



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 5th November 2019

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

Volume 8, No. 29

ISSN 2049-8284

Present:

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

Law Officers

Miss M. M. E. Pullum, Q.C. (H.M. Procureur)

People's Deputies

St Peter Port South

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

St Peter Port North

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

St Sampson

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

The Vale

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

The Castel

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

The West

Deputies E. A. McSwiggan, D. de G. de Lisle, S. L. Langlois

The South-East

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

Representatives of the Island of Alderney

Alderney Representatives S. Roberts, A. Snowdon

The Clerk to the States of Deliberation

J. Torode (H.M. Greffier)

Absent at the Evocation

R. M. Titterington, Q.C. (H.M. Comptroller); Deputies N. R. Inder, A. C Dudley-Owen (indisposé);
Deputies A. H. Brouard, V. S. Oliver (relevé à 9h 59)

Business transacted

Evocation	2425
Convocation	2425
Billet d'État XXI.....	2425
I. The States of Deliberation Annual Budget for 2020 – Debate commenced	2425
<i>The Assembly adjourned at 12.30 p.m. and resumed at 2.30 p.m.</i>	<i>2474</i>
The States of Guernsey Annual Budget for 2020 – Debate continued	2474
<i>The Assembly adjourned at 5.30 p.m.</i>	<i>2514</i>

PAGE LEFT DELIBERATELY BLANK

States of Deliberation

*The States met at 9.30 a.m. in the presence of
His Excellency Vice-Admiral Sir Ian Corder, K.B.E., C.B.
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

[THE BAILIFF *in the Chair*]

PRAYERS

The Greffier

EVOCATION

CONVOCATION

The Greffier: Billet d'État XXI of 2019. To the Members of the States of the Island of Guernsey, I hereby give notice that a meeting of the States of Deliberation will be held at the Royal Courthouse on Tuesday, 5th November 2019 at 9.30 a.m. to consider the items listed in this Billet d'État, which have been submitted for debate.

Billet d'État XXI

POLICY & RESOURCES COMMITTEE

I. The States of Deliberation Annual Budget for 2020 – Debate commenced

The States are asked to decide:-

Whether, after consideration of the States of Guernsey Annual Budget for 2020, they are of the opinion:-

- 1. To endorse the intention of the Policy & Resources Committee to submit a policy letter to the States for consideration no later than March 2020 reporting on the findings of the review of the terms and conditions of public sector workers, together with any recommendations in respect of the remuneration of employees based on the principles of fair and equal pay.*
- 2. To endorse the intention of the Policy & Resources Committee to submit a revised "Review of the Fiscal Policy Framework" policy letter to the States for consideration no later than January 2020 including;*

- i. *Addressing what the appropriate long-term aggregate limit on States' revenues (including all forms of taxation and social insurance contributions) should be, taking into account the known and estimated long-term pressures; and*
 - ii. *Terms of reference for a review to examine options to raise further revenues from corporate taxes and the introduction of new taxes in areas such as a ring-fenced health tax, consumption taxes, etc. in order to raise sufficient revenues.*
 3. *To authorise the Policy & Resources Committee to make transfers from the General Revenue Account Reserve to the Budget Reserve until 31 December 2019.*
 4. *To note that the £26.1million of savings projected in the Medium Term Financial Plan will not be fully realised by the end of 2021 and to agree that public service reform activity must continue to generate reform dividends in order to contribute towards balancing the budget.*
 5. *To authorise the Policy & Resources Committee to transfer the sum of £40million from General Revenue to the Capital Reserve during 2020.*
 6. *To approve that returns of capital from the States' trading assets and capital income in 2020 be transferred to the Capital Reserve.*
 7. *To immediately transfer the sum of £900,000 from the General Reserve to the Future Guernsey Economic Fund.*
 8. *To note the use of £3.34million of the General Reserve to increase the 2020 budgets of the Committee for Education, Sport & Culture (£3.065million) and the Committee for Home Affairs (£275,000).*
 9. *To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for the People Plan by £500,000 to £1.25million.*
 10. *To increase the authority delegated to the Policy & Resources Committee to approve funding from the Transformation and Transition Fund for Public Service Reform by £1million to £3.1million.*
 11. *To extend the company higher rate tax (20%) to:*
 - (a) *Income from the licensed activity of cultivation of cannabis plants, and income from the use of those cultivated cannabis plants or parts of those cultivated cannabis plants for –*
 - i. *any licensed production of industrial hemp, supplements, cannabidiol, fibre, medicinal products or other products,*
 - ii. *any licensed processing, or*
 - iii. *any other licensed activity or use, and*
 - (b) *where prescribed by regulations of the Policy & Resources Committee, income from –*
 - i. *the licensed production of controlled drugs, and*
 - ii. *the use of those controlled drugs (produced under license) or parts of those controlled drugs for any licensed activity or use,*
- and to direct the preparation of such legislation as may be necessary to give effect to this decision with effect from 1 January 2020.*
12. *To extend the company intermediate income tax rate (10%) to the income from the activity of operating an aircraft registry, and to direct the preparation of such legislation as may be necessary to give effect to this decision with effect from 1 January 2020.*
13. *To agree that the annual tax-free lump sum limit for a pension scheme is set at £203,000 for 2020.*

14. To endorse the intention of the Policy & Resources Committee to increase the Benefit in Kind charges with effect from 1 January 2020, by 2.5% per annum, compounded, for 2020, 2021 and 2022, as set out in paragraph 6.36 of this Report, by regulation under powers conferred by section 8(2A)(b) of the Income Tax (Guernsey) Law, 1975.
15. To amend the Income Tax (Guernsey) Law, 1975 to clarify that an individual electing to pay the standard charge remains liable to Guernsey income tax on his or her worldwide income, and to direct the preparation of such legislation as may be necessary to give effect to this decision with effect from 1 January 2020.
16. To amend the Sixth Schedule of the Income Tax (Guernsey) Law, 1975 to exclude from the tax cap-
 - (a) triviality payments, and
 - (b) such amounts of lump sum payments from pension schemes or annuity schemes which are chargeable to tax as being over the tax-free limit, which derive from Guernsey tax-relieved contributions.
17. That,
 - (a) subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2020 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition;
 - (b) the allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled;
 - (c) "Family Allowances" means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and
 - (d) "the income Tax (Guernsey) Law, 1975" means that Law as amended, extended or applied by or under any other enactment.

FIRST SCHEDULE

Year of Charge 2020

Allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate. In order to calculate the amount of the allowance, where the taxpayers are married or in a civil partnership, each spouse's income shall be considered separately, in accordance with the table below. All allowances are subject to the following conditions –

- (i) the allowances shall be pro-rated for a person who is solely or principally resident in the years of that person's, arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge in the same manner in which income is pro-rated by virtue of sections 5(3) and 5(4) of the Income Tax (Guernsey) Law, 1975,
- (ii) where a person is in receipt of a Guernsey source pension, which is liable to be taxed at source under the Employees Tax Instalment scheme, or a Guernsey old age pension arising under section 33 of the Social Insurance (Guernsey) Law 1978, then the pro-rating under section 51(5) and 51A(2A) of the Income Tax (Guernsey) Law, 1975 shall apply –
 - (a) from the commencement of the year of charge until the date of arrival (in the case of that person's permanent arrival),
 - (b) from the date of departure until the end of the year of charge (in the case of that individual's permanent departure), and
- (iii) the totality of each person's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £5 that that person's calculated

income is above the limit of £100,000 (such limit being pro-rated in the year of arrival or departure, based on the proportion of time spent in Guernsey in the relevant year).

For the purpose of this schedule –

- (a) calculated income is an individual's income net of deductions but gross of any withdrawable deductions to which that individual is entitled, and
- (b) the withdrawable deductions are the following deductions

- Pension contributions, namely
 - o Retirement Annuity Allowance
 - o contributions to an approved occupational or personal pension scheme over £1,000 (which aggregate amount shall not be withdrawn, and shall not form part of the 'withdrawable deductions')

- Mortgage interest relief

<u>NATURE OF ALLOWANCE</u>	<u>AMOUNT OF ALLOWANCE</u>
1. Personal Allowance*[^]	Tax at the standard rate on £11,575.
2. Dependent Relative Allowance*	In respect of each dependent relative - tax at the standard rate on £3,750 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £7,825 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,750 the sum of £1 for every pound by which the dependent relative's income exceeds £7,825.
3. Infirm Person's Allowance*	Tax at the standard rate on £3,750
4. Housekeeper Allowance	Tax at the standard rate on £3,750
5. Charge of Children Allowance*	Tax at the standard rate on £7,875
6. Retirement Annuity Allowance	Tax at the standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

Conditions applicable to the allowances specified in the First Schedule

Dependent Relative Allowance

- A. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in the case of a child receiving higher education are:
 - (a) that the child in respect of whom an allowance is claimed -
 - (i) is the child of the claimant, or
 - (ii) is the illegitimate child of the claimant and in the year of charge is maintained by the claimant;
 - (b) that on the first day of August in the year of charge, the child is over the age of nineteen years and is, in that year of charge, receiving full-time instruction at any university, college, school or other educational

- establishment.*
- (c) *that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2018.*
 - (2) *The expression "child" shall include a stepchild, and a child who has been lawfully adopted shall be treated as the child of the individual by whom he has been so adopted and not as the child of the natural parent.*
 - (3) *Where a couple are cohabiting as if they were married and either has a child in respect of whom a dependent relative allowance is claimable, either individual by a notice in writing addressed to the Director, may elect that, for the purposes of the said allowance, the child shall be treated as if it were the child of that cohabitee.*
 - (4) *In computing the amount of a child's income in his own right, no account shall be taken of any sum to which the child is entitled as the holder of a scholarship, bursary or other similar educational endowment.*
 - (5) *Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.*
- B. (1) *The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in any other case are:*
- (a) *that the claimant at his own expense maintains or contributes towards the maintenance of a person being a relative of the claimant or of the claimant's spouse; and*
 - (b) *that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining himself; and*
 - (c) *that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*
- (2) *Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.*

Infirm Person's Allowance

- (1) *The conditions to be fulfilled to entitle a claimant to an infirm person's allowance are:*
- (a) *that the claimant is by reason of old age or infirmity or by reason of the old age or infirmity of the claimant's spouse compelled to maintain or employ an individual solely for the purpose of having care of the claimant or the claimant's spouse;*
Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant or the claimant's spouse was permanently incapacitated by physical or mental infirmity.
 - (b) *if such an individual is a relative of the claimant or of the claimant's spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim has been relinquished;*
 - (c) *that the claim relates to an infirm person in respect of whom a claim has already been made for a year of charge prior to the Year of*

Charge 2009.

- (2) *Not more than one allowance shall be allowed to any claimant for any year.*

Housekeeper Allowance

- (1) *The conditions to be fulfilled to entitle the claimant to a housekeeper allowance are:*
- (a) *that the claimant is a widow or widower.*
 - (b) *that in the year of charge a person is employed or maintained by the claimant solely for the purpose of acting in the capacity of a housekeeper for the claimant;*
 - (c) *if such person is a relative of the claimant or of the claimant's deceased spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim has been relinquished;*
 - (d) *that the claim relates to a housekeeper in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.*
- (2) *A housekeeper allowance shall not be granted to any individual for any year in respect of more than one person.*
- (3) *A housekeeper allowance shall not be granted to any individual in any year in which another person's unused allowance has been transferred to that individual or if that individual is in receipt of an infirm person's allowance.*
- (4) *"Housekeeper" means a person who is responsible by delegation for the management of the household, including arrangements for food, housekeeping expenditure and the care of linen and laundry.*

Charge of Children Allowance

- (1) *The conditions to be fulfilled to entitle a claimant who is married or in a civil partnership to a charge of children allowance are:*
- (a) *that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children*
 - (i) *on 1 January, or*
 - (ii) *on the date on which Family Allowance is first claimed in respect of that child in the year in question,*

whichever date is first relevant, and

- (b) *that the claimant proves that throughout the year either the claimant or the claimant's spouse is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and*
 - (c) *that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained, or if the claimant or any other individual is so entitled, that the claim has been relinquished.*
- (2) *The conditions to be fulfilled to entitle a claimant who is not married or in a civil partnership to a charge of children allowance that in the year of charge:*
- (a) *the claimant is in receipt of Family Allowances in respect of one or more children*
 - (i) *on 1 January, or*
 - (ii) *on the date on which Family Allowance is first claimed in respect of that child in the year in question,*

whichever date is first relevant, and

- (b) *the claimant is not cohabiting with another person, except where -*
- (i) *the claimant proves that throughout the year either the claimant or the claimant's cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and*
- (ii) *neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or if the claimant or any other individual is so entitled that the claim has been relinquished.*
- (3) *The claimant shall have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.*
- (4) *Where an individual has a child receiving higher education he shall, for the purposes of the preceding paragraphs numbered (1) to (3), be treated as if he were in receipt of a Family Allowance in respect of the said child.*
Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child
- (5) *Not more than one allowance shall be granted to any claimant for any year.*

Retirement Annuity Allowance

- (1) *The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance or deduction under section 8(3)(bb) are that the claimant pays a premium or makes a contribution to a retirement annuity scheme or to a retirement annuity trust scheme approved under the provisions of section 157A of the Income Tax (Guernsey) Law, 1975 and of which the claimant or the claimant's spouse is a beneficiary.*
- (2) *Subject to the provisions of the next succeeding paragraph the qualifying premiums or contributions, as the case may be, shall be the amount of any premium paid or contribution made by the claimant during the year of computation of the income of the claimant assessable for the year of charge.*
- (3) *Notwithstanding the provisions of the preceding paragraph no allowance or deduction shall be given in respect of any qualifying premiums or contributions to the extent that, in aggregate, they exceed:*
- (a) *100% of the income of the claimant during the year of computation referred to in the preceding subparagraph, or*
- (b) *any retirement annuity contribution limit for the time being prescribed by Regulations made by the Committee.*

Transferability of unused allowances

- the allowances marked with an * in the first schedule are transferable between taxpayers in the circumstances described in paragraph (i) below*
- the allowances with an ^ in the first schedule are transferable between taxpayers in the circumstances described in paragraph (ii) below,*

and in all cases transfer is subject to the conditions detailed below.

