routes from Jersey, **in line with the difference in population**
- **However, demographic trends in Jersey are different to Guernsey**, with greater population growth and higher proportion of non-residents in Jersey, suggesting Jersey has greater potential for growth in passenger numbers
- There is a need for **clearer communication on the differences** between the two markets to address resident expectations

...as well as other factors

Variables	Guernsey	Jersey	Guernsey % of Jersey
Population	62k	106k	59%
Runway Length (LDA) ⁽¹⁾	1,463m	1,706m	-
Airport pax (2017) ⁽²⁾	c.0.8m	c.1.6m	50%
Visitors (2017) ⁽³⁾	423k	728k	58%
Number of routes (2018)	16	34	47%
Connections to Major Hubs	None	None	-
Legacy Airlines	None	BA	-
Seat Capacity (one way)	c.0.7m	c.1.2m	57%
GDP	£2.9bn	£4.1bn	71%
Financial Services' Share of GDP	c.33%	c.41%	-

These factors suggest Guernsey does not perform on par with Jersey

- Based on the **difference in population size, Guernsey performs on par with Jersey in terms of visitor numbers and seat capacity**
 - Guernsey has 59% of Jersey's population, 58% of its visitors and 57% of its seat capacity
 - However, on this basis, **Guernsey underperforms relative to Jersey on passenger movements (50%) and number of routes (47%)**
- If considered in terms of the difference in GDP (**71% of Jersey**), **Guernsey performs significantly below Jersey** on these metrics

Note: (1) Landing Distance Available; (2) Passenger movements; (3) Includes departing visitors, returning visitors, cruise arrivals and visiting yachtsmen.
Source: Guernsey Facts & Figures 2017, Guernsey Travel Surveys, Jersey in Figures 2017, Visit Jersey Annual Report 2017, PwC analysis

2. Reliability

Reliability is important for all three core traveller segments and appears to impact all areas of life in Guernsey

Views of key passenger groups regarding reliability

Passenger group	Comments
Business	<ul style="list-style-type: none"> • Businesses prioritise predictable travel conditions in order to have confidence that scheduled business activities and meetings will not be delayed • Delays can be costly and build a perception of unreliability, which can deter business travellers and ultimately undermine confidence in Guernsey as a business destination • Bad weather delays have disproportionately affected business travellers due to higher incidence of morning fog • Reduced inbound travel due to bad weather or fear of bad weather has knock-on effects for local businesses on Guernsey
Leisure	<ul style="list-style-type: none"> • Perceived unreliability of air travel leads some residents to choose next day connections and stay overnight in London, incurring significant additional cost to avoid bad weather disruption • Outbound leisure travellers are often required to take an extra day of holiday to accommodate this
VFR	<ul style="list-style-type: none"> • Lack of contingency options during aircraft maintenance has contributed to perceived degradation of service and decrease in capacity • Weather delays during the festive period have particularly affected VFR travellers

Bad weather delays are costly to airlines and passengers, and harm perceptions of airline service reliability

Here's what people are telling us...

Government

*"Aurigny has a deserved reputation for good customer service and for friendliness... but **complaints are regularly received from customers in respect of reliability of service**"*
- Aurigny Strategic Review 2017

Industry

"Fog can disrupt the whole day, it doesn't just start up again. Last year we had 47 days with visibility delays, which cost us c.£850k"
- Mark Darby, Aurigny CEO

Tourism

*"**Reliability is a big thing for us because we can't re-sell rooms**, so we either lose good corporate customers or we refund and lose the fee. This has been the worst year for fog and reliability"*
- Guernsey Chamber of Commerce

Business

"The main thing customers hate about fog is lack of early communication, so we communicate with them from 4am"
- Nick Magliochetti, Waves CEO

Residents

*"When I travel for leisure, I **worry about getting on and off the island**. People in Jersey trust BA to get them wherever. If I miss a connecting flight it costs me a lot so I have to leave a day earlier"*
- Customer feedback

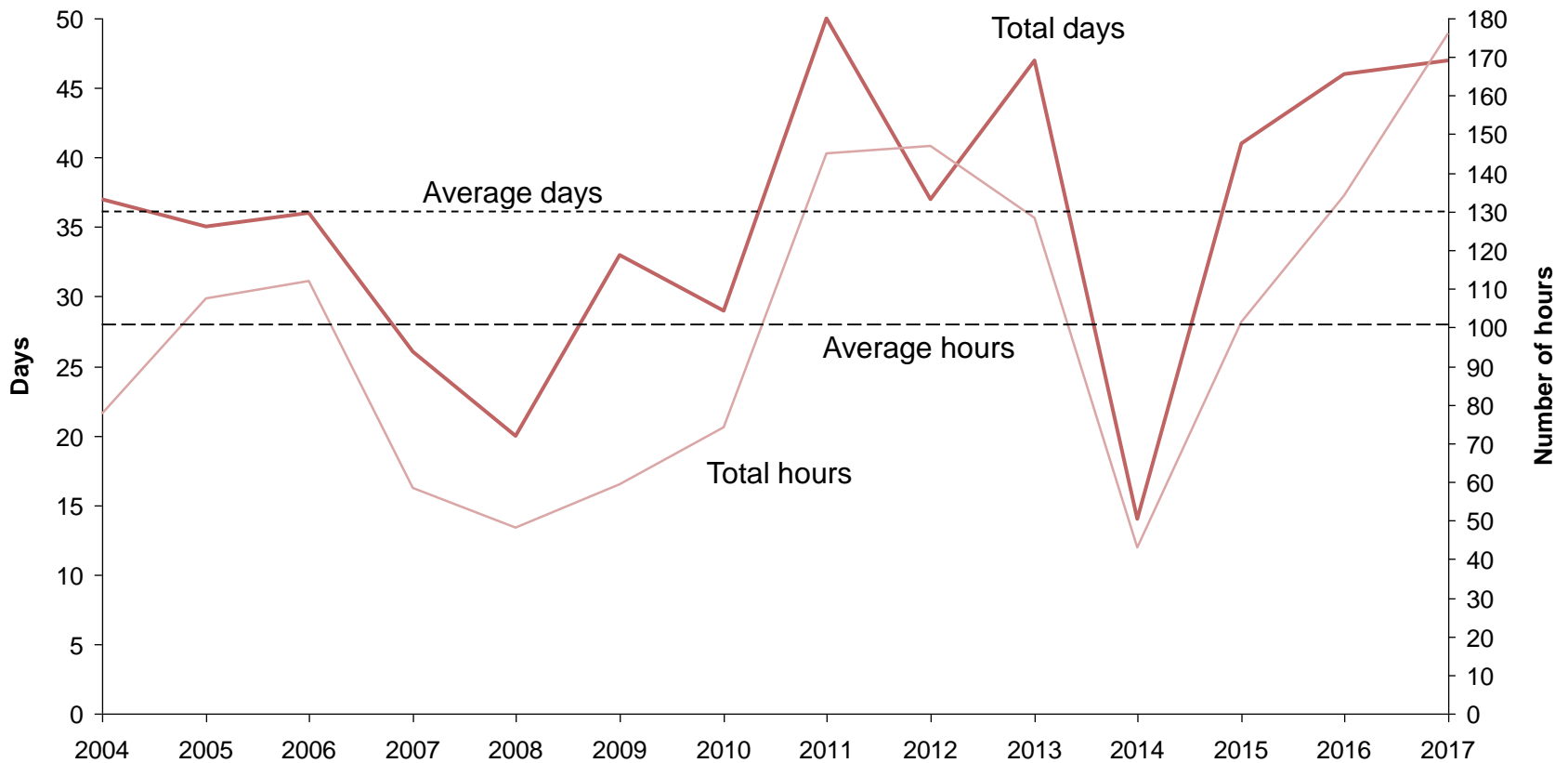
- Airlines operating out of Guernsey face the **additional cost of delays and disruptions due to bad weather**
 - Costs include investment in back-up aircraft and standby crews to improve bad weather resilience, as well as passenger delays
- Anecdotal evidence suggests that in order to avoid disruption, some **passengers are choosing to book next-day connecting flights and additional hotel nights**. This is also an issue for people travelling to the island as there is a perceived risk of Guernsey being a risky destination to travel to due to weather impacting ability to arrive/leave the island as planned
- Some stakeholders suggest public perceptions are **disproportionately shaped by disrupted business flights**, which are more often delayed due to flight schedules

Poor visibility conditions affect the island, reducing airline performance and increasing delays

Here's what the data says...

Guernsey Airport poor visibility conditions

Runway Visual Range < 600m during flying hours, 2004-2017



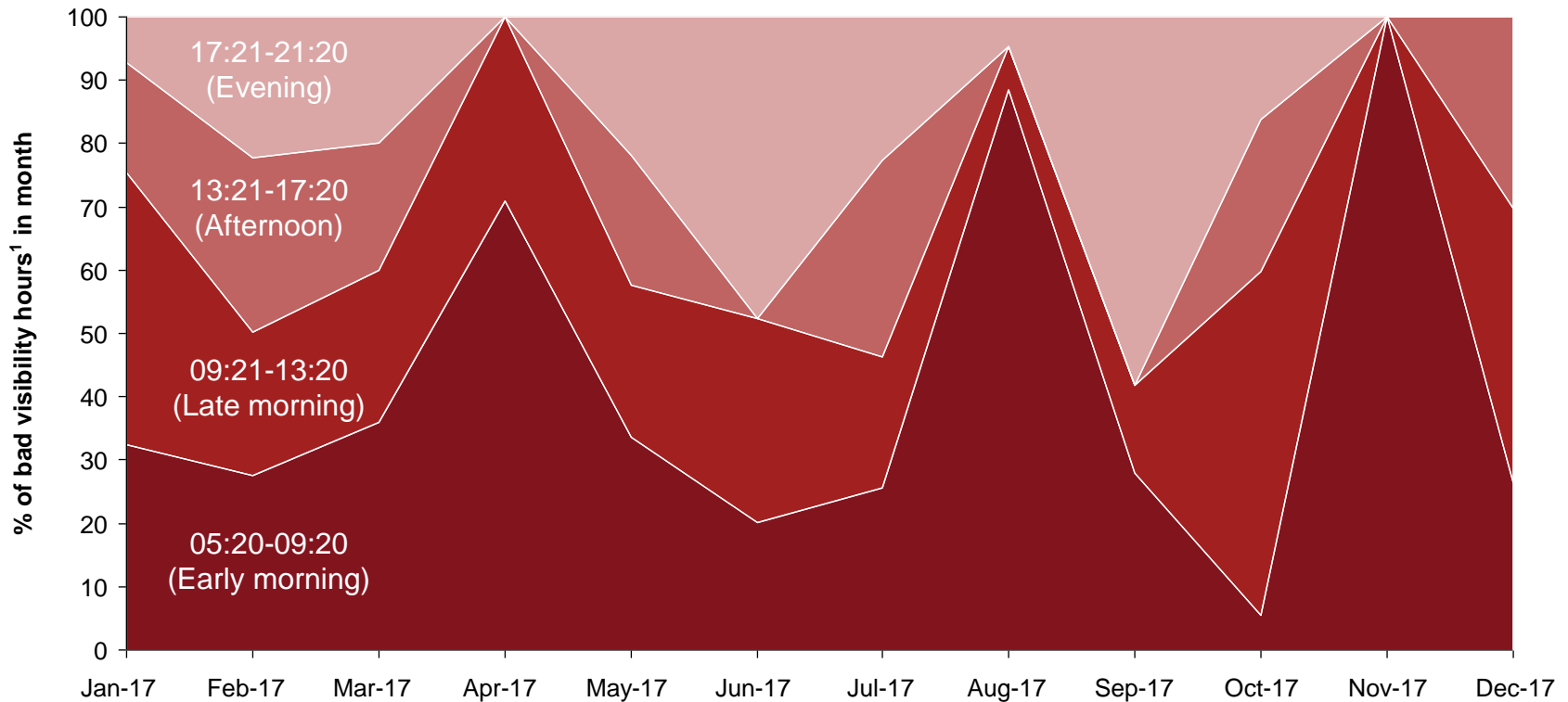
Source: Guernsey Met Office Annual Report 2017

Morning and evening fog are the most common, which coincides with the busiest operational times for the airport

Here's what the data says...

Proportion of monthly bad visibility hours occurring by times of day

Jan 2017 – Dec 2017 ⁽¹⁾



Note: (1) Hours <600 RVR

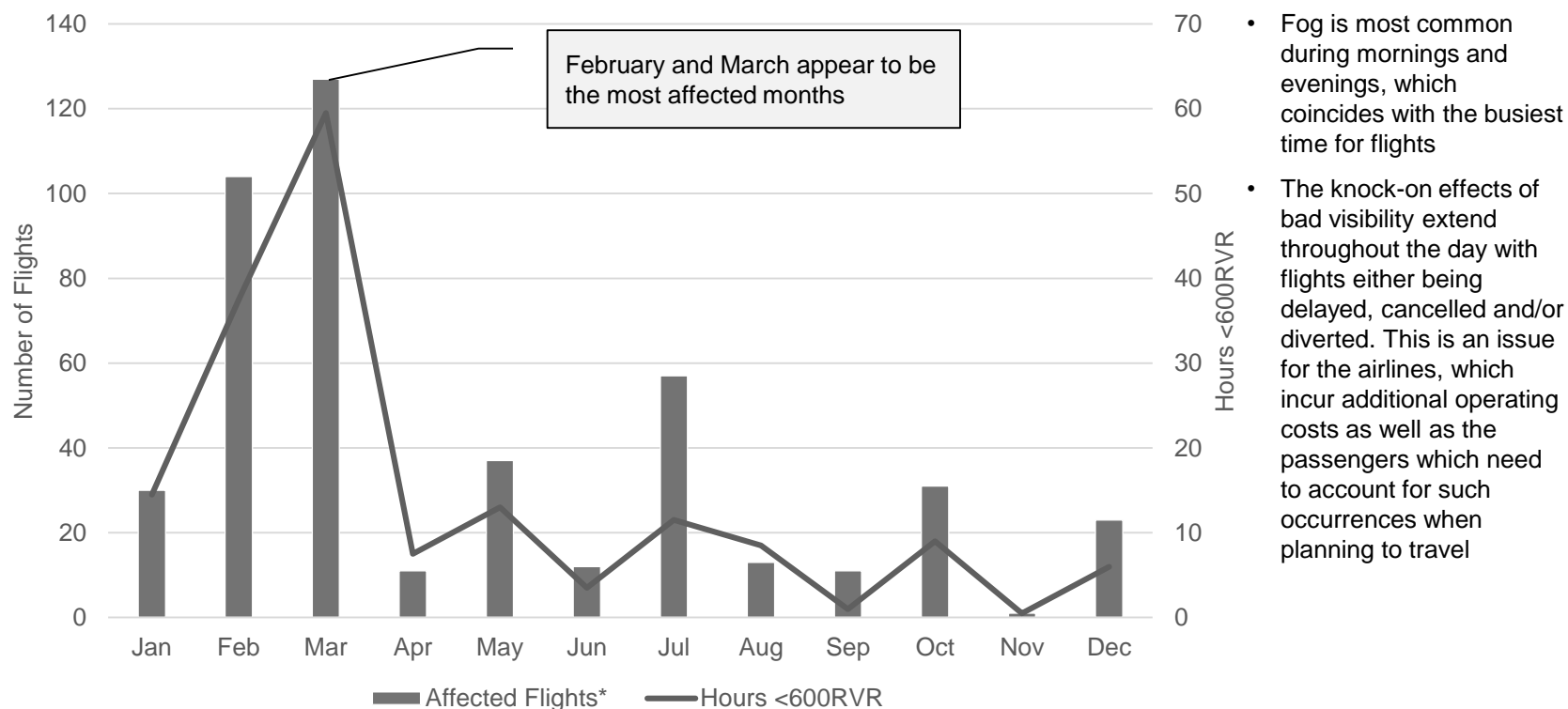
Source: Aurigny data

In 2017 a significant number of Aurigny flights were disrupted due to poor visibility

Here's what the data says...

Number of Aurigny flights disrupted by poor visibility by Month

Jan 2017 – Dec 2017



- Fog is most common during mornings and evenings, which coincides with the busiest time for flights
- The knock-on effects of bad visibility extend throughout the day with flights either being delayed, cancelled and/or diverted. This is an issue for the airlines, which incur additional operating costs as well as the passengers which need to account for such occurrences when planning to travel

Note: *Affected Flights are defined as delayed, diverted and cancelled flights; Planned flights are only reflective of number of flights that should have been operated on days affected by fog (i.e. not total monthly flights); All figures exclude ACI-SOU flights; RVR values are Touchdown- Daily hours may not equal sum of quarterly; Source: Aurigny, PwC analysis

3. Affordability

Residents perceive fares to be expensive, particularly relative to low cost carriers serving Jersey

Here's what people are telling us...

Government

"We will never be able to beat Jersey. Our leading fare to Gatwick is £50, but easyJet from Jersey is £30. Aurigny's fare structure is also less transparent than it used to be, leading to the perception they've put prices up"

- SteerCo

- Guernsey air fares are perceived to be too expensive
 - both in absolute terms and relative to fares from Jersey
 - Customers **tend to focus on the difference in headline fares**, especially the Aurigny Guernsey-Gatwick fare vs. easyJet Jersey-Gatwick fare

Industry

"Fares seem pricey, but we balance cost with revenue. If there was a runway extension and an LCC came in, that would destroy our business model. easyJet would just price us out"

- Mark Darby, Aurigny CEO

- **Aurigny is perceived to be increasingly expensive**

Tourism

"Hotels see that fundamentally it is about the cost of getting here. People say they might not come due to cost, especially given they can get to Jersey for a lot less"

- Guernsey Chamber of Commerce

Business

"If it becomes expensive and difficult to get to a place, it starts to become less attractive as a business destination"

- Tony Mancini, Deputy Chairman GIBA

Residents

"Aurigny is too expensive to consider using more frequently"

- Customer feedback

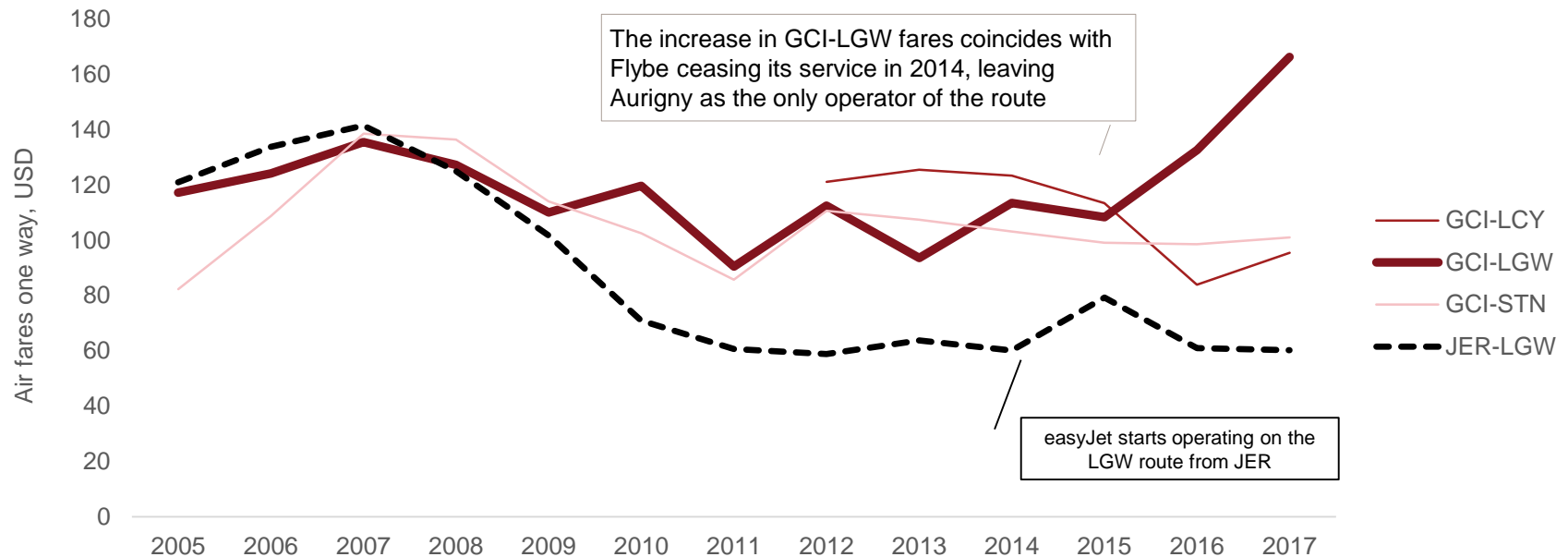
Source: News search, Stakeholder interviews

This perception is supported by an increase in air fares from Guernsey to Gatwick since 2014...

Here's what the data says...

Airfares on London routes from Guernsey and Jersey⁽¹⁾

2005-2017



Difference in fares to LGW from Guernsey vs. from Jersey, 2005-2017

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
LGW	-3%	-7%	-4%	2%	8%	69%	49%	91%	47%	89%	37%	118%	176%

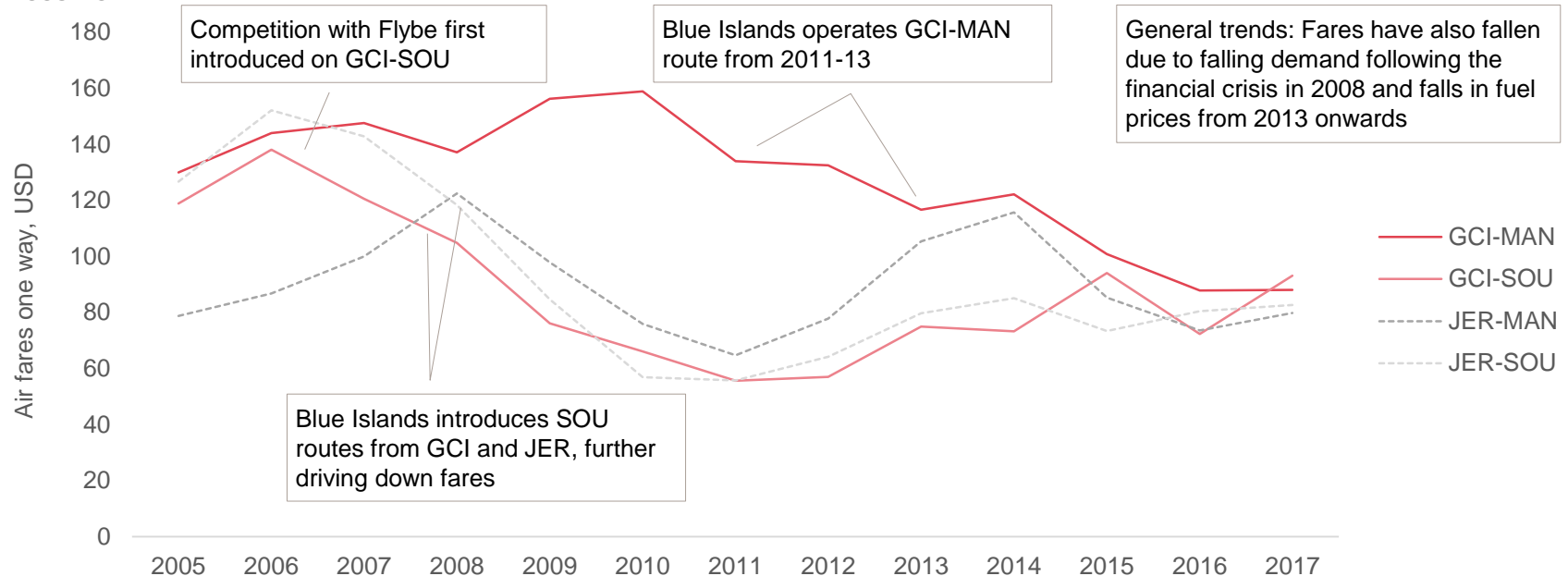
Note: (1) The average fares are sourced from the PlanetoOptim Milanamos Database. The database uses 80 different data sources worldwide and cross-references them in order to build a more accurate picture of the market demand and revenue. Major data sources include and are not limited to historical market data based on MIDT data from all major GDSs, BSP data, web scraping, Civil Aviation Authorities, airports and airlines-provided data. Fares are net of taxes, surcharges (e.g. fuel, security, etc), ancillary revenue and commissions.
Source: PlanetoOptim Milanamos, PwC analysis

...However Guernsey's routes to Manchester and Southampton appear to be more aligned in pricing with Jersey

Here's what the data says...