- (i) *transfers between married couples or couples in a civil partnership*
- Any allowances due to an individual which are greater than the individual's own income may only be transferred to the spouse, if at the commencement of the year of charge the claimant's spouse is living with the claimant as a married couple.*

Provided that, should the marriage or a civil partnership end in the year of charge, by reason of divorce or separation, the allowance is proportioned on the basis of the number of days in the year of charge which precede that event, with the relevant proportion of any unused allowances prior to that event being automatically transferred.

For the purposes of this paragraph –

“divorce” means that the Court for Matrimonial Causes has made a Final Order on a decree of divorce or of nullity of marriage in respect of the marriage in question or that the courts of another jurisdiction have made a corresponding order in respect thereof, and includes an order for the dissolution of a civil partnership, and

“separation” means that the couple are living separately as fully and as completely as though they had never been married or entered into a civil partnership, as the case may be.

Provided that, should the marriage or a civil partnership end in the year of charge, by reason of death, the full unused allowance is transferrable.

Where there is an entitlement to transfer of an allowance under this paragraph, that allowance will be automatically transferred.

Where the recipient of a Family Allowance in respect of one or more children is not entitled to claim the charge of children allowance because the claimant is cohabiting with another person, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that any unused part of, the personal allowance to which the claimant would otherwise be entitled shall cease to be the claimant’s and shall become part of the personal allowance of the person with whom they are cohabiting, such election, once made, to be irrevocable in respect of that year of charge.

(ii) transfers between co-habiting couples in receipt of Family Allowance, but not eligible for the charge of children allowance

For the purposes of this paragraph "cohabiting" means living with another person, as if they were married or in a civil partnership, throughout the year of charge.

18. *That the rates of excise duty in Guernsey and Alderney on the under mentioned goods shall be varied as follows:*

With immediate effect:

<i>a</i>	<i>Cigarettes</i>	<i>£390.16 per kilogram</i>
<i>b</i>	<i>Cigars</i>	<i>£390.16 per kilogram</i>
<i>c</i>	<i>Hand rolling tobacco</i>	<i>£378.76 per kilogram</i>
<i>d</i>	<i>Other manufactured tobacco</i>	<i>£328.53 per kilogram</i>
<i>e</i>	<i>Tobacco leaf – unstemmed</i>	<i>£364.71 per kilogram</i>
<i>f</i>	<i>Tobacco leaf – stemmed</i>	<i>£368.36 per kilogram</i>
<i>g</i>	<i>Petrol other than any fuel used for the purpose of air navigation</i>	<i>71.2p per litre</i>
<i>h</i>	<i>Petrol used for the purpose of marine navigation where supplied by an approved trader</i>	<i>48.1p per litre</i>
<i>i</i>	<i>Gas oil</i>	<i>71.2p per litre</i>
<i>j</i>	<i>Biodiesel</i>	<i>71.2p per litre</i>
<i>k</i>	<i>Beer brewed by an independent small brewery exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume</i>	<i>26p per litre</i>
<i>l</i>	<i>Beer, other than beer brewed by an independent small brewery, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume</i>	<i>54p per litre</i>
<i>m</i>	<i>Beer brewed by an independent small brewery exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	<i>43p per litre</i>
<i>n</i>	<i>Beer, other than beer brewed by an independent small brewery, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	<i>87p per litre</i>
<i>o</i>	<i>Beer brewed by an independent small brewery exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>55p per litre</i>
<i>p</i>	<i>Beer, other than beer brewed by an independent small brewery, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	<i>£1.09 per litre</i>
<i>q</i>	<i>Beer exceeding 7.5 per cent volume</i>	<i>£1.26 per litre</i>
<i>r</i>	<i>Spirits</i>	<i>£39.31 per litre of alcohol contained in the liquor.</i>
<i>s</i>	<i>Cider brewed by an independent small cider-maker exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume</i>	<i>26p per litre</i>
<i>t</i>	<i>Cider, other than cider brewed by an independent small cider-maker, exceeding 1.2 per cent volume but not exceeding 2.8 per cent volume</i>	<i>54p per litre</i>
<i>u</i>	<i>Cider produced by an independent small cider-maker exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	<i>43p per litre</i>
<i>v</i>	<i>Cider, other than cider produced by an independent small cider-</i>	<i>87p per litre</i>

	<i>maker, exceeding 2.8 per cent volume but not exceeding 4.9 per cent volume</i>	
w	<i>Cider produced by an independent small cider-maker exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	55p per litre
x	<i>Cider, other than cider produced by an independent small cider-maker, exceeding 4.9 per cent volume but not exceeding 7.5 per cent volume</i>	£1.09 per litre
y	<i>Cider exceeding 7.5 per cent volume</i>	£1.26 per litre
z	<i>Light wines not exceeding 5.5 per cent volume</i>	68p per litre
aa	<i>Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)</i>	£2.77 per litre
bb	<i>Other wines</i>	£4.42 per litre
	<i>With effect from 1 January 2020:</i>	
cc	<i>Petrol other than any fuel used for the purpose of air navigation</i>	72.3p per litre
dd	<i>Petrol used for the purpose of marine navigation where supplied by an approved trader</i>	49.2p per litre
ee	<i>Gas oil</i>	72.3p per litre
ff	<i>Biodiesel</i>	72.3p per litre

19. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2019" and to direct that the same shall have effect as an Ordinance of the States.
20. To agree that commercial buildings and land TRP tariffs shall be increased by 5% with effect from 1 January 2020.
21. To agree that, over a period of five years, the tariff for the general Office and Ancillary Accommodation category shall be increased to the same tariff as the Office and Ancillary Accommodation tariffs for regulated finance industries, legal services, accountancy services and non-regulated financial services businesses, commencing with an additional increase of £5.70 to that tariff with effect from 1 January 2020.
22. To agree that domestic and land TRP tariffs shall be increased by 10.2% with effect from 1 January 2020.
23.
 - A. To reaffirm Resolution 30 of Article 1 of Billet d'État XXIV of 2019 to introduce increased Tax on Real Property tariffs in 2020 for properties with a TRP rating between 200 and 499 as set out in paragraph 6.80 of that Report.
Or, only if Proposition 23A shall have been defeated,
 - B. To agree that commercial TRP tariffs shall be increased by a further 5% with effect from 1 January 2020.
Or, only if Proposition 23B shall have been defeated,
 - C. To reaffirm Resolution 30 of Article 1 of Billet d'État XXIV of 2019 to introduce increased Tax on Real Property tariffs in 2020 for properties with a TRP rating between 200 and 499 as set out in paragraph 6.80 of that Report; and
 - i. to agree that commercial TRP tariffs shall be increased by a further 5% with effect from 1 January 2020, and
 - ii. to increase the service development funding in paragraph 7.3 by £850,000 to £6,250,000.
24. To agree that domestic buildings and land TRP tariffs shall be increased by 8.8% with effect from each of 1 January 2021; 1 January 2022; 1 January 2023; 1 January 2024; and 1 January 2025.

25. To agree that:
- i. the "outbuildings" categories are removed from the TRP Ordinance and these outbuildings classified within the appropriate domestic buildings category; and
 - ii. a new category of "property for other use" is created within the domestic TRP classifications to be used for buildings, whether attached or detached from the dwelling house, which are not used in connection with the enjoyment of the dwelling house (which includes use for domestic storage or garaging) where the Policy & Resources Committee has approved an application made by the owner.
26. To agree that attached domestic glasshouses which are not used for domestic dwelling purposes are included within the domestic glasshouse TRP classification where they are not used for the purposes of a business, trade or undertaking, and the Policy & Resources Committee has approved an application made by the owner.
27. To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2019" and to direct that the same shall have effect as an Ordinance of the States.
28. To direct the preparation of such legislation as may be necessary to amend customary law to enable equity release mortgages to be offered in Guernsey.
29. To approve the cash limits for ordinary revenue expenditure for 2020 totalling £432.125million as set out in paragraph 7.3 of this Report and the revenue expenditure budgets on pages 138 to 158;
30. To agree that a Pooled Budget be formed for "Countering economic crime, money laundering and terrorist financing" initially comprising the service development funding of a maximum of £1.3million.
31. To agree that, with effect from 2020, the direct funding from the States of Guernsey General Revenue Account to the States of Alderney is treated as a grant instead of a Cash Limit.
32. To agree that the Alderney Gambling Control Commission surpluses received by the States of Alderney continue to be transferred to the States of Alderney capital allocation up to 31 December 2020.
33. To delegate authority to the States of Alderney to transfer from the States of Alderney capital allocation to the Alderney Economic Development Fund a maximum amount of £300,000 in 2020.
34. To endorse the decision of the Policy & Resources Committee to make available a temporary overdraft facility for 2020 of £25.7million to Aurigny Limited.
35. To authorise the Policy & Resources Committee to guarantee external overdraft facilities of Aurigny Limited up to 31 December 2020 of a maximum of £25.7million.
36. To authorise the Policy & Resources Committee to make available a temporary overdraft facility for 2020 of a maximum of £5million to Aurigny Limited if Aurigny ceases operating either or both of the Alderney air routes.
37. To authorise the Policy & Resources Committee to guarantee an external overdraft facility of Aurigny Limited up to 31 December 2020 of a maximum of £5million if Aurigny ceases operating either or both of the Alderney air routes
38. To endorse the intention of the Policy & Resources Committee, in consultation with the Committee for Economic Development and the States' Trading Supervisory Board, to develop a co-ordinated and coherent government framework for the consideration of all aspects of air route operation and support that is under the control or influence of the States of Guernsey and report back to the States by no later than April 2020.
39. To approve the following Budgets for the year 2020:
- (a) Ports
 - (b) Guernsey Water
 - (c) Guernsey Waste
 - (d) States Works

- (e) *Guernsey Dairy*
- (f) *Corporate Housing Programme Fund*
- (g) *Guernsey Registry*
- (h) *States Capital Investment Portfolio – Operating Costs*
- (i) *Superannuation Fund Administration*
- (j) *Committee for Employment & Social Security – Contributory Funds*

The Bailiff: The debate will be opened by the President of the Policy & Resources Committee, Deputy St Pier.

Deputy St Pier: Sir, this opening speech is being live-streamed. I must begin by advising Members that I have an interest to declare in respect of Proposition 26 – that is to say in relation to TRP on attached domestic glasshouses. Of course, in accordance with the Rules, I withdrew from the Committee meeting that considered this matter and did not participate in the decision that led to the Proposition that is before Members.

It is an honour to present the States of Guernsey Budget for 2020 on behalf of the Policy & Resources Committee. It is an honour, but it is not a pleasure. This is the eighth consecutive Budget which I have led in this Assembly. The previous seven have not been particularly easy, but I was hoping – and indeed I think had a reasonable expectation – that the last of this term would be easier than has proven to be the case. In the event, this has been a very difficult Budget to compile. This is the antithesis of the pre-election giveaway Budgets that we have become used to witnessing in other jurisdictions.

We wish we were presenting different proposals but, given the substantial demands for increases in revenue expenditure budgets, it is nevertheless a realistic budget which we reasonably expect the States to achieve next year. This was also a Budget prepared in the context of a revised approach to political engagement during the process, responding to last year's Budget debate.

In the early part of the year, all States' Members were invited to submit suggestions of particular measures they would like considered. These were all researched and then reviewed by the Committee as part of its compilation of the Budget proposals and brief commentary on each of them is included in Appendix V on page 125 of the Budget Report. I would like to take this opportunity to thank all States' Members who engaged in that exercise.

In addition, there was a comprehensive programme of engagement and meetings with all Committees during the Budget process – again, these meetings were very valuable in developing an understanding of the expenditure pressures being faced by Committees and undoubtedly were key to shaping the Budget proposals before Members today.

This year's Budget Report includes a new appendix, Appendix II, which begins on page 108 of the Report. This breaks down the real cost of providing public services and the impact of the current tax regime on individual households. It is intended to provide context and clarity over where public funds come from, how they are spent, and the value that is provided.

I am sure that Deputy Trott's good friend, Mrs Le Page from St Sampson's, has discussed this at length with him and I expect him to share snippets of this conversation with you when he speaks in general debate. However, I should point out now that Guernsey's tax take – the contribution required by Islanders to pay for the public services we all utilise every day – remains relatively small as a proportion of the economy: 21% of GDP in Guernsey – compared to 26% in Jersey, 38% in the United Kingdom and 53% in France.

If we are to meet the increased demand on public services, we are going to need to raise additional revenues. Like any organisation, particularly large organisations, the States will contain examples of waste, some of which will no doubt be egregious. I do not condone that and we must continue to identify those examples and work to eradicate them. And we must absolutely continue to drive with determination and rigour benefits derived from the transformation of the delivery of services. This has been recognised in Proposition 4.

However, we do our community no service at all pandering to a popular narrative that all their current needs and more in the future can be met costlessly for them, either by simply slaying a mythically inefficient spending dragon, or by finding someone else to pay more in taxes. But on the other hand too, we cannot use the real, systemic upward pressure on public services as an excuse or cover to fund all manner of new expenditure – and in the process soak Islanders with an increased tax burden.

In other words, there is a balance to be struck. Where we choose to strike this balance, is of course a matter of subjective judgement that will be criticised by those who think it should have been struck either higher or lower. These are difficult and unpopular messages to deliver but we are not afraid to deliver to them.

Section 2 of the Budget Report outlines some of the mounting long-term fiscal pressures, which we will be facing as a result of economic and societal changes including: climate change policy, long-term care funding, the final resolution of which is going to become increasingly urgent; funding the States' Pension, changes to the policy for funding of NICE drugs and treatments; introduction of a secondary pension scheme; and access to primary health care.

There will be separate policy letters on each of these issues in due course, which will all undoubtedly have merit in their own right, but will also have long-term financial implications, which will result in a significant change to the scale and distribution of costs borne by individuals and the productive economy.

These specific issues are in addition to the baseline expenditure pressures, which will rise due to the unavoidable demographic changes as a result of the ageing population and the attendant increase in the dependency ratio. In addition, as set out in Proposition 1, we are intending to submit a policy letter for consideration in the first quarter of 2020, which reports on the findings of a review which we commissioned of the myriad of public service employment terms and conditions, together with any recommendations to ensure that remuneration to employees is based on the principles of fair and equal pay. These will include a timeline for the implementation of any recommendations.

As set out in Proposition 2, in January 2020, the States will be asked to debate a policy letter from the Policy & Resources Committee that sets out a revised Fiscal Policy Framework within which the States should operate. This will need to address what the appropriate long-term aggregate level on States' revenues should be.

Due to the exceptional narrowness of the existing tax base, there is very, very little opportunity to raise additional revenues from the current structure. Therefore, it will be proposed that a review is initiated to examine our options: options to raise further revenues from corporate taxes; and options for the introduction of new taxes in areas such as a ring-fenced health tax or consumption taxes. Put simply, we are going to need to carefully consider the level of public services that is affordable and realistic and decide how we will raise the revenues to pay for them.

This week's debate is not the opportunity to consider these long-term structural policy considerations without the benefit of comprehensive briefings, evidence and engagement; suffice to say that with Propositions 11 and 12, which deal with cannabis and aircraft registries respectively, I believe that we have almost certainly reached the end of the road as to what can be achieved in extending the scope of the Zero-10 corporate tax regime. This Budget debate should focus on the proposals for 2020 and ensuring that we approve a budget which balances the revenues raised from our community with the pressures on the delivery of public services, without adding to the financial pressures which the next States will face.

In respect of the 2020 Budget, the good news is that the income projection is some £6 million ahead of that expected in the Medium Term Financial Plan. This is as a result of revenue-raising decisions made in previous Budgets and continued strength in the economy. Of particular note, is the resurgence of the property market with increases in both the volume and value of transactions, leading to document duty receipts being significantly ahead of estimate.

The modest growth in Income Tax receipts has enabled a £575 increase in the single person allowance to be recommended. This means that, over the four-year term of this States' Assembly,

personal income tax allowances will have increased from £9,675 in 2016 to £11,575 in 2020 – a total increase of £1,900, which has reduced an individual's annual Income Tax bill by £380, over £30 a month, or £760 a year, over £60 a month for a couple

As promised in last year's Budget debate, an impact analysis has been carried out in respect of the annual increase in domestic TRP tariffs flowing from the Personal Tax, Benefits and Pensions Review and for the introduction of tiered bandings with higher tariffs for larger properties. The detailed report is included in Appendix IV to the Budget Report from page 120, but in summary, it shows that the impact of increases in baseline TRP tariffs is broadly proportional, as people tend to increase the size of their home as their income rises.

In respect of the introduction of tiered bandings, this is again a proportional and progressive measure, which affects a small number of households and has a low average impact as the tiering starts at a TRP value of a property which is one-third above the average. There will, of course, always be exceptions to the broad impacts but we have to design a tax system around the whole rather than the exception. Therefore, this Budget Report includes a recommendation at Proposition 23A that the second phase of tiered domestic building TRP tariffs is implemented as planned in 2020.

Whilst speaking of TRP, it is also worth noting that, at Proposition 21, we are seeking an increased contribution from the business sector by phasing over five years the adoption of a single Office and Ancillary Accommodation category.

This Budget Report also includes at Proposition 25, it seeks to address an unfair anomaly which has resulted in different TRP rates being applied – this was a matter which was raised during last year's debate – dependent on whether an outbuilding is attached or detached. The proposals, which are not to raise additional revenue, would remove this anomaly and also create a new category for outbuildings which are, for example, unused or derelict for which a lower TRP tariff will apply.

This would not be included when assessing the total TRP unit value of a domestic property, which obviously becomes more pertinent in the context of a tier system. For administrative efficiency and in order to ensure that TRP is not charged on a larger number of items, such as small sheds, coal bunkers, play houses, and so on, the exemption previously applied for detached outbuildings under 10 square metres would continue.

The Budget Report includes at paragraphs 1.26 to 1.31 the effect of the proposed Budget measures, both by equivalised income decile and by household composition, in monetary terms and relative to a household's gross income. In monetary terms, the Budget measures are broadly progressive, with the effect on the highest income decile at £117 *per annum* being more than double that of any other income decile. This compares to £17 *per annum* – 32p per week – for the lowest income decile. The overall average impact on households is estimated at £36 per year – or 0.1% of household income.

The Policy & Resources Committee has researched options to benefit those on lower incomes by changing the personal income tax allowance system. Two initiatives were considered: firstly, the introduction of a lower Income Tax band where the first £5,000 of an individual's taxable income would be subject to Income Tax at 10%, instead of 20%; and, secondly, by applying an additional personal allowance of £1,000 for individuals with an income up to £35,000.

However, both of these measures would have come with a substantial cost – £15 million and £5 million respectively – and would not effectively target those individuals on lower and middle incomes; it would also add administrative complexity and cost. However, it should be remembered that there has been significant reform of the benefit system which includes support for those experiencing in-work poverty.

The Income Support scheme, which was introduced in July 2018, is now costing £5 million more than the Supplementary Benefit and Rent Rebate schemes it replaced, which constitutes significant progress in improving the welfare system and has undoubtedly benefited many low-income households.

Turning to revenue expenditure, the 2020 position is £27 million greater than included in the Medium Term Financial Plan. There are two reasons for this: the savings delivered are £7 million lower than anticipated and expenditure is £20 million higher. In respect of the delivery of savings, whilst there has been a timing delay, we have no evidence that these savings are unachievable and the imperative remains to realise them.

The delays have arisen due to the later than anticipated finalisation of the contract with Agilisys, which I am pleased was completed over the weekend that has just passed. Technology solutions are at the heart of the improvements planned through service redesign, which are vital to enable the States to fundamentally improve services to customers while delivering those services at a lower cost. I am very pleased to advise and confirm that the planning undertaken in close partnership with Agilisys, has reaffirmed the level of savings previously being forecast and it should now be possible to start to accelerate delivery.

It is important to understand that, while some of the initiatives are styled as ‘corporate’ – such as organisational and service design; future digital services; procurement; and property rationalisation – their success is dependent on the commitment, co-operation and contribution from all States’ Committees. These are corporate in that they are States-wide initiatives, not that they are the sole responsibility of the Policy & Resources Committee to deliver.

The Policy & Resources Committee is recommending that £20 million of additional funding is allocated to Committees to fund non-discretionary requirements – £15.5 million – and service developments of £5.4 million. This means that, of the £27.9 million requests received, some of which will be appropriately funded through other means, there is only £3.35 million of service development requests for which funding is not being recommended. More detail of what is funded within the £5.4 million and what is not funded within the £3.35 million is set out in Appendix VI of the Report on pages 129 and 130.

The non-discretionary requirements include £3.5 million for funding inflationary increases in costs, £1 million for accommodating increases in demand for services and £11 million for what is being described as ‘baseline pressures’. This includes £2.9 million to fund the Strategic Partnership with Agilisys, as the profile of that contract value is for higher costs in the early years.

However, the balance of these baseline pressures is generally where Committees are already incurring ongoing expenditure without having ongoing funding in place. For example where in-year savings from one post have been used to fund recruitment of a permanent member of staff in another, which gives rise to an unfunded commitment in future years.

The inevitable result of these lapses in process and discipline is to present what now amounts to a *fait accompli*. In fully funding these baseline pressures, it must now be clearly accepted that there is a firm expectation that Committees will exercise the appropriate control in future and remain within States-approved budgets.

Committees are responsible for managing their expenditure within their authorised budgets, including in response to changes in demand and changing priorities. An incremental budgeting approach of always providing additional funding for new or expanded services, creates unsustainable cost pressures.

The expectation should not be that additional funding can be provided in order to fund increases in services, but that consideration is first given to reallocating existing resources by reducing or ceasing other services. If Committees are unable to accommodate expenditure pressures within their budgets, they should not make spending decisions to commit ongoing funding, but instead submit a bid for additional funding as part of the annual Budget process, as a service development.

In respect of the service developments, following a rigorous review and prioritisation exercise and dialogue with Committees, every request was subject to a standardised scoring and ranking process. It is, of course, vitally important that our limited resources are focussed on delivering on our collectively agreed policy priorities and not diverted onto other matters.

However, Committees have the flexibility to allocate their service development funding to the initiatives which they consider are of the highest priority. The Policy & Resources Committee is not

seeking to micro-manage Committee spending but is concerned that there was a need to increase budgets for 2020 by almost £11 million for baseline pressures, some of which was due to funding being committed to services without sufficient budget being available.

P&R is recommending that there is a simple check before the funding is allocated and that is based on the submission of a simple form, which Members will find in the pack with the summary of information, which P&R provided over the weekend, hard copies of which Members will have, in relation to our position on the amendments. That simple form, which seeks to confirm how the funding will be applied and that the ongoing costs in 2021 can be managed within the 2020 allocation ... in other words, that we are not storing up unknown Budget pressures for 2021.

In addition, it is unlikely that full-year costs will be required in 2020, as illustrated in the '2020' column of that form, as so many of the service developments rely on the recruitment of staff. That recruitment is obviously unlikely to have taken place by 1st January. Therefore, any funding not required in 2020 would be available to supplement the in-year funding in the Budget Reserve – that is obviously something that we and the Policy & Resources team need to keep track of. That would then enable the Budget Reserve to be available for other Budget pressures, including in support of the allocation of additional funds, for example, to HSC to deal with the orthopaedic backlog.

I would like to, in particular, at this point thank Deputies Soulsby and McSwiggan for their engagement on this issue because I know they were concerned about the level of additional process that would be introduced and I hope that they have been reassured on that point by the engagement that we have had.

I am sure that Committee presidents will take the opportunity within their speeches to provide detail on the need for additional funding for the public services they deliver, the service developments for their Committee and what the benefits and outcomes of them are expected to be.

Proposition 23B proposes an increase in commercial TRP tariffs by a further 5% that, if approved, would result in a further £850,000 being available for service developments. This would mean that of the £27.9 million of original requests received from Committees, only £2.5 million – less than 10% – would not have a funding source identified or allocated.

In addition to the adverse revenue expenditure position, the 2020 Budget also includes provision of £6.7 million to fund the projected Aurigny loss. This excludes any funding in respect of operating the Alderney routes, which are currently subject to a Public Service Obligation tender process and, therefore, provision has been made within the General Revenue Account Reserve.

Whilst it is completely correct that, as the States are 100% shareholder, the annual Budget should make prudent and transparent provision for the Aurigny losses, these provisions do directly mean that there is less funding available for allocation to Committees. The sharp increase in the losses recorded and projected by Aurigny means that there is an immediate and urgent need for a co-ordinated and coherent Government approach to all aspects of air route operation and support to develop and safeguard air links to and from Guernsey.

By Proposition 38, the Policy & Resources Committee is intending to develop such a framework for consideration by the States by April 2020 which will, as a minimum, include the need to maintain air links that are of strategic importance to the Island, stimulate the economy through the enhancement of routes available for both business and leisure travellers, consider the likely effects of the revised framework on Aurigny's financial position and determine how any conflicting interests are to be reconciled, and of course how that is to be funded.

The funding for these expenditure pressures has only been made available, as the Policy & Resources Committee has reduced the recommended appropriation to the Capital Reserve from the level assumed in the Medium Term Financial Plan, to the level considered necessary to fund the expected progression of the projects and programmes within the current capital portfolio and pipeline. This is provided for in Proposition 5.

In summary, despite the unprecedented pressure on the cost of and demand for public services, a balanced Budget is once again being presented for 2020. We do not choose to fund

our current expenditure from borrowing, like other governments. In the 70 years, 1948-2018, the UK's annual Budget deficit has averaged 2.45% of GDP. That would currently equate to borrowings of £80 million a year for us. It is no wonder that the UK's debt mountain, is now over 85% of the entire national economy. That would be like us having debts of £2.8 billion.

The States' finances are in a strong position following many years of financial discipline, delivery of savings – even if not as large or fast as we would have liked – recent economic growth and transferring funds to reserves, for which this States and our community should be rightly proud.

Before concluding, I would like to thank all those officers across the States, including the States' Treasurer, Assistant States' Treasurer and their team for the hard work that has been required to compile this year's Budget Report. And I must also thank the members of my Committee. This is our fourth and of course the final Budget of this States together. No doubt like most Committees, we test each other's patience – perhaps all too frequently – but their candour, teamwork and good humour has undoubtedly made my role as President somewhat easier.