Airfares on key UK routes from Guernsey and Jersey

2005-2017



Difference in fares from Guernsey vs. from Jersey by destination, 2005-2017

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
MAN	65%	66%	48%	12%	60%	109%	107%	70%	11%	6%	18%	19%	10%
SOU	-6%	-9%	-16%	-11%	-10%	16%	0%	-11%	-6%	-14%	28%	-10%	13%

Source: Planetoptim Milanamos, PwC analysis

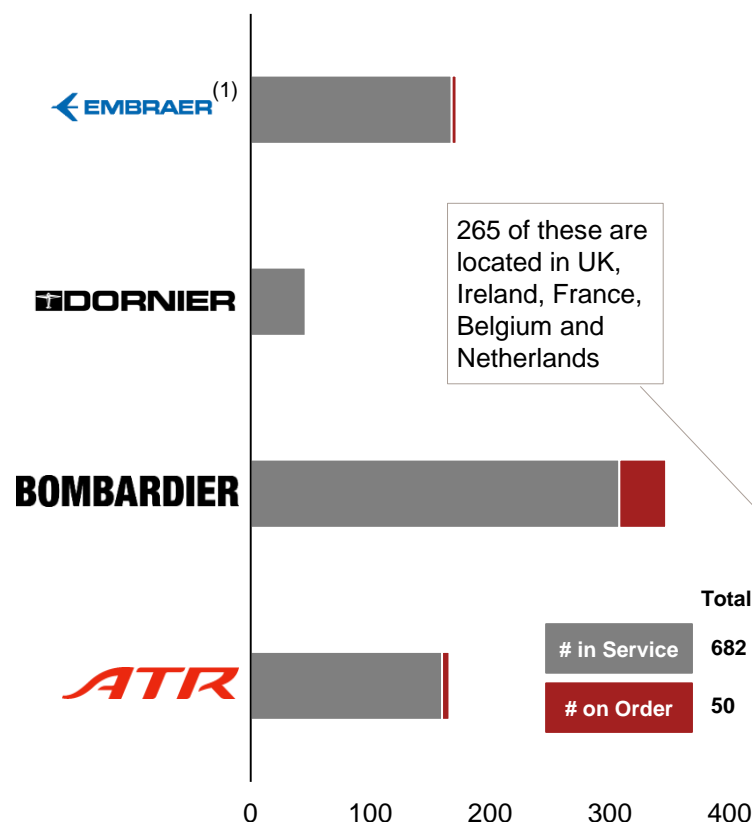
Industry context

There is no shortage of aircraft that can land in Guernsey

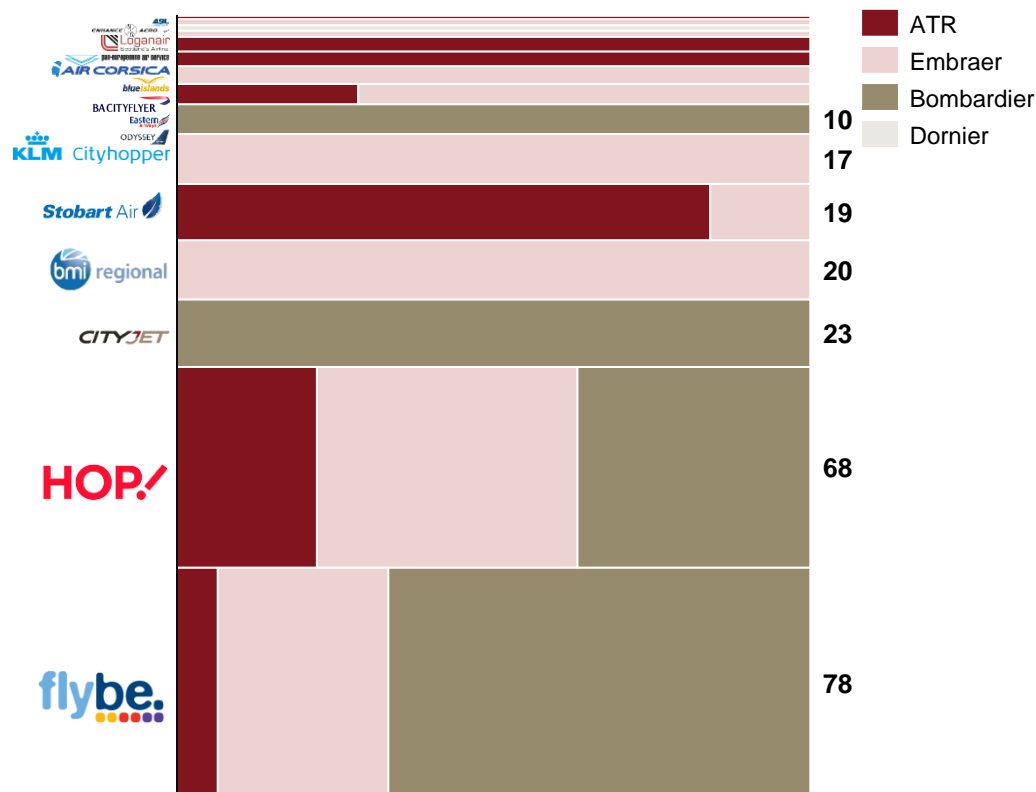
There are over 700 aircraft in service and on order in Western Europe that can land on a runway of Guernsey's current length. They are mostly operated by regional airlines

Number of aircraft in service and on-order that can land on a c.1500m runway

Total by manufacturer, Western Europe, 2018



Total by airline and manufacturer (2)



Note: (1) Embraer excludes the E190. (2) Flybe Embraer include 4 on order, Odyssey Airlines Bombardier include 10 on order.

Sources: CAPA Fleets, PwC analysis

LCC business models imply a number of factors that are the ‘price’ of low fares

Comparison of typical low-cost carrier business model with a network carrier			Comment
	LCCs	Network carriers	
Structure of Network	Point to Point (Secondary Airports)	Hub & Spoke Network	Low-cost carriers (LCCs) do not bring the same connection benefits as network carriers
Geographical network coverage	Short to Medium Haul Intl	Domestic, Short to Long-Haul Intl	
Fleet	Homogenous Fleet	Multi-Fleet	
Schedules	Lower Frequency	High Frequency	LCCs operate at a lower frequency than network carriers. LCCs are also likely to adapt seasonal capacity to market demand, adding in extra capacity during peak summer months but potentially looking to reduce frequency during winter, especially if minimum load factors cannot be reached
Seasonality	Seasonal depending on destination	Low seasonality in schedules	
Required Load Factors	85/90%*	75/80%*	
Cabin Class	One Passenger Class	2-4 Passenger classes	Low-cost carriers price dynamically, initially filling a number of seats further in advance at low headline rates before raising the price nearer the departure date. Last minute bookings can be as (or more) expensive as network carriers
Fares	One-Way Tariff	Multiple Tariffs available	
Alliances & Loyalty Programs	No Alliances	Alliance/loyalty programs	
Sales & Distribution	Online Sales	Agents/GDS, Online Sales	

Note: *The abovementioned load factors represent industry average to achieve profitability, and might not be reflective of specific requirements for Guernsey

...in particular, LCCs are more likely to ‘up and leave’ if their demands are not met

Case Studies

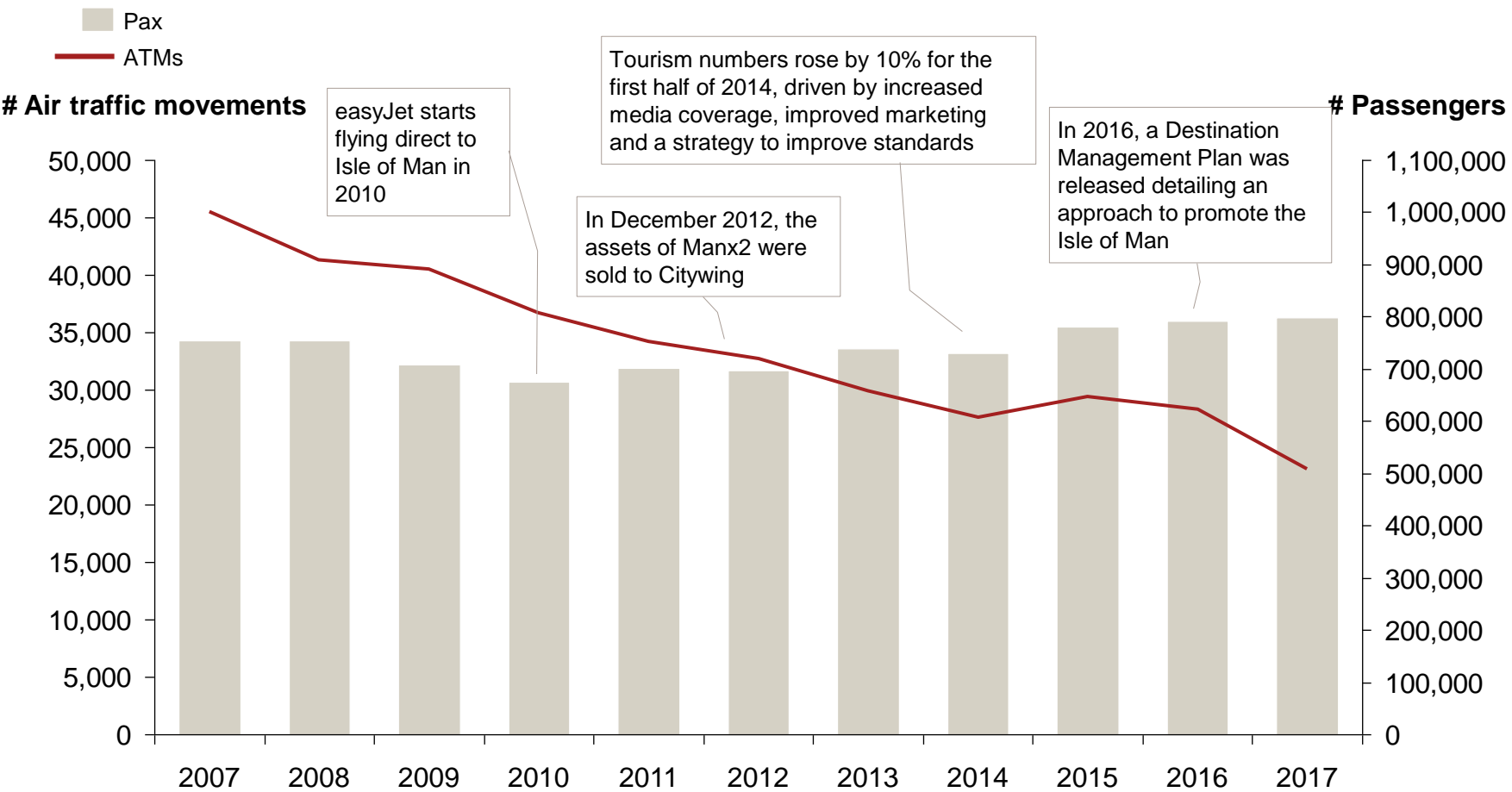
London Stansted Airport (UK)

- Stansted Airport increased its charges per passenger by 74% between 2006–2007 and 2007–2008 following the regulatory review. Between 2006–2007 and 2013–2014, Stansted's share of the London air passenger market declined from 17.4% to 12.9%
- Ryanair, Stansted's key customer, reduced seat capacity from Stansted by 9% while simultaneously doubling its total network capacity. In the press, Ryanair has often cited increases in aeronautical charges as the reason for these reductions
- In 2013, Ryanair and Stansted signed a 10-year agreement to lower airport charges and raise airline growth targets. This resulted in a return to growth of Ryanair services between 2013–2014 and 2015–2016 of 26% in terms of seat capacity

Gatwick Airport (UK)

- In 2015, during the UK Airports Commission inquiry into the need for a new runway, Gatwick Airport made the promise to cap landing charges for 30 years and bear the main risks of expansion to have a new runway (charges per passenger to be kept at £15 plus inflation for 30 years)
- Gatwick's promise to cap charges, however, was unlikely to satisfy easyJet, the airport's largest operator, which strongly condemned what would represent a big rise in the current rate of £9. easyJet came out in favour of Heathrow's expansion in what is believed to be an attempt to avert the increase

In 2010, easyJet started flying to the Isle of Man, increasing passenger numbers but decreasing the number of flights



Sources: UK CAA Statistics, PwC analysis

The introduction of easyJet into the Isle of Man has also presented various operational and scheduling challenges

Larger aircraft and higher load factors have caused bottlenecks in security and flight delays...