Sir, we believe that the Budget Report being considered today is realistic and appropriate for 2020 and we wholeheartedly commend it to the States. (*Applause*)

The Bailiff: It is not very warm in here but I suspect I will be asked by some Members if they can remove their jackets because it will no doubt heat up during the course of the day, so those who wish to do so may remove their jackets. In the meantime two Members have entered the Chamber, who may wish to be relevéd. Deputy Oliver, do you wish to be relevéd?

Deputy Oliver: Yes please, sir.

The Bailiff: And that has just about given Deputy Brouard enough time to get to his seat. Do you wish to be relevéd?

Deputy Brouard: Thank you very much, sir.

Amendment 3.

To replace proposition 23 with the following:

" 23.

A. To reaffirm Resolution 30 of Article1 of Billet d'État XXIV of 2018 to introduce increased Tax on Real Property tariffs in 2020 for properties with a TRP rating between 200 and 499 as set out in paragraph 6.80 of that Report.

and / or

B. To agree that commercial TRP tariffs shall be increased by a further 5% with effect from 1 January 2020.

And, only if both of Propositions 23A and 23B shall have been passed,

C. to increase the service development funding in the third column of the table set out below paragraph 7.3 of this Report by £850,000 to £6,250,000."

The Bailiff: We now move on to the amendments and the agreed order in which the amendments are to be taken has been circulated to you all and we will start with Amendment 16, to be proposed by Deputy St Pier, seconded by Deputy Trott. Do you wish the amendment to be read, Deputy St Pier?

Deputy St Pier: No, sir.

The Bailiff: Deputy St Pier, then, on amendment 16.

Deputy St Pier: Sir, in the pack which summarises our position on the amendments we describe this amendment as a technical amendment and I should just briefly explain why we have presented it. There are two reasons, sir. First of all, there was, in fact, a typo, in the original amendment, which referred to 2019 when it should have referred to 2018 and I would like to thank Deputy McSwiggan for her eagle eye in spotting that.

Secondly, we are responding to feedback from Members that they actually found the original drafting of Proposition 23 somewhat confusing. So what we are seeking to do in this amendment is it has no effect, compared with the original version of the Proposition, but we believe provides greater clarity.

In essence, if the amendment is adopted, when we get to the final votes then Members will then be presented with a series of options and we would expect there to be separate, final votes on 23A, B and C. The States can approve or reject A and B. If they approve both A and B, then they have the option to go on and approve C. If they have not approved A and B, then they will not get to vote on C.

In order to balance the Budget as presented by the States, then we need to approve A or B, but to fund the additional spending of £850,000, as I referred to in my opening speech, sir, the States would need to approve both. So that hopefully explains why there is an 'and/or'. It would probably be helpful perhaps for me to explain that again, sir, before we get to the final votes, because that will probably be a few hours away, I would imagine. Hopefully that explains why we see this purely as being a technical amendment and we hope Members will endorse it so we can move on, sir.

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

Deputy Trott: I do, sir, thank you.

The Bailiff: Deputy Roffey.

Deputy Roffey: Thank you, sir.

I fully accept the technical improvement in this amendment and I do not blame P&R for putting us on the spot and giving us options about what we are going to do. But I would really like some guidance from P&R about how they intend to vote – assuming the amendment is passed – when we come to the Propositions.

Because, and I will explain why, I agree with P&R that we cannot afford to do all of the requested service developments. However, I want to fund some of them and other amendments that we will tackle later seek to do that by reducing the amount put into the Capital Reserve and I personally regret the fact that we have already had to trim the amount that we put into the Capital Reserve significantly.

In fact, I do not support the change in the fiscal rules that were put forward and then withdrawn again about reducing the amount we are going to be putting into the Capital Reserve in future. I do not want to vote for those amendments that seek to reduce it further, but I will be in a dilemma because I feel passionately about some of the things that that is seeking to fund.

I accept that P&R saying, 'We are going to vote for A, B and C does not guarantee it will go through. So it does not resolve my dilemma but I think it would give me enough comfort that I would then be able to vote against some of those amendments that sort an alternative funding route by doing other things, including reducing the amount put into Capital Reserve and some other things that I do not really support doing, either.

So I understand this is just a technical amendment and changing for the better the way that the choice is going to be put to the Assembly but I think it could short-cut a huge amount of debate in this Assembly if we knew, and I do not know if it is the case, but if it is the case that P&R intend to vote for A, B and C, then I think that many Members would then give shorter shrift to

some of the other amendments that are going to be put forward. So I would really welcome that guidance.

350 **The Bailiff:** Deputy Tindall.

Deputy Tindall: Yes, sir.

I did raise a query and I would like to have this clarified, please. Whilst I do think it is better, this amendment, than the original Proposition, I am a little concerned about the words 'and/or'.
355 How I read it is that, for example, if 23 is passed, we then have a vote on A, if successful we then have a vote on B and if successful, that leaves the 'and/or' in the Resolution; does that give P&R the ability to choose between A and B? To me they should not be there or they should be outside quote marks. Or do we vote on the 'and' and we vote on the 'or'?

The intention is absolutely clear so, really, I am asking for help from the Bailiff to explain how
360 the Resolution can achieve what we want and I am only raising it just for clarity, because I do not feel comfortable with that and I would want to make sure that we are voting for what we actually intend.

Thank you, sir.

365 **The Bailiff:** Well for the moment we are just voting on the amendment as a whole, we are not voting on A or B, so you may have to remind me and Members later in the debate, as Deputy St Pier said he will do, as to exactly what they are doing before they vote on 23. What I understood the intention was, and Deputy St Pier will tell me if I am wrong, is that Members will vote first on 23A, they may vote in favour of that; they will then vote on B, and they may vote in favour of that.
370 So both A and B could be carried, or one might be carried but not the other.

Deputy Tindall: Sir, the question was, is the 'and/or' part of Proposition 23A ...?

The Bailiff: If they are both carried then the 'and' will remain, but the 'or' will drop out.
375

Deputy Tindall: That is the clarity I wanted, because that is not the way it was written.

The Bailiff: That is as I understand it, but as I say, it is going to be a long debate, maybe things will change during the course of the debate, but that is how I understand it, sitting here on, it is
380 not even Wednesday, it is Tuesday morning. So there we are. Does anybody else wish to speak? Deputy Fallaize.

Deputy Fallaize: Can I just say that the and/or just should be ignored, should it not? It is completely redundant. If it did not exist, the Propositions would be put in exactly the same way.
385

The Bailiff: It is going to be a long debate. I think we are going to have some more substantive issues to deal with during the course of the debate.

Deputy Ferbrache.

390 **Deputy Ferbrache:** Sir, I rise for two things. Firstly to declare an interest, because I have properties that are affected by it; but, secondly to say that, although I will be supporting this Proposition, indeed all the Propositions brought by P&R, because as Deputy St Pier has said, there will be a time coming very soon when we have got to discuss how we proceed in relation to tax and revenue and expenditure.

395 But why I rise is to say, in relation to that, discomfited already by the comments made by Deputy Roffey because we cannot keep on spending and, secondly, if you compare this, they have got something in England called a Company Voluntary Arrangement and there have been many thousands of those in England, where tenants cannot pay the rent to the landlord and where their

businesses are going south, because of various reasons including commercial tax, tax of this nature,

We have got to balance that in relation to this. We cannot keep squeezing the juice from the lemon that is ... and is dry and therefore we ought to bear that in mind. That is probably a comment better made when we come to general debate but as I just say, in relation to this, I would be grateful if States' Members would not nod, as I have seen many of them nod when Deputy St Pier was saying we should be careful about increasing expenditure but then stand up and say we should increase expenditure.

The Bailiff: Yes, Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

I had a long speech in respect of this amendment but I think Members are keen to move on in debate. I would urge Members to vote for this amendment and for all of Proposition 23 because it does allow some vital funding for services that ESS would like to continue with and I will speak further about those services in general debate, sir.

Thank you.

The Bailiff: Deputy de Lisle.

Deputy de Lisle: I just wanted to say that Members must realise that this is a surcharge against property in this Island and already, for example, there is a Proposition with respect to increasing domestic tax on property by 10.2% and there is already a tax on B of 5%.

The Bailiff: Deputy St Pier will reply.

Deputy St Pier: Sir, I think probably the only substantive point to respond to is Deputy Roffey's and what I can advise him is that it is my understanding at this stage, from the debate which the Committee had, that a majority of the Committee support A and a majority of the Committee support B.

Deputy Brouard, I am sure, will speak for himself, but he has made it very clear that he is unable to support Proposition A. But we certainly felt that it was right that the States should have the option to consider this funding mechanism, which is why we have structured it in the way we have in the original Propositions, albeit tidied up through this mechanism.

The Bailiff: We vote, then, on amendment 16, proposed by Deputy St Pier, seconded by Deputy Trott. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

Amendment 3.

To replace Proposition 7 with the following Propositions:

"7. To agree that:

EITHER

(a) £900,000 shall be held in the General Reserve and shall only be released to the Future Guernsey Economic Fund following the States' approval of the governance framework for all aspects of States-funded air route operation and support set out in Proposition 38.

OR, if 7(a) falls:

(b) £900,000 shall be transferred from the General Reserve to the Future Guernsey Economic Fund ('the Fund'), on the condition that the balance of the Fund shall not be used to subsidise

any air routes between Guernsey and the UK or the Channel Islands until the States has approved the governance framework for all aspects of States-funded air route operation and support set out in Proposition 38."

The Bailiff: That brings us to amendment 3, to be proposed by Deputy Dorey, seconded by Deputy McSwiggan. Deputy Dorey.

Deputy Dorey: Thank you, sir. Please can it be read?

The Bailiff: Yes, Greffier, could you read the amendment?

The Greffier read out the amendment.

The Bailiff: Deputy Dorey.

Deputy Dorey: Thank you.

Firstly, I would like to thank Deputy McSwiggan for seconding the amendment and for all her help in drafting the amendment. Sir, I will firstly read Proposition 7, as it will be deleted and replaced by this amendment. Proposition 7 reads:

To immediately transfer the sum of £900,000 from the General Reserve to the Future Guernsey Economic Fund.

I thank P&R for notifying Members that they are neutral on this amendment. Page 38 of the Billet shows that there is £1.5 million in the Future Guernsey Economic Fund that is currently available for Economic Development. My understanding is that the subsidy for the Heathrow route is for seven months from the end of March to the end of October this year and it has been extended for a further five months so the route will be operated for a full year, to the end of March 2020. The cost of that subsidy is £1.325 million.

I have been informed that Flybe are paying the full landing fees at the Airport and the Airport is refunding the part of the landing fees that would have been discounted under the new routes subsidy policy and paying that amount back into the Future Guernsey Economic Fund. Those rebates, which will total £252,000 over the year, are being paid monthly to the fund, thereby increasing the amount of money available to the fund to £1.75 million by the end of March 2020. In fact, the Billet is not entirely accurate in terms of the money that is available.

Moving on to passenger movements. In the first six months of the Heathrow route operating, there has been 19,600 passenger movements. That is arrivals and departures. I have rounded all the numbers I am going to use, for simplicity, in this speech. The *pro rata* cost of the subsidy for that period is just over £700,000. Therefore the subsidy per passenger movement is £36.

With the £36 subsidy, I am not surprised when I compared with the Heathrow and Gatwick fares and found that, in most, but not all cases, Heathrow is cheaper than Gatwick. So the number of passengers using Heathrow, as it is cheaper, is not surprising. What is interesting is the decline in passengers using Gatwick and Stansted.

I have used the Guernsey Airport Passenger Movement Reports that are available online. Gatwick passenger numbers had increased in the first three months this year. That was before the Heathrow route was being subsidised. Then they declined after the Heathrow flights started. The reduction for the period from April to the end of September for Gatwick is 15,600 passenger movements, and for Stansted the reduction is 2,500 passenger movements, making a total of 18,100.

Excluding Stansted and only looking at Gatwick and Heathrow, there has been an increase across those two airports of nearly 4,000 passenger movements over the six months. So, *pro rata*, the subsidy for the period from April to the end of September, because the initial period was for seven months, of £707,000 resulted in 4,000 extra movements. That is 4,000 extra arrivals or

departures, which is equal to £180 per passenger movement, or £360 per round-trip passenger movement. An awful lot of money.

If the decline in the number of passengers on the Stansted route is also included, the cost of the passenger movement is just under £500 per passenger movement. However, I fully accept that the new Stansted route, which is also subsidised by the new route subsidy from the Airport, could have also impacted the number of passengers at Stansted, as the Southend route.

So interestingly the Nyras report on the efficiency of Aurigny, which was published last week, makes a direct link between the number of passengers using Heathrow and the reduction in Gatwick. When calculating the cost of the current policy, in addition to this £1.325 million subsidy for Heathrow, is the effect on the Aurigny losses: £3.2 million in 2019 and predicted to be £3.7 million for 2020. They say they are the 'predicted net effect of the liberalisation of the air route licensing regime and subsidised competition on the Guernsey-Heathrow route'.

The taxpayer is paying twice over: firstly, for the subsidy and then again for the increased losses for Aurigny, as the passengers have moved from Gatwick to Heathrow. The above clearly illustrates a point made by P&R, in paragraph 8.39:

... that there is an urgent ...

– and I emphasise that word 'urgent', their word, not mine –

... need for a coordinated and coherent government approach to consideration of all aspects of air route operation and support ...

As the Nyras report says, much of the deterioration of Aurigny's financial position can be attributed to a significant increase in supply between Guernsey and South-East England exceeding demand. The States have resolved that the Gatwick route is a lifeline route and the States wants Aurigny to break even, excluding the Alderney routes. It makes no logical sense that we have the cost to the taxpayer of these very significant sums of money, which does not seem to be consistent with our existing policies.