*"Sometimes it's [the delays are] when we have **very large airplanes** rather than just the number of aircraft"*

- Ann Reynolds, Isle of Man Ports Director

- Aircraft are now bigger and **the number of passengers per flight have doubled**
 - In 2016, the airport dealt with c.800k passengers, about the same as in 2005, but only half the number of planes
- The average load factor per aircraft has also increased

...as have undesirable flight timings, due to the lower priority placed on remote connections

*"Some of it [the delays] was about the **close timing of flights using large aircraft**, such as on Friday evenings where Gatwick and Bristol flights have been almost together..."*

*...They are flying to us **when they have availability for their flights**. In summer easyJet flights come in from an international destination and there was every chance **it could be subject to a slot delay**"*

- Ann Reynolds, Isle of Man Ports Director

- There is often a 20-30 minute peak period in the Isle of Man airport in the morning and evening. However, if a second security scanner were to be opened to ease the bottleneck, **a minimum of five extra contract staff would be required just to cover a 30 minute peak period**

It is clear that any policy to attract a low-cost carrier to Guernsey must be accompanied by policy designed to mitigate consequences such as those experienced in the Isle of Man

Initial overview of options

Possible actions (Non-exclusive)

	Options	Possible actions
Infrastructure options	Runway Option 1: 1,570m	→ Existing runway with minor changes
	Runway Option 2: 1,700m - 1,800m	→ Small-to-medium extension outside current boundary
	Runway Option 3: 2,000m	→ Large extension outside current boundary
	ILS and navigation improvements	→ Upgrade to CAT2 or CAT3 ILS
Market-based options	Find new connecting hub	→ Access London Heathrow (3 rd runway or remedy slots) or Amsterdam
	Route support and incentives	→ For existing and / or future operators to improve destination range
	Introduce PSOs	→ Public Service Obligations for e.g. lifeline routes
	Liberalise aviation market	→ E.g. 'open skies' policy
Airline options	Optimise or upgrade fleet	→ E.g. sell jet, review leasing arrangements, upgrade
	Interlining or code-sharing	→ Work with other airlines to help passengers connect seamlessly and access a wider network
	Virtual airline	→ Retain Aurigny's name and rights as a shell airline with operations carried out by other operators

It is not within our scope to assess or review Aurigny's strategy. However, the States should look to ensure that Aurigny's role aligns with future strategic decisions

This aerial map shows the Guernsey Airport and its surrounding area. The airport is a long, narrow strip of land in the center. To the north are the villages of Les Bas Courtils, Le Grou, and Le Villages. To the south are Les Nouvelles, La Penitence, Le Fond de la Vierge, and Le Borge. Other nearby locations include Les Hebes, Les Marais, La Coilliere, Le Bopard, and Le Var. The map also shows the German Occupation Museum and the Le Grou. The map is labeled with various place names and landmarks, including the airport itself.

- Four different options have been outlined to extend the Guernsey airport runway:

- 1,570m extension
- 1,700m extension
- 1,800m extension
- 2,000m extension

- The different options each require different levels of construction
- The 1,570m option would be possible within the existing airport boundary, whilst the other options would require construction outside of the existing boundary
- Because of the geographical characteristics of the airport, an extension of the runway that goes beyond the existing boundary is likely to require filling in a 'valley' to the east, which would have an associated cost
- Land purchases are also likely to be required

- A runway extension would allow narrow-body aircraft to land in Guernsey, e.g. B737s, A319s, A320s etc.
- Proponents argue that this would attract low cost carriers to Guernsey, who could operate larger planes at lower fare prices on the most popular routes, thereby generating additional demand
- ASM have estimated that the extension plans would bring additional value to the Guernsey economy as follows:
 - 1,850m
 - 2,070m
- Additionally, easyJet have indicated that runway lengths of 1,570m and 1,700m could be suitable for their A319 and A320 fleets under certain conditions

- Extending the runway would not guarantee the arrival of low cost carriers to Guernsey
- Even if the extension were to attract low cost carriers, this may not help address Guernsey's existing connectivity issues:
 - Low cost carriers would likely operate fewer flights, potentially at less convenient times, which would harm frequency and connectivity
 - This could have a particularly negative impact on the business community, which is known to favour frequency over low ticket fares
- A low cost carrier could also seriously impair Aurigny's long-term sustainability by cherry-picking profitable lifeline routes and disregarding development routes. This would need to be addressed during initial negotiations

As runway length increases, the airport becomes increasingly able to attract a wider selection of aircraft and airlines

Options	Requirements	Outside existing boundary?	Allows additional aircraft?	Suitable for		
				easyJet	British Airways	Ryanair
No extension	<ul style="list-style-type: none"> None 	No	No	✗	✗	✗
1,570m	<ul style="list-style-type: none"> Minor changes to existing runway No extension outside existing boundary 	No	A319s A320s	✓	Unclear	✗
1,700m	<ul style="list-style-type: none"> Small extension Breaches existing airport boundary, [although airport already owns required land at east side] 	Yes	No additional aircraft but would allow existing aircraft to land with fewer payload restrictions	✓	✓	✗
1,800m	<ul style="list-style-type: none"> Medium extension Relaying of whole runway required due to regulation Requires either filling in low-lying land at one end of runway or demolishing buildings at other end 	Yes	Unclear	✓	✓	✗
2,000m	<ul style="list-style-type: none"> Large extension Relaying of whole runway required due to regulation Either fill in low-lying land or demolish buildings 	Yes	All narrow-body aircraft, including Boeing 737s (Ryanair)	✓	✓	✓

Previous work looked at three runway extension options and the implied range of airlines that they would attract

Overview of runway extension options and airlines that could theoretically fly to Guernsey

Current runway 1,483m	Medium extension 1,850m	Long extension 2,070m
	 <div data-bbox="1033 521 1342 671"> <p>[easyJet has indicated that it might be able to operate with a short 1,570m extension]</p> </div>	

Source: ASM report

ILS and navigation improvements

What is it?

- Investment in landing technology at the airport could reduce the effect of bad weather on delaying flight schedules
- The airport could invest to upgrade its category rating to either:
 - CAT 2
 - CAT 3

What would be required to implement it?

- Upgrading the airport to CAT2 would require significant investment due to structural/construction requirements
- CAT3 would also have significant financial requirements
- It is most likely that upgrades to landing systems would take place at the same time as any proposed runway extension

Potential benefits

- The reliability of flights would be improved significantly by the introduction of CAT2 or CAT3 ILS. This in turn would have a positive impact on airlines' finances as well as generate significant benefits for the passengers (e.g. ensure connections are not missed or that passengers don't have to book additional days of leave in case flights are delayed and/or cancelled)

Potential costs or risks

- CATII would be very costly due to structural requirements and would not allow for more than 300m RVR
- It has been suggested during stakeholder meetings that the costs of implementing CAT3a is not significantly greater than the cost of implementing CAT2, due to the particular characteristics of the airport. This has not been confirmed at this stage
- Of the airlines currently operating to GCI, Aurigny and Blue Island do not have aircraft which can utilise ILS of CAT2 or CAT3. Therefore a different fleet composition, new aircraft or different airlines would likely be required to take advantage of any improved landing systems

ILS - Options

	ILS Type	Decision height	Runway visual range (RVR)	Minimum Visibility	Requirements	Cost
Current system	CAT I	200ft or more >61m	1,800ft 550m	2,600ft 800m		
	CAT II	100-200ft 30-61m	1,000ft 300m	N/A	<ul style="list-style-type: none"> With CAT2 ILS, an approach from the east would be impossible. Westerly approaches are foggy. They'd only save about 40% of approaches with CAT2 	+++
Potential upgrades	CAT IIIa	50-100ft 15-30m	600ft 180m	N/A	<ul style="list-style-type: none"> None of the aircraft currently flying to Guernsey are CAT3-enabled 	++
	CAT IIIb	less than 50ft <15m	150ft 46m	N/A		
	CAT IIIc	No restrictions	None	N/A	<ul style="list-style-type: none"> Not yet in operation anywhere in the world, as it also requires guidance to taxi in zero visibility 	

Source: ICAO

Route support to acquire new connecting hub

What is it?

- Access to a new connecting hub, via three main options:
 - Heathrow remedy slots (short term) or Heathrow third runway (long term)
 - Amsterdam Schiphol

What would be required to implement it?

- **Option 1 Heathrow remedy slots / Option 2 Heathrow third runway** – the delivery of the service could happen in various ways (e.g. have another operator supporting Aurigny in delivery of service; support route through PSO, etc.)
- **Option 3 Amsterdam Schiphol**
 - Interlining between Aurigny and KLM
 - KLM City Hopper to operate from Guernsey

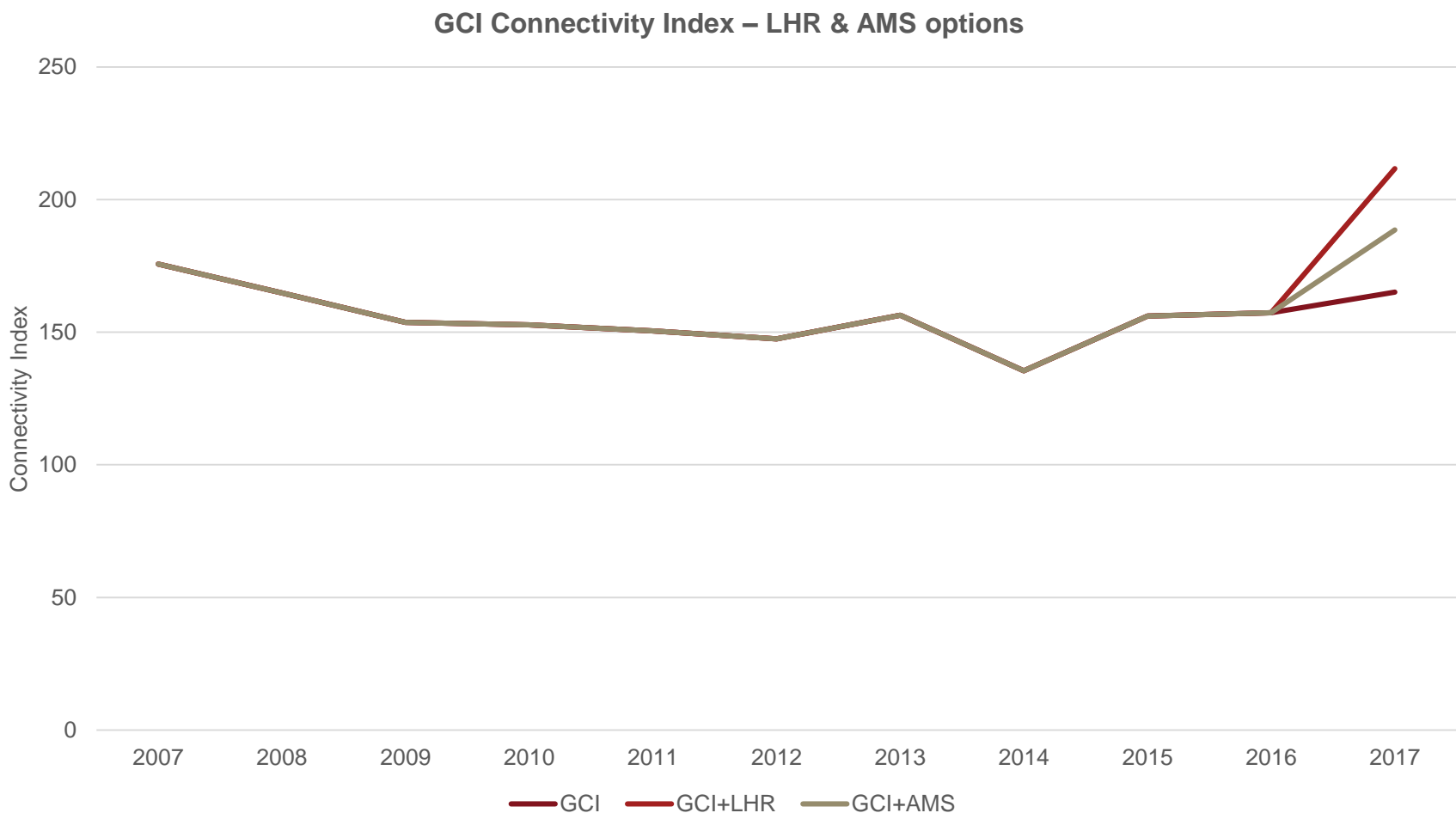
Potential benefits

- For existing travellers
 - Possibly lower generalised cost of travel (easy connection, better reliability)
 - Access to a wider route network
- Could also stimulate demand by facilitating travel from and to other destinations
- Connections to LHR would also benefit business travel

Potential costs or risks

- Hard to secure Heathrow remedy or third runway slots
- The cost of landing is likely to be significant, this cost in turn could be passed through to passengers, making air fares more expensive than current
- Unlikely that an ATR would be allowed to land at LHR – the service might require to be operated by a jet

A route to London Heathrow or Amsterdam, would increase Guernsey's connectivity significantly



Note: connectivity index calculated on the basis of redistribution of half of the services currently offered to LGW to LHR or AMS

Route support assessment / PSOs

What is it?

Optimisation of route network and support to be provided in different forms – e.g.:

- Exploration of PSO on lifeline routes like LGW or LHR
- Incentives to be offered to support current or future routes

What would be required to implement it?