This amendment gives Members two options. One is not to transfer any new money into the Future Guernsey Economic Fund until the Governance Framework Report has been debated by the States. P&R and ED will then have to decide just how important air route subsidies are compared to other initiatives that the fund could finance. We have already got an amendment today about green funds.

It should be remembered that one of the criteria for the amount spent by the fund is that it has to have a measurable, economic and fiscal benefit. I do not know how a business case was written for the Heathrow route subsidy, which showed any measurable financial benefit, because Aurigny, Nyras and I cannot see any fiscal benefit, just very significant fiscal costs.

The amendment's other option, (b), is for the £900,000 to be transferred to the fund but the money in the fund cannot be used for any further route subsidies between Guernsey and the UK or the Channel Islands, until the Governance Framework Report has been debated by the States. This means that subsidies for a French air link, or Irish air link would still be possible in this option but obviously the case would have to be made.

I know I have included a lot of numbers in this speech, but they were needed to explain the massive overall financial cost of the subsidies that we are currently spending and the result of the liberalisation of the air route policies and the resultant losses that they have made to Aurigny. I encourage Members to support this amendment.

Thank you.

The Bailiff: Can I just clarify one point? I assume that you are expecting that the amendment will be voting on as a whole at this stage and it will only be when we get to the end of the debate that Members will have the opportunity to choose either 7(a) or 7(b)?

Deputy Dorey: Yes, I think that is the normal policy in relation to amendments, which have options in them.

530 **The Bailiff:** Absolutely, yes. I just wanted to clarify that. Deputy McSwiggan, do you formally second the amendment?

Deputy McSwiggan: Yes, sir.

535 **The Bailiff:** And Deputy St Pier, do you wish to speak at this point?

Deputy St Pier: Yes, briefly, sir.

As Deputy Dorey has said and as I notified to Members, the Committee's position is one of being neutral and just to explain what we mean by that and the reason for that, the Committee have noted that the States has adopted the principle of market support through the air and sea links policy which was debated here in December 2018 and, indeed, as part of the Review of the Air and Sea Infrastructure policy letter that P&R brought in April of this year.

540 But beyond that the matter really is one that lies with the Committee *for* Economic Development, so I fully expect that Deputy Parkinson and his colleagues on the Committee *for* Economic Development will have something to say about this amendment and that, indeed, is where it should be said, because it is they that have the mandate for air and sea links.

545 We have also noted that under Proposition 7(a), that if that is the one, if that is finally approved by the States if the amendment is accepted, then that would not prevent the remaining balance that is currently within the Future Guernsey Economic Fund from being used to subsidise air routes, so Members just should be aware of that.

550 As I say, that is the Committee's position. In terms of individual Committee Members of Policy & Resources, where they lie on this amendment, that is of course a matter for them and no doubt they will speak during this debate, should they wish to express any views.

Thank you, sir.

555 **The Bailiff:** Deputy Kuttelwascher.

Deputy Kuttelwascher: Thank you, sir.

560 Just a couple of points. In the explanatory note it suggests that the route to Cardiff is currently being subsidised. I was not aware we had a current route to Cardiff. That ceased, I believe, some time ago and I presume Economic Development can confirm that, so that is incorrect.

565 Basically what Deputy St Pier has just said is there has already been an agreement reached with Flybe, or Virgin Connect, or whatever you want to call them, to operate the Heathrow route until next March, so I do not think one could easily withdraw that agreement, because I suspect, one, it will be subject to some litigation, because that route is already on sale, people have bought tickets between now and March. So I think this amendment, to me, does not really make sense at the present time.

I will give way to Deputy Dorey.

Deputy Dorey: Thank you.

570 Just for clarification, this amendment is not designed to affect the existing route, it would only affect new air route subsidies. The commitment has been made in the table on the expenditure of the future ... Fund, it clearly shows that the air route subsidy will be £1.325 million, which is for the full year. It does also list the air route subsidy for Cardiff but, yes, I understand that that has been no longer flying.

575 **Deputy Kuttelwascher:** I thank Deputy Dorey for that intervention so that clarifies –

The Bailiff: Is your microphone on?

580 **Deputy Kuttelwascher:** I thank Deputy Dorey for the clarification. That is helpful. But I almost think this is an unnecessary amendment because, if the current subsidy is continuing until next March, in April we should have the report from P&R about our air route strategy so we will decide then –

Sorry I will give way to –

585

Deputy Parkinson: Sir, the point surely is that if the Heathrow route was to be continued into the summer months, we would be needing to negotiate that arrangement with Flybe or another operator in the next month or so?

590 **Deputy Kuttelwascher:** I agree, but you can always do a 'subject to', as is the norm in Guernsey, is it not, because politically all sorts of uncertainties as regards what may happen with the next States or coming up to an election or whatever ... But I agree, but having some personal knowledge about the slots that are available for this particular service and I believe there is a dozen, which are available for peripheral regions only, so it is not something you can use to fly to
595 Shanghai or somewhere else, they have to fly to somewhere like Guernsey, Jersey or Aberdeen or –

Deputy Parkinson: Point of correction, sir.

600 **Deputy Kuttelwascher:** It may be –

The Bailiff: Point of correction, Deputy Parkinson.

Deputy Kuttelwascher: Sorry.

605

Deputy Parkinson: Deputy Kuttelwascher is referring to the so-called remedy slots, which are not available to Guernsey, they are only available to regional routes within the UK. The current Flybe operation to Heathrow uses what we call babysitting slots – slots that belong to another airline and which they are not using for some temporary purpose.

610

Deputy Kuttelwascher: Yes, I do not agree with that. Some years ago now I went to a Peripheral Regions Conference at the Admiralty in London and peripheral regions are an issue. At the time, when BA sold or bought British Midland and British Midland had some of these peripheral routes, like one of them that is being operated now to Newquay by Flybe, they do
615 three flights a day into Heathrow, including the Channel Islands, the Isle of Man and some of the outlying or very northern Scottish routes.

My recent inquiry of the slot committee at Heathrow is there are 12 of these and they can only be used, I call them peripheral regions, other people call them something else, but it is something that could be actually clarified later, but I think Flybe, or Virgin Connect, as they are going to call
620 themselves, have to use certain slots for these sorts of routes and, at the time, when I was involved in it, that included the Channel Islands and the Isle of Man but someone has a different opinion. That is all I have to say on it.

Thank you, sir.

625 **The Bailiff:** Deputy Trott.

Deputy Trott: Sir, I am certainly grateful to Deputies Dorey and McSwiggan for bringing this amendment because I think it enables us the opportunity to make some points and the first point

I will make is this: P&R opposed, unanimously, the creation of the open skies policy, because it knew that this outcome was probable.

Now there is some economic advantage, and I will come to what that economic advantage is in a moment, but there is undoubtedly significant cost. That said, Heathrow has got nothing to do with open skies and everything to do with the subsidy. Heathrow exists because of the subsidy and not because we have suddenly deregulated our air routes.

Now I was on the Heathrow link last week, the Heathrow route, twice last week – there and back – and my maths suggested to me that the load factor was less than 25%. Admittedly, it was an October week, but it was half-term and three quarters of the seats were empty. Now ironically, two routes that did need open skies and are the only two routes that are effectively benefiting from open skies are Jersey and Southampton. Aurigny is the competitor against the incumbent on both of those routes and I believe is losing a very substantial sum of money as a consequence of that competition.

Where this gets difficult, and I have already lauded my colleagues for bringing this amendment, is how do you measure economic value? There is absolutely no doubt in my mind that this is an expensive exercise in terms of the value it produces. However there is one very significant factor and that is our bragging rights and, by that, I mean the ability to promote ourselves as being a better place to do business than some of our competitors.

I know that Jersey does not have a Heathrow link and I know that our marketing organisations are able to take significant advantage of that. But at what cost? That, I think, is what this amendment from Deputies Dorey and McSwiggan has helped bring out. It is a judgement call as to whether these very material losses are worth the bragging rights to which I have referred.

Thank you, sir.

The Bailiff: Deputy Fallaize and then Deputy Lester Queripel has stood a few times.

Deputy Fallaize: Thank you, sir.

I think it would be helpful if someone, probably Deputy Parkinson, could set out what he considers to be the actual practical effect of the amendment. My understanding of it is that nothing would change in terms of the routes or the subsidies up until March, but it would be very likely that the Heathrow service would not be able to run beyond then because it would not be possible for Economic Development to come to any agreement with Flybe in relation to subsidies before Flybe had to make a final decision about whether to run the service next summer.

So I think, probably, what is at stake with this amendment is whether there is a Heathrow service run beyond March next year and into next summer. If the amendment was successful and then the review that is going to come to the States in the first or second quarter of next year identified the space for subsidies in the future, presumably it would be possible for the route to be restarted, or conceivable that the route could be restarted, if the operator was prepared to start it again. But I think the practical effect of the amendment is that the service would be lost for next summer.

Now I am in sympathy with the thinking behind the amendment. I did not support the proposals in relation to open skies, I am very dubious about the merit of subsidising London routes when we already have an incumbent operator running London routes, in fact mandated to run London routes because of the need to maintain the slots at Gatwick.

However, I think there is a difficulty with this amendment, because we know that there is a review that is going to be carried out. I think it has an ambitious timeline, but there might be room to discuss that later in the debate. But the intention is for this comprehensive review to come back to the States in the early months of 2020.

Now it seems to me that the more normal position, pending a review, is to maintain the *status quo*, rather than to start making changes in advance of the review. The *status quo* is that there is a subsidy in place. Now there is not, I think, a subsidy in place, as a result of a direction of this Assembly – Deputy Parkinson will correct me if I am wrong – I do not think there is a States'

Resolution in place that requires a subsidy. I think there are a series of States' Resolutions in place, which effectively permit the Committee *for* Economic Development to use their own judgement and discretion to subsidise routes where they consider that is necessary. That is the *status quo*.

685 Whether they choose to use their discretion to provide any subsidies is a matter for them and is probably a matter best dealt with at Committee-level, rather than on the floor of the Assembly. In effect, I think what would be happening if this amendment was successful is that their discretion to judge when a subsidy is necessary would be revoked, or proscribed in some way, in advance of the objective and comprehensive review coming back to the States.

690 Although all of my instincts are in sympathy with this amendment, that seems to me a premature thing to do and it would probably be better to await the outcome of the review, which can consider the kinds of things that Deputy Trott was referring to, about economic value and other issues, before we make any decisions to try and limit or constrain the discretion of the Committee *for* Economic Development to reach arrangements with airlines in relation to subsidies. For that reason, I think I will probably vote against the amendment.

695 The second issue I have with this amendment, which is probably a more minor point, but the explanatory note implies that the only consideration here is the operating losses of Aurigny. Now while that, I think, is a very serious issue, I am not sure that it is the only consideration when decided whether there should be route subsidies in place.

700 The whole range of the considerations can be taken into account as part of the comprehensive review in a way they cannot be taken into account within the context of this amendment. So, despite being very sympathetic with the thinking behind the amendment, I think the logical thing to do is probably to reject it.

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

Deputy Lester Queripel: Thank you, sir.

Seeing as it is Bonfire Night, I am sure we will witness a few fireworks in the Chamber today. (**A Member:** Hear, hear.) But there may be a few in the speech I am about to make – I guess that depends on whether or not my colleagues think that things I say in my speeches in this Chamber are worth listening to or not.

A Member: We always listen to them!

715 **Deputy Lester Queripel:** In an attempt to get the attention of my colleagues, I will start by saying I am not going to support this amendment and also that there are times when I am ashamed to be a Member of this Assembly. Those times always come about when the majority of the Assembly decide they would rather pussyfoot around instead of taking the bull by the horns and deal with an issue head on.

720 This whole Aurigny nonsense is a prime example of that. What is really needed here to resolve this whole Aurigny issue is drastic and proactive action from a decisive Government. Yet here in front of us, in the form of this amendment, is another example of the States being asked to pussyfoot around. I am sure the majority of the Assembly will support this, if history is anything to go by. In saying that, I am sure this amendment has been laid with the best of intentions by Deputies Dorey and McSwiggan. But the reality is that this amendment is asking us to focus on a perceived symptom when what we should really be doing is focussing on the actual cure.

725 Now it could be argued, I am sure it will be argued, that if this amendment succeeds then it will eliminate one of those symptoms.

I give way to Deputy McSwiggan.

730 **Deputy McSwiggan:** Sir, I just wonder whether Deputy Queripel is going to take us to the point of saying that the patient must be on the point of death before the emergency services are permitted to arrive?

Deputy Lester Queripel: Sir, maybe that will be made clear in my speech later on.

735 As I was saying, sir, this seeks to eliminate a perceived symptom when what we really need to do is focus on a cure. Why seek to eliminate just one perceived symptom when there are so many others that need to be eliminated as well? Especially when there is an alternative available that would then enable this Assembly to cure the problem.

740 I am going to speak about this more in general debate but I need to just mention this briefly, to explain why I am opposing this amendment, because I suggested in a requête, the States take over Aurigny, sell all the planes, dispense with all the routes, except Gatwick and Alderney, and simply leave four planes to service the routes. But that is not what we are talking about here. The reason I am talking about it is because there was very little support when I ran that idea past the Assembly some weeks ago. So instead we are here, now, pussyfooting around, once again, with this Aurigny nonsense.

745 Aurigny were losing millions of pounds a year, year after year, long before the subsidy referred to in this amendment was put in place. Even if this amendment succeeds in this Chamber today, Aurigny will continue to lose millions of pounds of taxpayers' money every year and the States will merely stand by and watch it happen.