- Buy-in/agreement from all stakeholders e.g. airlines, States, etc.
- Might require a further understanding of priorities for certain routes and the implicit trade-offs
- Availability of funding

Potential benefits

- Focus on serving more profitable and lifeline routes directly whilst reaching less profitable destinations through a hub airport
- A simple route optimisation exercise could ensure the routes that make more commercial and social sense are served i.e. prioritise routes of highest importance to Guernsey residents and businesses

Potential costs or risks

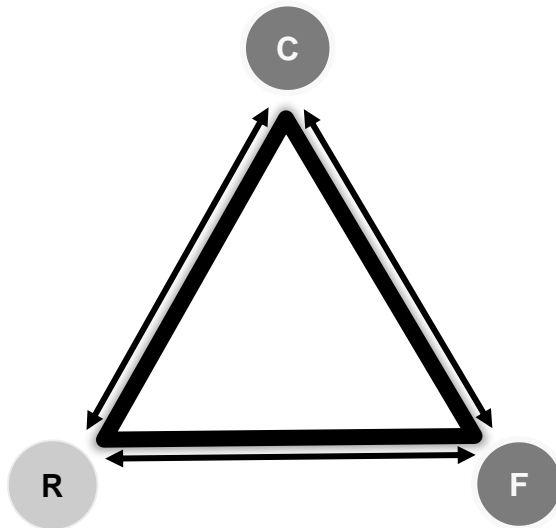
- Time and financial resources required for review
- Key routes might be harder to secure, at least in the shorter-term (e.g. Heathrow)

There are multiple PSO operations in the UK currently. Most are connecting islands

Country	Airport Origin	Airport Destination	PSO/ Contract start	Contract end	Geography	Number of routes	Market open or restricted (O/R)	Number of airlines	Airlines
UK	Cardiff	RAF Valley, Anglesey	15/02/2016	14/09/2016	Mainland	1	R	1	Van Air Europe
UK	Glasgow (International)	Barra	25/10/2015	24/10/2019	Island	3	R	1	Loganair, UK
UK	Glasgow (International)	Campbeltown	25/10/2015	24/10/2019	Mainland	3	R	1	Loganair, UK
UK	Glasgow (International)	Tiree	25/10/2015	24/10/2019	Island	3	R	1	Loganair, UK
UK	Kirkwall	Eday	01/04/2013	31/03/2017	Island	6	R	1	Loganair, UK
UK	Kirkwall	North Ronaldsay	01/04/2013	31/03/2017	Island	6	R	1	Loganair, UK
UK	Kirkwall	Papa Westray	01/04/2013	31/03/2017	Island	6	R	1	Loganair, UK
UK	Kirkwall	Sanday	01/04/2013	31/03/2017	Island	6	R	1	Loganair, UK
UK	Kirkwall	Stronsay	01/04/2013	31/03/2017	Island	6	R	1	Loganair, UK
UK	Kirkwall	Westray	01/04/2013	31/03/2017	Island	6	R	1	Loganair, UK
UK	Newquay	London Gatwick	26/10/2014	25/10/2018	Mainland	1(6)	R	1	Flybe
UK	Oban	Coll	16/05/2015	15/05/2018	Island	4	R	1	Hebridean Air Services, UK
UK	Oban	Colonsay	16/05/2015	15/05/2018	Island	4	R	1	Hebridean Air Services, UK
UK	Oban	Tiree	16/05/2015	15/05/2018	Island	4	R	1	Hebridean Air Services, UK
UK	Coll	Tiree	16/05/2015	15/05/2018	Island	4	R	1	Hebridean Air Services, UK
UK	Stornoway	Benbecula	01/04/2013	31/03/2017	Island	1	R	1	Loganair, UK
UK	Tingwall (occasionally operates from Sumburgh)	Fair Isle	01/04/2013	31/03/2017	Island	4	R	1	Directflight, UK
UK	Tingwall	Foula	01/04/2013	31/03/2017	Island	4	R	1	Directflight, UK
UK	Tingwall	Out Skerries	01/04/2013	31/03/2017	Island	4	R	1	Directflight, UK
UK	Tingwall	Papa Stour	01/04/2013	31/03/2017	Island	4	R	1	Directflight, UK
UK	Dundee	London Stansted	01/07/2014	30/06/2018	Mainland	1(6)	R	1	Loganair, UK
UK	City of Derry	London Heathrow, Gatwick, Stansted, Luton, City, Southend	27/03/2017	tender ongoing	Island	1(6)	R	ongoing	ongoing

Scotland also faces poor connectivity to remote areas, and has attempted to address this through multiple options

Scotland's addressing of the air links 'trilemma'



PSOs

- Transport Scotland imposes PSOs on several routes; **subsidies are paid by the Scottish Government or local authorities**
- Competitive bids are sought on an EU-wide basis, after which subsidies are allowed to be paid

Air route development

- Transport Scotland works in **partnership with airports, airlines, and tourism organisations**
- E.g. Memorandum of Understanding signed with Heathrow Airport in October 2016
- There is continual ambition to improve Scotland's international air connections

Airport subsidies

- Provision of airport services is through Highlands and Islands Airports Ltd, a Non-Departmental Public Body wholly owned by the Scottish Ministers
- The Scottish Government **subsidises the loss-making airports**, to allow airport charges to be contained at feasible levels

Air Discount Scheme

- It is an initiative to make air services more affordable for remote communities, offering a **50% discount on ticket prices** on eligible routes
- Residents in eligible areas can apply for membership to gain access to the discounted fares, which are provided to them by participating airlines at the time of booking
- Current scheme runs till 31 March 2019

Reliability and punctuality appear to remain an issue. One of the options mentioned to address the issue related to the Islands Transport Forum playing a role in monitoring punctuality and reliability and in monitoring operator's Quality Assurance programmes

Aurigny - Fleet Optimisation

What is it?

- Aurigny currently has a fleet of 8 aircraft, including: 1 Embraer; 4 ATRs; 3 Dorniers
- The fleet is very 'fragmented' given the different types of aircraft utilised, which necessitate different maintenance, pilot licences and training, etc. ultimately driving costs up
- A review would consider if the current allocation is the best way to deploy available capital and what is needed for the future, e.g. if a route to LHR was to open

What would be required to implement it?

- The optimisation of the fleet would require a review of the current fleet
- Consideration should be given to leasing vs purchasing new aircraft

Potential benefits

- Improvements in reliability – a larger fleet will help Aurigny to continue to operate when technical or weather issues hit, in particular Aurigny is looking into purchasing new ATRs equipped with ClearVision
- Potential reduction in operating costs for the airline

Potential costs or risks

- The cost of an ATR72-600 equipped with ClearVision is reported in the region of £15-20m per aircraft*
- Reliability benefits only restricted to Aurigny and the new aircraft given not all fleet will be upgraded e.g. Blue Island won't be able to afford purchasing this type of aircraft

*Source: CAPA Fleets (as of July 2018), Industry knowledge

Partnerships with other airlines

What is it?

- Interlining with other airlines to enable seamless connections and access a wider catchment both for the passengers and the airlines. Currently:
 - **Aurigny** signed up as a partner airline to easyJet in the provision of Channel Island services. The two airlines have signed a distribution partnerships to sell the partners' standalone flights on easyJet's website. Customers will be also able to seamlessly connect using the GatwickConnects product
 - **Blue Islands** has a franchise partnership with Flybe

What would be required to implement it?

- May require IOSA safety audit to align with industry safety requirements
- A change of booking system would also be required

Potential benefits

- Through the addition of new interlining partnerships with airlines that offer hubbing services, benefits could be achieved both at a passenger and airline level:
 - **Passengers** – interline agreements allow passengers to book multiple segments on multiple airlines, and baggage to transferred between airlines, thereby enabling seamless connections and access to a wider route network
 - **Airlines** - could equally benefits through access to a wider catchment thanks to the additional exposure gained (i.e. potential increase in inbound pax)

Potential costs or risks

- Risks and costs could be dependent on the type of agreement that is reached between the two airlines
- The IOSA and booking system requirements would result in costs for the airline

Aurigny as a Virtual Airline

What is it?

- The concept of virtual airline is associated with the outsourcing of a number of operational and business functions, whilst the effective control of the core business is still retained
- This concept could be applied to Aurigny

What would be required to implement it?

- Operating Aurigny as a virtual airline would require negotiating an agreement with one or more operators

Potential benefits

- The potential benefits of operating Aurigny as a virtual airline include:
 - Retention of slots and securing of lifeline routes
 - Decrease in operational costs, as well as fixed costs such as cost of capital required for fleet

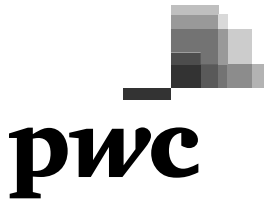
Potential costs or risks

- The potential risks include:
 - Potential reduction in economic benefits generated by Aurigny's employment
 - A watertight agreement would be needed with the new actual operators as safety and security standards might otherwise be compromised – e.g. see Manx2 airline
 - Aurigny would be dependent on success of operating airline – e.g. Citywing operations between Belfast and Isle of Man suspended when operator's permission to fly was suspended

Glossary

Airport Codes (IATA)	
ACI	Alderney
AMS	Amsterdam
BHX	Birmingham, UK
BRS	Bristol, UK
CWL	Cardiff, UK
DNR	Dinard, France
DUS	Dusseldorf, Germany
EMA	East Midlands, UK
EXT	Exeter, UK
GCI	Guernsey
GNB	Grenoble, France
JER	Jersey
LBA	Leeds Bradford, UK
LCY	London City, UK
LGW	London Gatwick, UK
LHR	London Heathrow, UK
LTN	London Luton, UK
MAN	Manchester, UK
NUS	Norsup, Vanuatu
NWI	Norwich, UK
SOU	Southampton, UK
STN	Stansted, UK

Additional terms	
ATL	Air Transport Licensing
BA	British Airways
CICRA	Channel Islands Competition and Regulatory Authorities
EZY	easyJet
GIBA	Guernsey International Business Association
GIFA	Guernsey Investment Fund Association
ILS	Instrument Landing System
LCC	Low cost carrier e.g. EasyJet
LDA	Landing distance available
PSO	Public Service Obligation
RVR	Runway visual range
States, SoG	States of Guernsey
VFR	Visiting friends and relatives



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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

**COMMITTEE *for* EDUCATION,
SPORT & CULTURE**

AMENDMENT to the STATUTES of
ELIZABETH COLLEGE

The States are asked to decide:-

Whether, after consideration of the Policy Letter of the Committee *for* Education, Sport & Culture entitled 'Amendment to the Statutes of Elizabeth College', dated 27th February, 2019 they are of the opinion:-

1. To authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for her Royal Sanction to the substitution of the present Statutes with those Statutes as set out in the letter from the Clerk to the board of directors of Elizabeth College dated 13th February, 2019.
2. To direct the preparation of such legislation as may be necessary to give effect to the above decision.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implication in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

**COMMITTEE *for* EDUCATION,
SPORT & CULTURE**

AMENDMENT to the STATUTES of
ELIZABETH COLLEGE

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

27th February, 2019

Dear Sir

1 Executive Summary

- 1.1 The Clerk to the board of directors of Elizabeth College has written, on behalf of the directors of the College, to request that the Committee *for* Education, Sport & Culture submit, for the approval of the States, amendments to the Statutes which govern the College. The College is governed in accordance with Statutes sanctioned by an Order in Council dated 28th December, 1852. To comply with the request from the Directors it is necessary for this matter to be laid before the States with appropriate propositions, including one directing the preparation of the necessary legislation.
- 1.2 Amending and modernising the Statutes would, in the opinion of the Elizabeth College board, have 4 major benefits:
1. A proposed increase in the number of directors from 9 to 12 would make the board more effective and sustainable and reflect modern trends regarding the optimum size of such boards elsewhere;
 2. The amendments would simplify and at the same time remove some of the 19th century terminology used in the Statutes making them more suited to modern societal ways of working;
 3. The removal of the requirement of the Statutes that the chair of the board of directors is ex-officio the Dean of Guernsey, will ensure the Statutes are more consistent with the principles of modern governance;

4. The removal of the requirement that directors' appointments are made by the States will allow the College board to follow best commercial and governance practice in future in the appointment and selection of governors.
- 1.3 The letter from the board of directors is enclosed with this Policy Letter. To carry out the wishes of the board, the current Statutes will need to be repealed and replaced with a new set of Statutes. The directors have included with their letter the Statutes they now wish the College to be governed by. The letter also contains a schedule setting out changes to the constitution and proceedings of the board.
- 1.4 Approval to these changes will, of course, involve the States in passing a resolution to present a Petition to Her Majesty in Council seeking Royal Sanction in the change in the Statutes.

1.5 **Recommendations:**

The propositions to which the Policy Letter is attached recommend the States:

1. To authorise the Bailiff to present a most humble Petition to Her Majesty in Council praying for Her Royal Sanction to the substitution of the present Statutes with those Statutes as set out in the letter from the Clerk to the board of directors of the College dated 13th February, 2019.
2. To direct the preparation of such legislation as may be necessary to give effect to the above decision.

2 **Background**

- 2.1 The Statutes were originally approved by the Privy Council on 28th December, 1852 in the presence of Her Majesty Queen Victoria and His Royal Highness Prince Albert. While minor changes to the Statutes have been made, the most recent in 2009, these proposed changes are more significant.
- 2.2 Further detail is contained in the amendments, but the board of the College recommends that four major changes should be made to the current Statutes, namely:

1. Increase in the number of directors from the current 9 to a maximum of 12.

The increasing growth and burden of governance placed upon the board makes 9 directors an insufficient number to be both efficiently effective and sustainable. Even this new number makes it one of the smallest boards across the independent schools represented by the independent Schools Bursars' Association (ISBA), but 12 is considered to be the optimum number

in the context of Elizabeth College and Guernsey;

2. Simplification and transparency.

The current Statutes consist of an introduction and 77 paragraphs. The language is anachronistic, using concepts that no longer have a place in modern society. The current Statutes contain detail which is either too operational or no longer relevant. This is the first major change in the Statutes in over 150 years and, as such, is designed to make the Statutes fit for purpose for the long term. The board does not anticipate any further major change in the foreseeable future;

3. Chair of the board of directors.

The Statutes currently state that the chair is ex-officio the Dean of Guernsey. Whilst the contribution of the Dean (and his predecessors) as the chair is not in question, the requirement of the Dean as chair is no longer consistent with the principles of modern governance. Normally a board would appoint its own chair, and not have a chair appointed to it by an outside agency (in this case, the Crown). In future, the chair will be elected from within the board. However, it is intended, as proposed in the new Statutes, that the Dean of Guernsey remains as ex-officio director, as is consistent with the traditions and the very strong Christian ethos of Elizabeth College.

4. The future relationship with the States of Guernsey in the governance of Elizabeth College.

The current Statutes incorporate references to annual payments by the States of Guernsey to the College, the requirement for the States to appoint 6 of the 9 directors and the provision of financial and operational reporting to the States each year. Now that the States is phasing out Special Place Holders, the board believes that it is no longer appropriate for the Statutes to contain provisions relating to the States' involvement in funding and governance of the College. Indeed, the Crown Law Office view is that the independent Colleges are a separate legal entity to the States of Guernsey. Therefore the proposals are:

1. No directors' appointments are approved by the States of Guernsey;
2. Current States' appointed directors would complete their current term and be replaced by directors appointed by the board of directors;
3. The board nominations committee follows best commercial and governance practice in reviewing current and future skills and experience in making recommendations for new appointments.

3 Resource implications

- 3.1 Resources from St James' Chambers will be required to prepare the Order in Council.

4 Legislative implications

- 4.1 The drafting of an Order in Council will be necessary to implement the recommendations contained in this Policy Letter.

5 Committee Support for Proposition(s)

- 5.1 In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the propositions above have the unanimous support of the Committee.

Yours faithfully

M. J. Fallaize
President

R. H. Graham
Vice-President

M. H. Dorey
P. J. Roffey
R. H. Tooley

R. Conder
Non-States Member



ELIZABETH COLLEGE

The Grange St Peter Port Guernsey GY1 2PY

13 February 2019

Ms Colette Falla
Chief Secretary
Committee *for* Education, Sport & Culture
Grange Road House
The Grange
St Peter Port
GY1 1RQ

Dear Ms Falla

As Clerk to the board of directors of Elizabeth College I have been directed by the chair, the Very Reverend Tim Barker, and the board of directors to request that the Committee *for* Education, Sport & Culture forward the proposed amendments of the Elizabeth College Statutes to the States of Guernsey for their approval.

The Statutes were originally approved by the Privy Council on 28th December 1852 in the presence of Her Majesty Queen Victoria and His Royal Highness Prince Albert. While minor changes have been made, the most recent in 2009, these proposed changes are much more significant.

While there is further detail in the proposed amendments, the board strongly recommends that four major changes should be made to the current Statutes, namely:

- a. Increase in number of directors from the current 9 to a maximum of 12. The increasing growth and burden of governance placed upon the board makes 9 directors an insufficient number to be both efficiently effective and sustainable. Even this new number makes it one of the smallest boards across the independent schools represented by the Independent Schools Bursars' Association (ISBA), but 12 is considered to be the optimum number in the context of Elizabeth College and Guernsey.
- b. Simplification and transparency. The current Statutes consist of an introduction and 77 paragraphs. The language is anachronistic, using concepts that no longer have a place in modern society. The current Statutes contain detail which is either too operational or no longer relevant. This is the first major change in the Statutes in over 150 years and, as such, is designed to make the Statutes fit for purpose for the long term. The board does not anticipate any further major change in the foreseeable future.
- c. Chair of the board of directors. The Statutes currently state that the chair is ex-officio the Dean of Guernsey. Whilst the contribution of the Dean (and his predecessors) as the chair is not in question, the requirement that the Dean is chair is no longer consistent with the principles of modern governance. Normally a board would appoint its own chair, and not have a chair appointed to it by an outside agency (in this case, the Crown). In future the chair will be elected from within the board. However it is intended, as proposed in the new Statutes, that the Dean of Guernsey remains an ex-officio director, as is consistent with the traditions and the very strong Christian ethos of Elizabeth College.

Continued/.....

Bursar and Clerk to the Board of Directors

M F Spiller MSc BSSc FCILT

Tel 01481 712542

Fax 01481 714839

E-mail bursar@elizabethcollege.gg

d. The future relationship with the States of Guernsey in the governance of Elizabeth College. The current Statutes incorporate references to annual payments by the States of Guernsey to the College, the requirement for the States to appoint six of the nine directors and the provision of financial and operational reporting to the States each year. Now that the States is phasing out Special Place Holders, the board believes that it is no longer appropriate for the Statutes to contain provisions relating to States' involvement in funding and governance of the College. Indeed, the Crown Law Office view is that the Independent Colleges are a separate legal entity to the States of Guernsey. Therefore the proposals are:

- a. No directors' appointments are approved by the States of Guernsey.
- b. Current States' appointed directors would complete their current term and be replaced by directors appointed by the board of directors.
- c. The board nominations committee follows best commercial and governance practice in reviewing current and future skills and experience in making recommendations for new appointments.

It is noted that The Ladies College board chair must no longer be a sitting Deputy.

For as long as the States continues to provide funding to the College, there will be a Service Level Agreement in place to define the relationship between the States and the College; this document can deal with such matters to the extent they are still considered relevant.

The board is very keen to expedite these changes, in particular because of the need to increase the number of directors. Noting the potential forthcoming pressures on the States' legislature process later this year caused by BREXIT, the board is keen to submit the proposed changes to the States' meeting in April 2019. Thus the board respectfully requests that the Committee *for* Education, Sport & Culture forwards the proposed changes to the States for the sitting on 24 April 2019. The board stands ready to respond to any further dialogue or queries on this matter.

Yours sincerely

Mike Spiller
Clerk to the Board of Directors

STATUTES FOR THE GOVERNMENT OF ELIZABETH COLLEGE, GUERNSEY

The Visitor

1. The Bishop of Winchester, for the time being, shall be the permanent Visitor ("the Visitor").
2. The Visitor shall exercise such powers and fulfil such duties as the board of directors may from time to time direct.
3. Her Majesty may at any time appoint a special Visitor or Visitors.

The Dean

4. The Dean of Guernsey for the time being ("the Dean") shall be a director.
5. If the Dean is unavailable for any reason, he or she may delegate the incumbent of any parish in Guernsey to act in his or her stead (such delegation shall expire on the thirty first day of December next ensuing and be capable of renewal). Such delegation shall be void on the appointment of a new Dean.

The Board

6. There shall continue to be a body to be known as the board of directors of Elizabeth College (herein, "the board").
7. The board is a body corporate with perpetual succession and a common seal and is capable of suing and being sued in its corporate name.
8. The schedule to these statutes (constitution and proceedings of the board) has effect.
9. The board shall have the general superintendence and management of the affairs of the College and shall receive all dues, rents and revenues coming to the College; and may, after consultation with the Principal, make, revoke, modify and amend bye-laws and regulations of the College.
10. In particular, and without prejudice to the generality of the foregoing, the board shall-

- (a) determine the conditions upon which pupils are to be admitted,
- (b) determine the fees to be charged in respect of each fee-paying pupil, and
- (c) determine the terms of employment of the Principal and the Clerk to the board of directors,

and has power, in relation to the general superintendence and management of the affairs of the College, to –

- (i) raise funds,
- (ii) borrow money,
- (iii) acquire, rent or hire property,
- (iv) sell, let or dispose of property,
- (v) open and operate bank accounts,
- (vi) deposit or invest funds,

- (vii) delegate the management of investments,
- (viii) insure the property of the College against foreseeable risk, and
- (ix) do all other things permitted by law as are incidental or conducive to the general superintendence and management of the affairs of the College.

The Principal

11. The board shall appoint the Principal after consultation with the Lieutenant-Governor.
12. The board shall appoint the Clerk to the directors after consultation with the Principal.
13. The Principal shall engage such teachers and other staff as he or she thinks fit.
14. The Principal shall be responsible for the scheme of education of the College, which shall include religious and moral instruction in conformity with the principles and doctrines of the Church of England, and shall settle the same after consultation with the board.
15. The Principal shall regularly transmit to the board a report on the general state of the College.

SCHEDULE

CONSTITUTION AND PROCEEDINGS OF THE BOARD

Chair and directors

1. The **board** shall consist of not less than nine and not more than twelve members ("directors"), of whom one shall be the Dean and two appointed by the board in consultation with the Lieutenant-Governor, and the remainder shall be appointed by the board itself.
2. The chair of the board shall be a director elected to the office of chair by the board *[after consultation with the Lieutenant-Governor]*.
3. Every director or other officer of the College shall be indemnified out of the assets of the College against any liability incurred by him or her in that capacity in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour or in which he or she is acquitted or in connection with any application in which relief is granted to him or her by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the College.

Resignation, removal, casual vacancies, etc.

4. (1) A director may at any time resign his or her office by giving notice in writing, delivered to the chair; and the chair may at any time resign his or her office of chair by giving notice in writing, delivered to the longest-serving director ("the senior director").
 - (2) If it appears to the board that the chair, or a director other than the Dean -
 - (a) has been absent from three consecutive meetings of the board without the permission of the chair (or, in the case of the chair, without the permission of the board),
 - (b) has been convicted of an offence such that it is undesirable that he or she should remain a director or, as the case may be, the chair,
 - (c) is considered to be unsuitable to have access to children, young persons or vulnerable adults,
 - (d) is incapacitated by physical or mental illness, or
 - (e) is otherwise unable or unfit to discharge the functions of a director
- chair may declare that director's office to be vacant or the senior director may declare the chair's office to be vacant (as the case may be), and thereupon the office shall become vacant.
- (3) A person appointed to fill a casual vacancy in the office of a director shall hold office, subject to sub-paragraphs (1) to (3) of this paragraph and otherwise to the terms of his or her appointment, for the unexpired portion of the term of office of the person in whose place he or she is appointed.
 - (4) The validity of any proceedings of the board shall be unaffected by a vacancy in its members or by any defect in the appointment of a director.

Tenure of office and reappointment

5. (1) Subject to the provisions of paragraph 4 and subparagraphs (2) and (3), each director shall hold office for six years from the date he or she is appointed, and that date shall normally be 1 January.
- (2) Subparagraph (1) does not apply to the Dean, who holds office as a director *ex officio* his office as Dean.
- (3) The chair shall hold the office of chair for a maximum of nine years from the date he or she is appointed director; and for the avoidance of doubt, a person other than the Dean who resigns or otherwise vacates his or her office as chair and who has held office (including as a director) for more than six years also vacates his or her office as director.
- (4) A person who has previously held office as a director may not be reappointed a director until the expiration of a period of twelve months after vacating his or her office as director.

Meetings

6. (1) Meetings of the board shall be convened by a notice sent to each director by the Clerk to the board ("the Clerk").
- (2) Any two directors may, by a request made in writing, require the Clerk to convene a meeting of the board, provided that the request specifies the purpose for the meeting, and that purpose is included in the notice sent to each director by the Clerk.
- (3) At a meeting of the board –
 - (a) five directors (including the chair) form a quorum,
 - (b) the chair shall act as chair of such meeting, or, if the chair is not present, the board **shall** elect a director who **shall** chair the meeting in the chair's absence.
 - (c) subject to subparagraph (d), each director present has one vote, and
 - (d) the person presiding has an original vote, and in the event of an equality in the votes cast, he or she shall exercise a casting vote.

Transaction of business without meeting

7. The board may, if it thinks fit, transact any business by the circulation of papers (including by email or other electronic means) to all directors, and a resolution in writing approved in writing by the majority of the board shall be as valid and effectual as if passed at a meeting of the board.

Minutes

8. The board shall keep proper minutes of its proceedings, including minutes of any business transacted as permitted by paragraph 7 of this schedule.

Residual power to regulate procedure

9. Subject to the provisions of the statutes including this schedule, the board may regulate its own procedure, including by reference to policies agreed by the board.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR ECONOMIC DEVELOPMENT

PUBLIC TRUSTEE ANNUAL REPORT AND AUDITED ACCOUNTS FOR THE
YEARS ENDED 31 DECEMBER 2016 AND 31 DECEMBER 2017

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

5 March 2019

Dear Sir

The Public Trustee (Bailiwick of Guernsey) Law, 2002 provides, in section 6(1) that the Committee for Economic Development is required to submit the report and accounts to the States of Guernsey on the exercise of the Public Trustee's functions for the preceding year.