750 Occasionally they will focus on the symptom and seek to address it, as we are being asked to do today in the form of this amendment, but so far history has proved that successive States have not been prepared to be proactive and focus on the cure. I was a Member of the previous Assembly who also chose to pussyfoot around when it came to Aurigny. That Assembly even voted in favour of giving Aurigny £25 million of taxpayers' money to write off their debts and £30 million of taxpayers' money to buy new planes, when there was no need to buy new planes, 755 you could simply go out and lease them.

So my conscience is clear because I have consistently voted against such nonsensical Propositions, which seek to add debt to debt and enable a company to continue to operate and accumulate even more debt. That makes no sense at all. We are told in the explanatory note of this amendment that the practice of subsidising air links has been held responsible in part for 760 Aurigny's growing losses.

Held responsible by whom, exactly? If it is the management team at Aurigny, well they would say that, would they not? Turkeys do not vote for Christmas. So instead of looking at their own procedures and where they can put things right, they choose to focus on other areas and only they know why they do that. I ask colleagues, sir, through the chair, not to be influenced by that 765 approach and not to be taken in by it.

We are also told in the explanatory note that the practice of subsidising air links, leading in part to Aurigny's losses, will be verified or disproved as part of the co-ordinated approach to air links, proposed in Proposition 38. Until that work is done, it would be wasteful to invest further money into an approach that appears to have a double cost to the States.

770 But what about addressing and amending the astronomical cost to the taxpayer incurred by Aurigny year after year? I stand to be corrected but, by my reckoning, I think we have given £100 million to Aurigny in the last 10 years. I stand to be corrected. So major losses have been incurred by Aurigny long before this subsidy was introduced. I see nobody is standing to correct me, sir, that we have given Aurigny at least £100 million of taxpayers' money in the last 10 years. I 775 really think we all need to take that extremely seriously indeed.

On that Government framework that this amendment refers to in Proposition 38, as I am sure everyone in this Chamber already knows, the Bee Gees had an international hit in the 1960's with a song called *Words* and I believe that Government framework will be just that, just like all the reviews we have. Merely words on paper that can be just ignored and no one is held accountable. 780 I will talk more on that in general debate.

A Member: Look forward to it.

Deputy Lester Queripel: Sir, a subsidy has been provided to support what we are told in the amendment are vital air links to Heathrow and Cardiff. The Proposition before us seeks to put that subsidy on hold. But we are not giving a child a sweet and taking it away again and standing back and waiting for the child to stop screaming, because the child will not stop screaming until they get that sweet back or get given another sweet as a replacement. We are talking about something far more important than that. We are talking about connectivity, we are talking about benefiting the community and benefiting our economy.

On that note, business leaders have come out and said that this amendment is misguided. I have the *Press* cutting here, naturally, if anybody missed it. In this article, James Ede-Golightly said:

The rationale for the amendment is misguided as our analysis suggests that subsidising the service to Heathrow is not the predominant cause of Aurigny's losses.

One final point I want to make, sir, is that in my view this amendment undermines the authority of the Committee *for* Economic Development. I am not saying for a single second that Deputies Dorey and McSwiggan are seeking to do that, that is not what I am saying at all. But surely, if the Committee had any concerns about introducing a subsidy, then they would not have introduced it in the first place?

Once again we are being asked to interfere and micromanage a Committee, instead of trusting in their judgement and their ability to get on with the job that we have elected them to do. If that is the case, if we do not trust the Committee then should we not be debating a vote of no confidence, as opposed to an amendment that seeks to address the perceived symptom?

In closing, I ask for a recorded vote when we come to the vote, please.

Thank you.

The Bailiff: Deputy Lowe.

Deputy Lowe: Thank you, sir.

You asked Deputy Dorey if it was his intention that we go with the amendment and then it comes to two separate votes at the end. I have concerns with that because it means that we either debate this now and the merits of the content of the amendment but we do not vote on it, whether we have an 'and' or 'or' until the end. So you miss all the debate until several hours or days later.

Really the ideal way would be to just ask Members, 'Do you support this amendment to be part of the Propositions at the end?' In which case that is it; end of. Or we are likely to see, as we have just heard, that there will be two speeches about this amendment and other amendments. This is where the 'and' or 'or' is creeping in and it is not a case of we are going to vote now on the 'and' or the 'or', we are actually voting for this to go on the books for us to debate on the main debate an 'and' or an 'or' when we get to the final thing.

I find difficulty with this. We have already had the first one from P&R, we have now got this one. It just means that all of these, we are going to get double debates on the contents of these amendments and I think this is a bad practice that has actually crept in today, which I do not favour. I think we should be voting on the Dorey amendment now, whether we have 7(a) or 7(b).

As Deputy Dorey has said, that is not the way he wants it to go and I respect that is what he wishes to do and the way that it has actually been written, all I will say then, because I am not going to stand up and speak again in the main debate on this particular one, is that actually I support subsidies on airways and on our harbours.

This is the gateway to our Island and the more that I believe that we actually have subsidies, sensible ones, this is actually bringing in our visitors that we desperately need. We have got the tourism numbers that have gone down and down, painfully so. Look across the water to Jersey, they are going up and up.

Yet we are here, I think, possibly being very small-minded, because I have said for years the gateway to our Island should be subsidised, whether that is the harbours or whether that is up at

the Airport, so I am a great believer in that. We need to look broader than just one particular route, whether we should be doing that.

835 Of course it has to be sensible. I am not saying we do an open cheque book to all the airlines and we do it to Condor and anybody else who wants to come through, but when you see the price of fares, I think it is right and proper, if we want our tourist industry to thrive, and we are not seeing that, I am not looking for even more delays. Guernsey is burning. We want Guernsey as an open door, to get as many people here for our tourist industry and indeed for our business community.

840 When you start to hear a business community complain about the price of our air fares, you have got to start worrying about that because many years ago they were not too bothered about that, because it just went in and they put it into their accounts. As people and businesses are more and more scrupulous about the amount of money they spend it is important that we have good fares for all our community and for those wanting to come to either work here or indeed visit our Island.

The Bailiff: Deputy Merrett.

850 **Deputy Merrett:** Thank you, sir.

I will be brief and excuse me if I am a bit brusque. Whether or not we should actually be subsidising this route in the first place is a bigger question that I think and I assume that EcDev have deliberated at length in their Committee. I resonate here with Deputy Lester Queripel, because we have entrusted Economic Development with this and we either decide that we have to support them, and that is why I will be brusque, or we oust them. I have no intention of ousting them.

855 What I would like to leave for Deputy Parkinson, that is why I was keen to speak quickly, because I am sure he can answer this, what other demands are there on that Fund? Because if amendment 8 passes, then there is a £300k potential demand for green finance and if amendment 6 passes can the April timeframe be achieved?

860 I do not think we should minimise the difference in the timeline here that the subsidy is okay to March but this will not be back until April. Any build of the seats being bought, any gain, anything of consistency of a particular route could be lost and that really is the ultimate in flip-flop government. It really is an ultimate for that.

865 I will go back to my first question of whether it should have been subsidised in the first place, or not. That is a bigger question; that is not the question we are being asked today. I wanted a debate, as I always do; at the moment I have more comfort from what Deputy Fallaize says, because I like a bit of logic, whereas I am very concerned about the losses on Aurigny, because we need to turn that around and start looking at them as a cost. This is what it costs. It is not a loss, it is a cost that we are actually willing to bear.

870 But that does not do this either. So I do have a lot of sympathy for this amendment and I absolutely know, for certainty, that Deputy Dorey and Deputy McSwiggan have no intention, the intention is not at all to undermine EcDev, but that potentially is the practical consequence of Members agreeing to this amendment.

875 Just to reiterate, because I have noticed in the past that some Members are rather reluctant to answer questions in debate. So what I would like to know is what other demands, please, are on this fund or Deputy Parkinson or any of his Committee believe may be on this fund, going forward? And if the £300k for green finance, amendment 8, passes will that still be achievable if the fund is actually going to be held in abeyance *per se* and then, also, with the timeline for amendment 6, I am pretty confident, sir, that amendment 6, if it passes, is basically a framework that will be used anyway. The letter of comment or whatever P&R wish to call such a thing say, 'Yes, that is kind of what we were doing anyway.'

880 So if I can get those answered before we go to a vote on this then that would obviously help me decide how I wish to vote.

885 Thank you, sir.

The Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

890 I just wanted to remind Members here that in December 2018, which I believe was after the announcement that Heathrow was being subsidised, the States approved the investment objectives, which was part of the policy letter that was submitted by Economic Development. Part of it says, under affordability and air links:

Incentivise airlines to help stimulate market growth through lower fares.

Under connectivity it says:

A connection to a major international hub such as Heathrow Airport.

895 Now, considering the timeline of all that, and it is December 2018, and also because, as has been alluded to, the extent of Proposition 38, if amended, would enable suitable answers to come back that will identify the issues, I think this amendment is premature and therefore I will not be supporting it, having only had that confirmation given to the Committee for Economic Development, when I was a Member, only in December 2018.

900 Thank you, sir.

The Bailiff: Deputy Roffey and then Deputy McSwiggan.

Deputy Roffey: Thank you, sir.

905 I do not really buy this argument that this amendment is undermining the autonomy of Economic Development, because the Proposition it is seeking to impact is Proposition 7, which is whether or not, and under what circumstances, to transfer £900,000 from General Reserve, into the Future Guernsey Fund, and I think that is definitely a decision for this Assembly, rather than any particular Committee. So I do not think that it does that.

910 I have huge concerns about the current situation. I agree with much of the analysis of Deputy Dorey. I understand where Deputy Lowe is coming from about wanting to facilitate connectivity, although I think we have to have some regard to how much taxpayers' money we put into that, given that some of those taxes have been paid by people who cannot dream to afford to move in and out of the Island on a regular basis, but they do benefit if our economy is strong and if our connectivity is good, so I understand that argument,

915 Of course, this is not a general subsidy on connectivity, like scrapping airport fees would be. This is a very large sum of money per head of passengers for a particular airline on a particular route and, whilst stimulating new routes, I think, is valid, on an ongoing basis I do not actually like that approach, because it is a very un-level playing field. I think it might, eventually, lead to us not being able to maintain the six pairs of slots at Gatwick, which I think strategically would damage this Island's insurance policy, which is basically what the £100 million, or whatever it is that we spend over the years, is all about, making absolutely sure that we do have that insurance policy.

920 But I am in a bit of the same position as Deputy Fallaize. All my instincts are saying to vote for this but I understand absolutely the rationale that making the decision that will stop an arrangement on the eve of deciding what arrangements we want going forward can be seen as irrational, but I also worry, to be honest, by the time we debate in April our future strategy, Economic Development may have entered into a one-year or two-year arrangement going forward.

930 So it is fine to say do not pull the rug on next summer but I would be interested to know from Deputy Parkinson what their aspirations are as far as future arrangements because we could find

out, rather than being premature, we were too late doing anything about it if we do not like, and I do not really like, the current situation on an ongoing basis.

As I say, I think front-loading, helping establish a route is one thing but if we are going to go down the route, and I have heard Deputy Parkinson say that, if we are going to have a French connection, none of the people will be interested without ongoing subsidies, so that obviously is an emerging policy and, yes, it is the policy of their Committee. But the States have got the right to disagree with the policies of individual Committees. That is not undermining them, that is just this States being sovereign, as it should be.

I do not know if that makes it really clear which way I am going to vote on it but it is making clear my dilemma, if you like, because I actually think the problems that this has highlighted, this amendment has drawn our attention to, are real and we need to do something about it. The question is when and through what mechanism and I will listen to the rest of the debate with interest.

The Bailiff: Deputy McSwiggan.

Deputy McSwiggan: Sir, Deputy Merrett said that she likes a bit of logic. I hope that I can give her and Deputy Roffey and perhaps other Members some assistance by starting in a not dissimilar place to Deputy Fallaize but running through the logic that brings you to the natural outcome that is this amendment.

Deputy Fallaize said that when we are expecting a review on something the normal position in the meanwhile is to maintain the *status quo*. But what we have to bear in mind, of course, is that the need for a review was precipitated by a crisis, arguably, and the crisis was caused by the *status quo*. We have recognised that action is needed, the form of action set in Proposition 38, if not quite the form of action that Deputy Lester Queripel would like to see, because we are aware that we are spending inordinate amounts on connectivity to and from the Islands in various different ways, through route subsidies, through the running of Aurigny and so on. And we are still not achieving what we need to achieve for the population of the Island in terms of regular, affordable, reliable air links on core routes.

So we are here, at the point of having a review because the *status quo* is unsatisfactory and, if Deputy Fallaize will forgive me a slight detour to an example that he and I have been through together, on the Committee for Employment & Social Security, we are looking at the future of long-term care funding and I am very much of the opinion that the current arrangements for long-term care funding are costing the Government significant amounts of money. We know that we are paying out over £20 million a year in long-term care benefit and, for that expenditure, we are not realising what the people of Guernsey need. We are not realising affordable care that is available to the people who need it at the point where they need it.

So my premise is that you do not throw good money after bad, that the Committee had been in the position of providing above RPIX increases in the rate of long-term care benefit. We agreed early on in the term that it was not appropriate to do that while the review was ongoing into what the future of long-term care funding would look like, because that is excess money that is being put into a system that we know is not working, that is not providing good value for money for us or for our community.

I would argue that exactly the same logic applies in the case of air route subsidies and I will be astonished if the Members who are going to trumpet fiscal prudence throughout the rest of this debate are willing to do so in the case of air links. I would have suggested that perhaps Deputy Fallaize's analysis could have taken a more careful look at the difference between the two alternatives that are proposed in this amendment. Because there is a significant difference.

I agree that the latter option does pretty much what he said it did, in terms of constraining the power of Economic Development to provide subsidies on air routes. The former does not. What the former does is give the Committee for Economic Development a smaller funding envelope, within which to make funding choices, and to have to make decisions about what it will prioritise

between ongoing air route subsidies and other initiatives that it believes might have economic benefit to Guernsey.

985 Now we are here today in a Budget debate. We are setting cash limits for every Committee and, in doing that, we are telling some Committees, 'No you cannot have some of those that you have gone through a carefully worked out process to determine are high priorities and essential to delivering the business of the States.' In doing that, we are not undermining the sovereignty of the Committees in the way that Deputy Lester Queripel envisaged. Because P&R have chosen to
990 give each Committee smaller cash limits that the Committees say are necessary to deliver some essential things, we should not be saying to P&R, 'Where is your motion of no confidence in every other Committee of the States?' (*Laughter*) Although, perhaps that is what the Budget is! I hope not.

But the reality of all the decisions that we have in front of us this week is that they boil down to
995 determining the size of the funding envelope that is given to each arm of this Government, in the form of its Committees, and saying to those Committees, 'Go away and prioritise what you need to do within that funding.' It may not be enough to do everything, but you are going to have to make it work somehow.

So giving the Committee *for* Economic Development a smaller limit to work within, in terms of
1000 the size of the Future Guernsey Economic Fund, which is what the first part of this amendment would do, is no different to the way that we are treating other Committees. In fact, I would say, we are still treating the Committee *for* Economic Development more liberally than we are treating other Committees.

We will come on to the matter of unfunded service developments later in the debate, so I am
1005 going to try not to labour it here but I want to point out that every unfunded service development that has made it into Appendix 6 of the Budget will have gone through a rigorous process at Committee level, in terms of working out the business case for it, working out that there is no other way to fund it and prioritise it, working out that it is a sufficiently critical need to bring it to P&R and bring it through the Budget process at this point in time, for funding in this year, and
1010 P&R has still said no.

With the Future Guernsey Economic Fund, we are providing an increase in delegated authority to the Committee *for* Economic Development to use, in the course of the year, for initiatives that have not yet, or perhaps not at all, had the business case worked up in that degree of detail and with that degree of linkage to the Government priorities.

1015 So I do not think that Members should look at this amendment and feel that we are treating the Committee *for* Economic Development unfairly. They still have funding opportunities available to them that are not available to other Committees. We are just saying the case has not been made for further increasing that envelope and we should not be throwing good money after bad.

Now I agree with Deputy Lowe in the essence of what I think she was saying, which is that it is
1020 right public money should be used to make connectivity between Guernsey and Alderney and the rest of the world affordable. Where I do not agree is that we should be doing it in a way that appears to be costing the Government twice over and it does appear at the moment that the subsidies that are being put on air routes are costing us, again, in the losses around Aurigny.

Now all of this needs to come out in the wash, effectively the work that P&R are proposing to
1025 do with STSB, with the Committee *for* Economic Development, in terms of developing a cohesive and co-ordinated approach to the way that we fund and operate air links. Great. But let that be done first, in order for us to know how to invest our scarce money most wisely. We should not keep giving it away, when we have reasonable grounds to believe that it is costing us over the odds and no evidence at this time to substantiate its value.

1030 In the final vote, I would urge Members to support 7(a) in preference to 7(b), but I would at all cost urge Members to support this amendment.

The Bailiff: Deputy de Lisle.

Deputy de Lisle: Sir, thank you.

I wanted to just point out initially that the Economic Development Fund supports much more than air routes and the danger is that funding for other economic initiatives may be delayed or cut and I refer Members to page 38 of the Budget Report and paragraph 5.57, where it shows that the initiatives approved are quite broad, in fact, and certainly more than simply air routes: contributions to Guernsey Finance, tourism marketing, Innovation Centre – the Digital Greenhouse, Locate Guernsey, marketing film, the Guernsey University investigations, as well as air route support.

So there is a danger there, particularly with 7(a), that initiatives may be delayed with that particular amendment in force. In terms of open skies, much has been spoken there. I think it is important to realise that the business community, as well as the general public, were concerned about the high price of fares and travel to and from the Island and also the retraction that was going on, on connectivity. That was an issue and with open skies, in fact, we have increased the number of destinations and also competition has been seen on routes, which has led to the reduction in the cost of travel for the Guernsey public and also business. Competition, then, is key to bringing down fares and to increasing connectivity.

I wanted to also say, with regard to the Heathrow route and the comments with regard to the £1.3 million in subsidy, that we are also subsidising indirectly the Gatwick route, because the very day that we monopolised it for Aurigny, on that very day, we lost 40,000 seats in terms of the competitor on that route. Those 40,000 seats, at £50, comes to £2 million – £2 million is being given to Aurigny in terms of the monopoly grant that it is being given on the Gatwick destination. The £1.3 million, in terms of Heathrow, is providing competition, which is very useful, and lower fares and the fact is that people have remarked, during the summer, that the flights were full, not just 25%, but full during the summer period.

Thank you, sir.

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

Before I get to my prepared remarks, I want to address a confusion which seems to be emerging in the debate where the States is being asked to give £900,000 of taxpayers' money to the Future Guernsey Economic Fund and I think it is worth just revisiting how that fund is replenished from time to time.

The policy agreed by those that arrange these matters is that 50% of the quantified benefits from investments made by the Future Guernsey Economic Fund, 50% of any quantified benefits are returned to the fund. So the way the figure of £900,000 is arrived at is that investments made out of the fund in the past produced a return to Guernsey of £1.8 million and because Guernsey benefited from those investments by £1.8 million, half of that amount gets returned to the fund. This amendment seeks to disturb that existing policy and those existing arrangements.

The £900,000 is not some arbitrary allocation that P&R sat around the table and said, 'Yes, it should not be £1.5 million, it should not be £500,000, we are going to pick on £900,000.' This is a formula that is applied under a pre-existing States' policy to replenish that fund and this amendment seeks to undermine that process.

The benefits that the States have received from investments from the fund are tangible monetary benefits so this is not fresh taxpayers' money, going out of the door to Economic Development, to fritter away on whatever we like. This is money that Economic Development brought in. In fact, it is only half of the money that we brought in.

Now I will go on to try and address some of the questions that have been raised in debate so far, at the end of my remarks but I do want to get onto what I had planned to say first and I will come back to responding to the debate at the end. The Committee *for* Economic Development has of course already publicly stated its opposition to this amendment or these amendments, plural, depending on how you look at them.

The amendments were not discussed with any Member of the Committee before the amendments were submitted to yourself, sir, for debate, and if they had been, we would have been able to advise that the Future Guernsey Economic Fund is not solely for investment in route development support or improved air connectivity. As Deputy de Lisle has pointed out, a whole range of initiatives are funded out of this pot and at the discretion of the Committee *for* Economic Development, but subject to approval by the Policy & Resources Committee.

In terms of the Heathrow link, the States agreed that this was a priority in December 2018. It has been pointed out that the Cardiff link is no longer and has not been since the end of 2018. That received funding of a very small amount over two years and investment decisions regarding the Future Economic Development Fund fall within our mandate, as I have said.

The States supported my Committee's policy objectives when it supported our policy letter entitled States of Guernsey Air and Sea Route Policy Development and Investment Objectives not quite one year ago. That policy letter takes account of the fact that Guernsey's air links cater for three different groups of passengers: residents and their visitors, business travellers and leisure tourists.

It recognised the priorities of these groups differ, as between affordability, connectivity and reliability and it proposed that Guernsey's strategic needs to address these markets were, firstly, a connection to an international hub, preferably Heathrow, frequent services to London as a destination in its own right and, thirdly, a good network of regional connections both within the UK and within Europe.

This policy framework was endorsed by the Assembly and delivering on those objectives is what my Committee has been doing. Moreover, since that debate, the Assembly has rejected a Proposition to examine the business case for extending the Airport runway, in favour of using market interventions to improve Guernsey's connectivity.

Commentators who complain that Guernsey does not have an air transport strategy, I am afraid, are simply being disingenuous. We do have an air transport strategy, but what they really mean is that our air transport policy does not always suit the interests of Aurigny. That cannot be our objective.

Deputies McSwiggan and Dorey completely failed to recognise that the States have responsibilities to the market. We are fortunate that Guernsey is served by several regional airlines: Aurigny, Blue Islands, Loganair and what will soon be known as Virgin Connect. Economic Development is working in partnership with all of these airlines to improve Guernsey's connectivity. If the private sector airlines thought that Guernsey would always favour Aurigny, regardless of whether its offer was the best or most cost-effective, they would soon divert their attention to other markets. The Guernsey market is not a plum prize for them.

I might ask though, sir, through you, whether Deputies McSwiggan and Dorey take the same approach they are advocating in any other issues. Does the ESS Committee, for example, provide long-term care funding support only to nursing homes owned by the States? Deputy McSwiggan has said that they have taken the decision not to increase the support to care homes through the long-term care fund, but she has not announced that they are going to terminate it –

Deputy McSwiggan: Deputy Parkinson may not be aware that of course the States no longer owns any nursing homes, so the analogy is an imperfect one.

Deputy Parkinson: Well, the States owns, through its interests in Guernsey Housing Association, etc. It has a controlling concern in some of them. The Health & Social Services Committee does not always employ the services of the PEH or doctors in Guernsey. It, rightly, directs the use of public resources to the providers who best meet the needs of the patients and that is what the Economic Development Committee is doing in terms of our air connectivity.

This is looking at the issue through the wrong end of the telescope. The role of Economic Development is to foster the best possible connectivity for Guernsey, to the benefit of our

economy and our community. We are doing that. It is not our role to favour Aurigny at all costs. Doing that would destroy our limited attraction to the airline market.

1140 Quite simply, the onward connectivity that is offered by what will be Virgin Connect, which has 17 code share agreements, the resilience offered by an airline with more than 70 aircraft capable of operating into Heathrow and with an existing Heathrow base station, together with a reduced subsidy requirement – do not forget, Members, that Aurigny wanted £2 million to operate this service – made Virgin Connect the obvious choice to operate this route.

1145 Now several Deputies in this Assembly were among those who voted against even studying the feasibility of a runway extension and presumably they were swayed by the arguments advanced by P&R at that time, in that debate, that Guernsey could achieve better connectivity, or equivalent results, through market interventions, which means subsidies rather than through infrastructure investment.

1150 Now we understand that they only really want market interventions that benefit Aurigny. So it is clear that they really want to re-write Guernsey's air connectivity policy around Aurigny. Deputy Trott says, 'What a load of nonsense.' But the very clear argument expressed this morning by Deputy McSwiggan is that subsidising another airline results in a double loss to the States of Guernsey, because it is not only a cost to subsidise that airline but it is a cost because it damages Aurigny.

1155 They also make the point – we are referring now to what the business groups have said, we know and it has been quoted by, I think, Deputy Lester Queripel – that the business groups have said they believe a framework is required to ensure all aspects of air route policy are focussed on delivering the objectives of affordability, connectivity and reliability for Islanders and visitors using a policy of establishing a link to an international hub, etc. These objectives were approved by the States in December 2018.

1160 They also make the point that their analysis suggests that Heathrow is not the predominant cause of Aurigny's losses and this is very much supported by the report by Nyras, commissioned by the Scrutiny Committee and STSB. Nyras concluded that:

While we consider any subsidies in overlapping markets as not being good practice and likely to distort the market, it would be hard to attribute Aurigny's recent revenue decline solely to this factor.

1165 Incidentally the views of Nyras on subsidising our air routes, i.e. that this is not good business practice, ignore the realities of the airline industry. Flybe receives a subsidy from Cornwall Council of up to £3.4 million for a four-year contract to operate from Newquay to Heathrow, a route that has been referred to earlier in debate. We know that the low-cost carriers, like Ryanair, benefit from substantial subsidies provided by airports and others and, internationally, the airlines of the Middle East are alleged to have benefited from tens of billions of dollars of government support.

1170 The reality is that subsidies are everywhere in the aviation business and Aurigny is a clear beneficiary of this state of affairs, having received £31.73 million of public assistance since 2016. Incidentally, responding to Deputy Lester Queripel, who is not in the Chamber at the moment, I think his figure of £100 million must include the value of guarantees on loans provided to Aurigny to buy new aircraft. I am talking about simply the subsidies provided to Aurigny to basically make good their losses.

1175 So financial support for regional routes into Heathrow is the norm. The Heathrow route is the only route that we now support. We no longer provide any support on Cardiff. But, as has been mentioned by Deputy Roffey, our Committee have publicly stated that we would be interested in talking to operators about establishing routes to France and we have not yet found one but the airports at Bordeaux and Rennes are keen to establish a link, we are keen to establish a link and all we really need now is an operator who is willing to operate the link.

1180 We have consistently stated that Aurigny plays a valuable role in delivering the strategic objectives of the States. It preserves and assures our lifeline link to London through the slots at Gatwick Airport, and Aurigny has effectively been given a monopoly over the Gatwick route, which still, even after the introduction of Heathrow and Southend, represents 83% of the London

market. Aurigny has a monopoly over 83% of the London market and, as Nyras has pointed out, this is the only profitable route in their network. Moreover the Embraer jet, they tell us, is the only profitable plane that Aurigny operates, because it flies eight sectors a day.

1190 There are clearly very big issues for the States to examine and, when the second strategic review of Aurigny takes place, I hope we will get to the bottom of where Aurigny's losses are coming from but I am very clear in my own mind that 50 passengers a day flying to Heathrow are not the source of the problem.