I am pleased to enclose a copy of the reports and audited accounts for the years 2016 and 2017.

Section 6 (2b) of the Law provides that the Committee may, at the same time, submit its own report commenting on the activities of the Public Trustee during this period. Whilst the Committee does not wish to submit its own report, it does wish to advise that the Public Trustee, then in office, signed off the 2016 Report and Accounts in October 2017. However the Public Trustee gave notice of resignation and ceased operational involvement on 6 November 2017, leading to the appointment of the current Public Trustee, Mr Luis Gonzalez, on 16 May 2018. He initially concentrated on the more pressing matters relating to the IXG pension trust (referenced in his 2017 report). As such, he decided that the most effective use of his time would be to familiarise himself with the operational finances of his Office as part of the preparation and submission of the 2017 accounts. The urgency of the duties undertaken in relation to the above mentioned pension trust were such that it took until October 2018 before he was able to review and satisfy himself with the 2016 accounts and to complete the 2017 Public Trustee accounts, ready for independent audit.

Quite rightly, the Public Trustee has taken a considered approach during his first six months in post to focus on the protection of trust beneficiaries for the specific trusts under his control and the safeguarding of the reputation of the wider Guernsey trust industry.

I should be grateful if you would arrange to publish this submission as an Appendix to the next available Billet.

Yours faithfully

Deputy Charles Parkinson
President

**REPORT OF THE PUBLIC TRUSTEE
TO THE COMMITTEE FOR ECONOMIC DEVELOPMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

Introduction

1. Under Section 6(1) of The Public Trustee (Bailiwick of Guernsey) Law, 2002 (“the Law”), the Public Trustee is required in each calendar year to submit to the Committee for Economic Development a report on the exercise of his or her functions in the preceding year together with the audited accounts of the Office of the Public Trustee.

Appointments

2. On 31 July 2015, Bordeaux Services (Guernsey) Ltd (“Bordeaux”) was placed into Management Administration by the Royal Court at the request of the Guernsey Financial Services Commission. The Public Trustee was appointed by the Royal Court to act as Trustee of all trusts where Bordeaux had been acting as trustee as at that date. As a result, the Public Trustee was appointed to act as trustee on seven trusts:
 - Two of the trusts were terminated in 2016;
 - One of the trusts was transferred to a service provider in August 2016;
 - One of the trusts was terminated in June 2017;
 - Two of the trusts are in the process of transferring to service providers;
 - One of the trusts is in the process of applying to Court in order to identify who the true beneficiaries are. Due to historic errors and/or omissions of the former trustees, the family concerned may not have been properly appointed as beneficiaries and the default beneficiaries (five charities) may receive the trust fund in its entirety.
3. At the end of 2016, as well as the above trusts the Public Trustee remained as trustee of twelve trusts. Seven of the twelve trusts are considered dormant and have been archived as they do not appear to hold any assets. It has not been possible to make contact with the Settlers, Beneficiaries etc.
4. The Public Trustee spent a significant amount of time in 2016 in discussions with Guernsey advocates relating to five pension trusts. Due to concerns in relation to alleged fraud, some of the members of the trusts made an application to Court in December 2016 requesting that the former Trustees be removed and the Public Trustee appointed. As a result of the application, the Public Trustee was appointed as trustee of all five pension trusts on 29 March 2017.

The pension funds appear to have lost at least USD18m as a result of the alleged fraud (the remaining asset value is believed to be approximately GBP 18m), with additional funds also being unaccounted for. Substantial costs are being incurred as a result of ongoing Court applications and the requirement for legal advice in Guernsey, UK, Liechtenstein and Switzerland. The costs are currently being met by the States of Guernsey as a further application to Court will be required for Directions as to how the costs should be apportioned between the trusts and the members.

The Public Trustee believes that legal action will be required in Liechtenstein, Switzerland and potentially other jurisdictions. Whilst initial investigatory actions are being undertaken by the Public Trustee in Liechtenstein and Switzerland in order to obtain advice as to the merits or otherwise of pursuing legal action, the Public Trustee will not instigate action unless the members are in agreement that costs will be met from the trust assets.

5. The Public Trustee was approached in September 2016 by a Guernsey Advocate representing the investors in a Guernsey Unit Trust, Authorised by the Guernsey Financial Services Commission as a Class B Open Ended Scheme. The Scheme had retained the Authorisation but was suspended in 2009 and is now in termination. The investors appear to have lost more than Euro 30m, equivalent to approximately 90% of their investment and requested that the Public Trustee take control as they had lost confidence in the trustee.

The retirement of the current trustee and appointment of the Public Trustee was due to be blessed by the Court in November 2016 but ultimately agreement could not be reached between the parties and the matter returned to Court where it was determined that the Public Trustee should not be appointed. The Public Trustee considers this matter to be closed.

Accounts and Auditors' Report

6. The accounts of the Office of the Public Trustee for the year to 31 December 2016 together with the Auditors' report thereon, accompany this report.
7. Work levels during the year were significantly higher than in 2015 due to:
 - Pre-appointment work undertaken by the Public Trustee in relation to the five pension trusts. The Public Trustee expects to be able to recoup the cost of the pre-appointment work amounting to approximately £18,600.
 - Preliminary work undertaken in relation to the Guernsey Unit Trust. The Public Trustee does not expect to be able to recoup the cost of the preliminary work.

As in previous years, two historic interrelated trusts continue to present significant difficulties and account for a reasonable proportion of the trust and company administration fees. The amount outstanding as at 31 March 2017 totalled £386,412 and the Public Trustee is currently in discussion with the settlor and sole beneficiary of both trusts with a view to arranging settlement of the debt in full.

8. The fees charged by professional providers of trust services (£70,447) together with the Public Trustee's own charges make up the total Trustee fees of £108,464 charged to the trusts.

Conclusion

9. As pointed out in previous reports, the Public Trustee is primarily a trustee of last resort and experience has shown that appointments are usually made to problematic trusts where other professional trustees are unable or unwilling to act. That and the fact that the Public Trustee may not, under the Law, charge fees to any individual trust in excess of actual costs incurred in administering it, mean that there are inevitable implications for costs.

The Public Trustee has seen a considerable increase in the number of approaches made to her over the past 18 months, not all of which have resulted in an appointment. These have been for multiple reasons, e.g:

- Death of a sole trustee;
- Potential fraud;
- Loss of investment fund;
- Failure of fiduciary business.

Although there have been several approaches, it would appear that the Regulatory environment within which we work is operating well as the only appointment made was in relation to the pension trusts. Due to the manner in which the pension trusts were conducting business, they were able to operate outside of the Regulations which no doubt contributed to the overall loss of funds.



Catherine Rowe
Public Trustee
Bailiwick of Guernsey

OFFICE OF THE PUBLIC TRUSTEE

STATEMENT OF ACCOUNT

31ST DECEMBER, 2016

LINCE SALISBURY

Chartered Accountants

Avenue House,

St. Julian's Avenue,

St. Peter Port,

GUERNSEY

OFFICE OF THE PUBLIC TRUSTEE

Office holder

The position of Public Trustee at the year end was held by:

Mrs C. Rowe

Statement of responsibilities for the preparation of financial statements

In accordance with The Public Trustee (Bailiwick of Guernsey) Law, 2002 the Public Trustee is responsible for the preparation of a statement of account for each financial year which gives a true and fair view of the state of affairs of The Office of the Public Trustee. She is responsible for selecting suitable accounting policies and, in preparing the statement of account the Public Trustee is expected to:

- * apply suitable accounting policies on a consistent basis;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts; and
- * prepare the statement of account on a going concern basis, unless it is inappropriate to do so.

The Public Trustee acknowledges responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of The Office of the Public Trustee.

It is the responsibility of The Office of the Public Trustee to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes. Thus The Office of the Public Trustee is responsible for safeguarding the assets in its care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Public Trustee reports that so far as she is aware there is no relevant audit information of which the auditors are unaware and that she has taken all steps to make herself aware of such audit information and to establish that the auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE OFFICE OF THE PUBLIC TRUSTEE

We have audited the financial statements of The Office of Public Trustee for the year ended 31st December, 2016 on pages 3 to 5 which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, under the historical cost convention and the accounting policies set out on page 5.

This report is made solely to The Office of Public Trustee. Our audit work has been undertaken so that we might state to you those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Office of Public Trustee for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of The Office and Auditors

As explained in the Statement of Responsibilities the Public Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards of Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Public Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Public Trustee's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

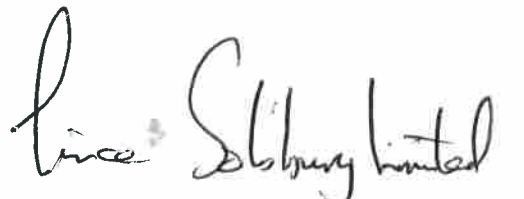
In our opinion the financial statements:

- give a true and fair view of the state of The Office's affairs as at 31st December, 2016 and of its result for the year then ended;
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been properly prepared in accordance with The Public Trustee (Bailiwick of Guernsey) Law, 2002.

2nd October

2017

Avenue House,
St. Julian's Avenue,
St. Peter Port,
GUERNSEY



LINCE SALISBURY LIMITED
CHARTERED ACCOUNTANTS

OFFICE OF THE PUBLIC TRUSTEE

STATEMENT OF INCOME

FOR THE YEAR ENDED 31st DECEMBER, 2016

	Note	2016	2015
		£	£
Income	1		
Grant from States of Guernsey	1, 3	35,546	3
Trustee fees		<u>108,464</u>	<u>75,114</u>
		144,010	75,117
Expenditure	1		
Audit fees		3,100	2,900
Bank charges		65	66
Office administration		2,032	1,543
Public Trustee remuneration		53,372	27,161
Movement in provision for doubtful debts		7,937	(1,063)
Trust and company administration fees		<u>70,447</u>	<u>46,484</u>
		(136,953)	(77,091)
Operating surplus/(deficit) before tax		<u>7,057</u>	<u>(1,974)</u>
Tax	2	-	-
Surplus/(deficit) for the year		<u>£7,057</u>	<u>£(1,974)</u>

OFFICE OF THE PUBLIC TRUSTEESTATEMENT OF FINANCIAL POSITION AT 31st DECEMBER, 2016

	Note	2016 £	2015 £
Current assets			
Debtors		437,068	405,991
Bank		<u>18,707</u>	<u>17,650</u>
		<u>455,775</u>	<u>423,641</u>
Current liabilities			
Potential liability - grants	3	414,333	389,357
Accruals	3	3,205	3,205
Creditors	3	<u>22,735</u>	<u>22,634</u>
		<u>440,273</u>	<u>415,196</u>
Net assets		<u>£15,502</u>	<u>£8,445</u>
Funded by:			
The Public Trustee Fund	4	<u>£15,502</u>	<u>£8,445</u>

The balance sheet was approved on 26 September 2017.

C. Rowe

C. Rowe
Public Trustee

OFFICE OF THE PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER, 2016

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

Historical Cost Convention

The statement of account is prepared under the historical cost convention and in accordance with UK applicable accounting standards.

Grants

Grants from the States of Guernsey Commerce and Employment Department are included on a received basis. Grants have been recognised as revenue items where they are not expected to become repayable to the States of Guernsey. Where grants have been received and a corresponding debtor is considered recoverable from the underlying client the potential liability has been recognised.

Other income and expenditure

Other income and expenditure is included on an accruals basis.

2. TAXATION

The Office of the Public Trustee is not subject to States of Guernsey Income Tax.

3. CREDITORS AND ACCRUALS

	2016 £	2015 £
<u>Creditors</u>		
Professional trust administration fees and Deputy Trustee charges from Commerce & Employment Department	£ 22,735	£ 22,634
<u>Accruals</u>		
Audit fee	3,200	3,200
Public Trustee	-	-
Bank charges	5	5
	£ 3,205	£ 3,205
<u>Potential Liabilities - Grants</u>		
Grants from States of Guernsey	£ 414,333	£ 389,357

The Grant from the States of Guernsey is paid in accordance with section 8 of The Public Trustee (Bailiwick of Guernsey) Law, 2002. Any amounts paid by the States of Guernsey to cover expenditure that are subsequently recouped from the structures within the responsibility of the Public Trustee become repayable to States of Guernsey. The potential liability due to the States of Guernsey represents the debts the Public Trustee expects to be recoverable from those structures. Disclosing this amount separately on the balance sheet reflects the understanding of the contingent nature of the corresponding debtor.

4. THE PUBLIC TRUSTEE FUND

	2016 £	2015 £
Balance brought forward	8,445	10,419
Surplus/(deficit) for year	7,057	(1,974)
Balance carried forward	£15,502	£8,445

5. EVENTS FOR DISCLOSURE

During the year preparatory work was performed by the Office on cases that were not formal appointments and as such any time charges have been excluded from these financial statements. On 29th March, 2017 the Office of Public Trustee was formally appointed and awaits the conclusion of legal proceedings to establish whether any time incurred can be billed to the client.

REPORT OF THE PUBLIC TRUSTEE
TO THE COMMITTEE *for* ECONOMIC DEVELOPMENT

YEAR ENDED 31 DECEMBER 2017

Introduction

1. Under Section 6(1)(a) of The Public Trustee (Bailiwick of Guernsey) Law, 2002 (the 'Law'), the Public Trustee is required in each calendar year to submit to the Committee *for* Economic Development (the 'Committee') a report on the exercise of her or his functions in the preceding year together with audited accounts of the Office of the Public Trustee (Appendix 1).
2. This report is submitted on behalf of the Office of the Public Trustee in respect of the year 2017 for the reasons given in the section headed 'Office of the Public Trustee' below.

Office of the Public Trustee

3. The former Public Trustee gave notice to relinquish office in November 2017 and the current Public Trustee was appointed on 16 May 2018.
4. Pursuant to Section 1(5) of the Law the appointment of the current Public Trustee gave effect to the change of trustee as previously notified.
5. The change of incumbency spanned a year-end and the current Public Trustee is submitting this report in respect of the preceding year notwithstanding not then being in office. As a result, completion of the accounts of and auditor's report on the Office of the Public Trustee pursuant to Section 6(1)(b) of the Law and this report for the relevant period currently arises because their earlier submission proved impracticable.

Appointments

6. As the result of an application made to the Royal Court of Guernsey during December 2016 the Public Trustee was by order of the Court appointed as trustee of five pension trusts (referred to as 'the Schemes') on 29 March 2017. The initial appointment was for a period of six months, and was continued until further order of the Court by an order made on 22 September 2017 (together, the 'Orders').
7. The remit of the Public Trustee is the making of a full investigation into the Schemes and the taking of all such steps as deemed necessary.
8. The Schemes are together known as the 'Interim Executives (Guernsey)' or 'IXG' Schemes. They are governed by Guernsey law and prior to the removal of the former trustees (which

are named as Seychelles-incorporated entities) by virtue of the Orders had also been under the trusteeship of Guernsey-regulated fiduciaries.

9. The IXG Schemes have been the subject of a very significant diminution of trust assets while in the hands of the former trustees. The Schemes and their assets, and further issues associated with them and the former trustees, involve a number of jurisdictions and complex matters of law. There was (and continues to be) a paucity of information and co-operation provided by the former trustees or others on their behalf. The Office of the Public Trustee has required (and continues to require) very considerable legal and other resources in order to fulfil its obligations.
10. The Public Trustee is entitled to charge reasonably in the exercise of her or his functions and to be paid out of the Schemes in accordance with Section 2(1)(b) of the Law by virtue of the Orders. It is intended that recovery of sums expended will be sought under and in accordance with the Orders and the Law, although this is not currently possible for a number of reasons including lack of liquidity.
11. Various other details concerning the IXG Schemes are in the public domain, whether by reason of the Court proceedings or otherwise. Pending conclusion of the investigation or other steps being undertaken pursuant to the orders of the Court (and any other legal proceedings) the Public Trustee will not issue public commentary because doing so may be *sub judice* or otherwise confidential or not in the interests of the beneficiaries. The requirements in this respect will be kept under review.
12. The Office of the Public Trustee continues to provide trusteeship to other trusts reported in prior years and there are no significant current developments known to the Public Trustee.
13. No further appointments arising during the year of report are currently contemplated on behalf of the Office of the Public Trustee.

Accounts and Auditors' Report

14. The accounts of the Office of the Public Trustee for the year ended 31 December 2017 together with the Auditor's report thereon accompany this report (Appendix 2).

Other Matters

15. The Public Trustee is aware that the Committee is required to submit this report and the audited accounts and auditors' report to the States pursuant to Section 6(2) of the Law (Appendix 1) and may at the same time submit their own report to the States. The Public Trustee remains at the disposal of the Committee in respect of anything it may require for this purpose.

Luis Gonzalez

Public Trustee

Appendix 1 – Section 6 of the Law

Annual reports.

6. (1) The Public Trustee shall, as soon as practicable in each calendar year, submit to the Committee –
- (a) a report on the exercise of his functions in the preceding year, and
 - (b) the audited accounts of the Office of the Public Trustee together with the auditors' report thereon.
- (2) The Committee –
- (a) shall submit –
 - (i) the Public Trustee's report made under subsection (1)(a), and
 - (ii) the audited accounts and auditors' report thereon referred to in subsection (1)(b),to the States, and
 - (b) may at the same time submit their own report to the States –
 - (i) covering the period of the Public Trustee's report,
 - (ii) covering the matters described in subsection (1)(a), and
 - (iii) containing the Committee's comments (if any) on the audited accounts and auditors' report thereon referred to in subsection (1)(b).

Appendix 2 – Accounts and Auditor's Report

[Please see attached]

OFFICE OF THE PUBLIC TRUSTEE

STATEMENT OF ACCOUNT

31ST DECEMBER, 2017

LINCE SALISBURY

Chartered Accountants

Avenue House,

St. Julian's Avenue,

St. Peter Port,

GUERNSEY

OFFICE OF THE PUBLIC TRUSTEE

Office holder

The position of Public Trustee ("PT") throughout the period, at the year end and subsequent to the year end was held by:

Mr L. Gonzalez (appointed 16 May 2018)

Mrs C. Rowe (resigned effective 16 May 2018)

Statement of responsibilities for the preparation of financial statements

In accordance with The Public Trustee (Bailiwick of Guernsey) Law, 2002 the PT is responsible for the preparation of a statement of account for each financial year which gives a true and fair view of the state of affairs of The Office of the Public Trustee. The PT is responsible for selecting suitable accounting policies and, in preparing the statement of account the PT is expected to:

- * apply suitable accounting policies on a consistent basis;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts; and
- * prepare the statement of account on a going concern basis, unless it is inappropriate to do so.

The PT acknowledges responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of The Office of the Public Trustee.

It is the responsibility of The Office of the Public Trustee to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes. Thus The Office of the Public Trustee is responsible for safeguarding the assets in its care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The PT reports that so far as the PT is aware there is no relevant audit information of which the auditors are unaware and that the PT has taken all steps to make himself aware of such audit information and to establish that the auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE OFFICE OF THE PUBLIC TRUSTEE

We have audited the financial statements of The Office of Public Trustee for the year ended 31st December, 2017 on pages 4 to 7 which comprise the Statement of Income, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of The Office's affairs as at 31st December, 2017 and of its result for the year then ended;
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with The Public Trustee (Bailiwick of Guernsey) Law, 2002.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of financial statements section of our report. We are independent of the office in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Public Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Public Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the office's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Public Trustee is responsible for the other information. The other information comprises page 1. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE OFFICE OF THE PUBLIC TRUSTEE

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the office and its environment obtained in the course of the audit, we have not identified material misstatements in the information contained in page 1.

We have nothing to report in respect of the following matters in relation to which The Public Trustee (Bailiwick of Guernsey) Law, 2002 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Public Trustee

As explained more fully in the Public Trustee's responsibilities statement set out on page 1, the Public Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Public Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Public Trustee is responsible for assessing the ability of the office of the Public Trustee to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Public Trustee either seeks to liquidate the Office or to cease operations, or has no realistic alternative but to do so (which in the absence of statutory commission or information under S.1(1) of the Public Trustee (Bailiwick of Guernsey) Law 2002 may not occur).

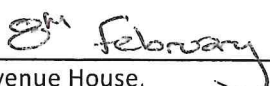
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Office of the Public Trustee as a body, in accordance with Section 6 of The Public Trustee (Bailiwick of Guernsey) Law, 2002. Our audit work has been undertaken so that we might state to the Public Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Public Trustee for our audit work, for this report, or for the opinions we have formed.


28 February 2019
Avenue House,
St. Julian's Avenue,
St. Peter Port,
GUERNSEY


LINCE SALISBURY LIMITED
CHARTERED ACCOUNTANTS

OFFICE OF THE PUBLIC TRUSTEE

STATEMENT OF INCOME


FOR THE YEAR ENDED 31st DECEMBER, 2017

	Note	2017		2016	
		£	£	£	£
Income					
Grant from States of Guernsey	1(b), 3		17,286		35,546
Trustee fees	1(c)		<u>826,724</u>		<u>108,464</u>
			844,010		144,010
Expenditure	1(d)				
Audit fees			3,250		3,100
Bank charges			60		65
Office administration			6,366		2,032
Public Trustee remuneration			93,930		53,372
Movement in provision for doubtful debts			11,763		7,937
Trust and company administration fees			<u>717,762</u>		<u>70,447</u>
			(833,131)		(136,953)
Operating surplus/(deficit) before tax			10,879		7,057
Tax	2		-		-
Surplus for the year			<u>£10,879</u>		<u>£7,057</u>

OFFICE OF THE PUBLIC TRUSTEESTATEMENT OF FINANCIAL POSITION AT 31st DECEMBER, 2017

	Note	2017 £	2016 £
Current assets			
Debtors		1,192,650	437,068
Bank		<u>18,856</u>	<u>18,707</u>
		<u>1,211,506</u>	<u>455,775</u>
Current liabilities			
Potential liability - grants	3	1,144,654	414,333
Accruals	3	7,790	3,205
Creditors	3	<u>32,681</u>	<u>22,735</u>
		<u>1,185,125</u>	<u>440,273</u>
Net assets		<u>£26,381</u>	<u>£15,502</u>
Funded by:			
The Public Trustee Fund	4	<u>£26,381</u>	<u>£15,502</u>

The balance sheet was approved on *8th February* 2019.


 L. Gonzalez
 Public Trustee

OFFICE OF THE PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER, 2017

1. ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') Section 1A for small entities issued by the Financial Reporting Council in September, 2015 and with The Public Trustee (Bailiwick of Guernsey) Law, 2002.

(b) Grants

Grants from the States of Guernsey Committee for Economic Development are included on a received basis. Grants have been recognised as revenue items where they are not expected to become repayable. Where grants have been received and a corresponding amount is considered recoverable in respect of the underlying transfers to which they relate the potential liability has been recognised.

(c) Trustee Fees

Fees are recognised when services are delivered by or on behalf of or to the Office of Public Trustee in its capacity as trustee. Included in Trustee Fees are fees raised for services provided by third party administrators or other parties including professional advisors appointed by the Public Trustee to perform administrative duties or provide these services.

(d) Other income and expenditure

Other income and expenditure is included on an accruals basis.

(e) Financial Instruments

Bank balances are repayable on demand.

The Office of Public Trustee only enters into basic financial instruments that result in the recognition of financial assets and liabilities such as accounts receivable and creditors, and loans from or to banks and related parties. Debt instruments that are payable or receivable within one year (typically loans, accounts receivable and creditors) or that bear a commercial rate of interest and are payable or receivable after more than one year are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid.

2. TAXATION

The Office of the Public Trustee is not subject to States of Guernsey Income Tax.

3. CREDITORS AND ACCRUALS

	2017	2016
	£	£
<u>Creditors</u>		
Trade creditors	£ 32,681	£ 22,735
	<hr/>	<hr/>
<u>Accruals</u>		
Audit fee	3,200	3,200
Public Trustee	4,585	-
Bank charges	5	5
	<hr/>	<hr/>
	£ 7,790	£ 3,205
	<hr/>	<hr/>
<u>Potential Liabilities - Grants</u>		
Grants from States of Guernsey	£ 1,144,654	£ 414,333
	<hr/>	<hr/>

Grants (or loans) from the Committee for Economic Development of the States of Guernsey are made in accordance with section 8 of The Public Trustee (Bailiwick of Guernsey) Law, 2002. Any amounts paid to cover expenditure and liabilities that are subsequently recouped from trust structures within the responsibility of the Public Trustee become repayable. The potential liability due represents the debts the Public Trustee expects to be recoverable from those structures. Disclosing this amount separately on the balance sheet reflects the understanding of the contingent nature of the corresponding debtor.

OFFICE OF THE PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER, 2017

4. THE PUBLIC TRUSTEE FUND	2017	2016
	£	£
Balance brought forward	15,502	8,445
Surplus for year	10,879	7,057
Balance carried forward	<u>£26,381</u>	<u>£15,502</u>

5. GENERAL INFORMATION

The Office of Public Trustee is an unincorporated entity established under The Public Trustee (Bailiwick of Guernsey) Law, 2002. Its address is Raymond Falla House, Longue Rue, St Martin, Guernsey, GY1 6AF.

6. NUMBER OF EMPLOYEES

The average number of employees during the year was none.