1195 We know, for example, that out of the £7.6 million forecast loss for 2019, Aurigny would tell us that more than £3 million is attributable to their Alderney routes. I am not sure if that is £3.3 million or £3.5 million, but we know it is a number in excess of £3 million. I have seen privately commissioned research, which suggests that Aurigny's losses on Jersey and Southampton are running at an annualised rate of £2.8 million. This suggests that at least £6 million of the forecast loss of £7.6 million in this year, is attributable to three routes: Alderney, 1200 Jersey and Southampton.

Aurigny has explained part of the remainder is rising fuel costs, very high staff costs due to inefficient staff utilisation and the loss of the Blue Islands ground-handling contract. I think it is fairly easy to understand how they could get to a total loss of £7.6 million and you do not need to refer to any losses caused by Heathrow to arrive at that sum.

1205 Moreover, I would have to point out that the one route that Deputy Dorey did not refer to in his opening remarks was Southampton, where the price war, which has been precipitated by Aurigny's re-entering that market, has driven fares on that market down, in some cases, to less than £20 one-way, and which has resulted in substantial transfers of passengers from Gatwick to Southampton.

1210 Southampton, in the first nine months of this year, is up 17,000 passengers. Gatwick is down 15,000 passengers. So the notion that Heathrow has robbed Gatwick of all those passengers is simply unsustainable and Nyras themselves describe Aurigny's competition with itself, on the Southampton route, as embarrassing. If Heathrow has had an effect on Aurigny's performance –

I give way to Deputy Meerveld.

1215 **Deputy Meerveld:** I thank Deputy Parkinson for giving way.

Would he agree with me that it would be rather perverse for this States to agree this amendment and basically curtail this subsidy pending the governance framework on air routes, considering that was suggested at the time of the Aurigny purchase of £50 million worth of new aircraft was introduced and we agreed to that without waiting for the governance framework review to be finished?

1225 **Deputy Parkinson:** Well, sir, what I would agree with is Nyras were the consultants, of course, whose report supported Aurigny's application for States' support to fund the acquisition of three new ATRs. I do not recall them telling us at the time, what they tell us in the context of the Aurigny efficiency review, which is that the ATR fleet loses money and is inefficiently used. Anyway, so Nyras, I think, come to this debate with compromised hands, would be my description.

Sir, the business –

Ah, Deputy Trott, I give way.

1230 **Deputy Trott:** Thank you, sir.

Much of what Deputy Parkinson is saying makes sense. However, there is one issue that I would like to pursue with him. He has reminded us, and I think he is right, that he has seen an independent report that suggests that the losses that Aurigny are making on Jersey and Southampton are material and they are, of course, those routes, as I mentioned in my speech earlier, the only two that have benefited from a decision to go to an open skies policy. No other route required the absence of deregulation, or the absence of regulation to compete.

So would he agree with me that it is debatable, at best, that the open skies policy has been a success if, as a consequence, this community is now suffering £3 million a year losses by way of subsidy to Aurigny on those routes?

Deputy Parkinson: Well, sir, I do not accept that it was inevitable that Aurigny would go on to compete on existing routes operated by an existing operator. That was a decision by the management of Aurigny. Aurigny is the only airline of the four that serve the Islands that has not started any new routes to Guernsey. All the others have opened new routes to Guernsey. Aurigny is the only airline that has gone to compete on an existing route served by another airline. I do not regard that as an inevitable consequence of open skies.

But to address Deputy Trott's central question, I do not accept either that Jersey and Southampton are the only routes that, in his words, have 'benefited' from open skies. I state as a fact that we would not have been able to get access to Heathrow Airport if we still had a licensing system and, particularly, if we had chosen to try and make Heathrow a lifeline route, which of course we never suggested we would. It is quite clear to us, from our dealings with other airports, that they do not like dealing with regulated routes.

So we are concerned by Aurigny's losses, of course we are. Just as every other States' Member is. And we really want to get to the bottom of where these losses are coming from. We do not accept that they are stemming from the operation of the Heathrow service and we believe that that the Heathrow service is providing wider economic benefits to the Island of Guernsey.

The business associations have said the improved connectivity and growing traffic numbers, due to the Heathrow link, are supporting an improvement in sentiment amongst the business community, as well as providing meaningful social benefits to Islanders. So our investment in this service is having wider economic benefits, which we are not yet in a position to quantify, but which I believe we will be in a position to quantify by the time the review in April takes place.

In the meantime, I agree with Deputy Fallaize that it would be premature to terminate the Heathrow subsidy, which is what in effect these amendments require us to do, to terminate the service from next April onwards and Deputy Fallaize says he presumes that the service could be resumed again at a later date if it was decided that was what we wanted to do. I make no such presumption.

We are using borrowed slots. We borrow them for the winter season or the summer season. Actually this answers a question, which was raised, I think, by Deputy Merrett – I am not sure if it was Deputy Merrett who asked was this a long-term commitment, could we commit the States to a one-year, two-year deal on Heathrow? The answer is no. We cannot physically do that. We borrow slots for a season at a time and, as a matter of fact, the negotiations about summer 2020 are happening now, because the allocation of borrowed slots, which has to be approved by the slot regulation authority, I forget what it is called, that will be done in November, in this month,

So we are, at this time, negotiating with Flybe who are, in turn, negotiating with their parent group, Virgin and the other airlines they are connected with, to see if there are any slots that we can use. If this amendment is passed, if either (a) or (b) are passed, we will effectively have to terminate those discussions and Guernsey will have no Heathrow connection from next April, ahead of any review as to whether that is a good thing or not. So I totally agree with Deputy Fallaize that it would be irresponsible to do that.

The economic benefits, as I say, of the route and indeed the social benefits, cannot be quantified at this time. We need to do a lot of research on where the passengers are coming from and what other routes they would have used had the Heathrow route not been available. Or, indeed, whether they might not have flown at all, had the Heathrow route not been available.

That is survey work and it requires a good deal of research and analysis before we can provide the evidence to the Assembly of what this is achieving. I suspect, as I have said, that we will find a lot of the new passengers on Southampton will tell us that they would otherwise have flown to Gatwick, but until that research is done, I cannot give you hard facts on that.

I did say I would try and address some of the points that have been raised in debate. I think I have addressed Deputy Dorey's points. He did not mention Southampton. It is a major factor in these discussions and he sort of says, I do not think he understood the point that if this amendment is carried we will not be able to negotiate a summer season on Heathrow and that will have taken place long after –

Deputy Dorey: Point of correction.

He has repeated that statement; that is not true. The amendment does not stop him using the fund if (a) is passed for that purpose. So he cannot say if this amendment is passed they cannot renew Heathrow. They would have to prioritise, as Deputy McSwiggan said, in a smaller envelope, but if (a) is passed, it does not stop them reviewing Heathrow.

Deputy Parkinson: Well Deputy Dorey is quite right. We could cut off funding to Guernsey Finance, we could cut off the University Working Party. (**Several Members:** Hear, hear.) We could axe a number of other initiatives. Deputy de Lisle has pointed out what the fund is spent on, and we could pour all the money into a Heathrow subsidy. But I do not think this States would applaud us for doing so.

Deputy Dorey: Again, he is misrepresenting – point of correction, he is misrepresenting –

The Bailiff: Is it a point of correction, again, Deputy Dorey?

Deputy Dorey: Yes. He is misinforming the Assembly, because a lot of those initiatives, as is clearly said on page 38, are long-term commitments; the money is committed up to 2021. So those will not be affected by this £900,000 not being transferred.

Deputy Parkinson: That is a *non sequitur*. If they are long-term commitments, we cannot reallocate the money to subsidise a Heathrow route. The reality is that money is earmarked for other purposes. If Deputy Dorey and Deputy McSwiggan are successful in passing this amendment, what it will mean is that the Heathrow service will terminate from next April. We cannot just repurpose money that is committed to other causes, to prop it up.

Deputy Merrett, in fact, asked me to describe what the demands were on the Future Economic Fund and I think Deputy de Lisle has answered that as best as we can. In addition to funding Guernsey Finance and other promotional activities around the agencies, we might be asked to fund projects within the Seafront Enhancement Area that that process is coming towards a conclusion. We have put a small amount of money into a film of *The Toilers of the Sea* and we might have to give that more substantial support.

There are many things we can do to support the economy of Guernsey and it is a point I will be making in general debate but, at the risk of repeating myself I will say it now, Economic Development has received, I think, an extra £40,000 this year, effectively a frozen budget, for the second year running and we are the only States Committee charged with growing the cake.

Everybody else is engaged in discussions about dividing the cake up, but the States of Guernsey invest very little in trying to grow the cake and with this amendment, frankly, our efforts to do so will be further inhibited.

So I think that is probably all that I need to say in response to the debate, but I seriously would ask Members to reject both amendments. We are trying to do a good job of stimulating and developing Guernsey's economy. We stand to be judged at the end of the term on whether we have succeeded or not and whether our efforts have been wisely directed, but we are doing our best and we would like the States, please, to give us their support on this issue and to reject both halves of this amendment.

The Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, there are certain points to Deputy Parkinson's speech that I agree with. I think his last main point was his Committee is really the only Committee out of all the States' Committees that is mandated to try and grow the economy. I think perhaps you could say also P&R are, because they have got a general role and act in the best interests of Guernsey on very many occasions. I think that probably is within their mandate. But certainly, the *raison d'être* of Economic Development is to grow the economy and we do not do enough.

Lots of people here will be talking about spending money but do very little to actually think how we are going to earn it, so I agree with him in that regard. I also agree with him that, on balance, I think it is a well-intentioned and well-argued amendment brought by Deputies Dorey and McSwiggan, but it has to be voted against.

I do that just on balance because I do not think I want to get into an esoteric or, theoretical argument, which some others do in this States about whether Economic Development will be able to negotiate further an extension of the Heathrow subsidy beyond the end of March. I would rather err on the side of caution and let them get on with that.

My own private research tells me that they did not do a very good job in relation to the costing of the subsidy last time; they paid far too much for it. But I hope they will learn that lesson going forward, because they could have negotiated something much better. But we are where we are. P&R under their general Propositions, Proposition 38, are saying we should look at the whole thing. I very much agree with that. I have been saying that, whichever seat I have sat in in the last three-and-a-half years and Deputy Fallaize actually engaged in a question form with me; absolutely the right approach, and everybody should engage with it, the three Committees, or bodies, will engage in it fully and the States' Members will too.

What I am disappointed about is that Deputy Parkinson should have used his speech to attack Aurigny. What on earth is the point of that? He has sought to justify it by saying Nyra was in some way compromised. Of course they are not compromised. They are independent experts who came and were jointly commissioned by the States' Scrutiny Committee and by the STSB to come up with a report on Aurigny and I wish that Deputy Parkinson would get away from his own personal aversion to keep bashing Aurigny.

The management of Aurigny came out of that report very well indeed. Not perfectly, because any organisation is never run perfectly but they came out with an A, perhaps not an A-plus but with an A, in relation to the Nyra report. Deputy Parkinson, I asked him months ago, when he said Aurigny were losing £250,000 a month on the Jersey and Southampton routes, I said, 'Can you give me that research, because it would be very helpful because I could then put it to the board of Aurigny that they are losing £250,000 on those routes.' 'No, I am not telling you that, it is secret; it is private, I am not going to let you have it.' Again, it is private research today. He will not tell us where he got that research from.

Let me say this in relation to Aurigny. When Aurigny went on the Jersey and Southampton routes, the world was a lot different from what it is now. I know it was only a few months ago, but Flybe were on the verge of collapse. Thankfully, a much bigger entity has now come behind them and supported them. We did not know that all those months ago. People were complaining, the business community were complaining about the prices on the Southampton and Jersey routes, and particularly the service on the Southampton and, also, the Jersey route.

So let us have a look at what has happened in relation to that, since Aurigny came on those particular routes. Now the Southampton and Jersey Aurigny business case was this: traffic on the Southampton route had fallen by 60,000 since 2014; traffic on the Jersey route had fallen by 25,000 since the same time. The business case noted this evidence suggested that it was an opportunity to grow the market to prior levels, not just cannibalise it.

Business case also noted that new routes were an opportunity for Aurigny to reverse the declines in the Southampton and Jersey market and also operate services on marginal costs to utilise spare aircraft within the fleet and also to provide a higher quality service, both as to capacity and timing, tailored specifically to meet the needs of the Guernsey market.

Remember States' Members, because the people out there remember, just how many calls for criticism that were made of the existing operators in relation to Jersey and Southampton at that particular time. Now the data shows that, since its entry to these markets, average fares on Southampton have fallen from £74 to £40. Average fares on the Jersey route have fallen from £60 to £44.

Now, in relation to passenger numbers, I attended a Ports Board meeting yesterday, which was chaired by my colleague Stuart Falla. In relation to that we were given statistics up until the end of September for Guernsey Airport. Now Gatwick has realised 14,124 fewer passengers when compared to last year; that is to the end of September. Aurigny's other routes are generally down on 2018 levels, at the end of September; Bristol by 366 passengers, which is just under 2%; Manchester by 504 passengers, 1%; East Midlands, 36 passengers; but Stansted are down by 2,622, that is minus 12%.

But Flybe's route to Birmingham was down by 4,880 passengers, 18%; Exeter has carried 1,210 additional passengers, at just over 5%. Now when we look at Southampton, Southampton was up by 16,928 passenger to the end of August and there was competition on that route, as we know, from late May. Closer examination showed that Blue Islands have carried 1,971 more passengers, year to date, as a result of competition on that route. Jersey passenger movements have improved by being 10% up on last year, that is nearly an additional 8,000 movements. Heathrow passengers between Alderney and between April and September were 19,576 passengers, as Deputy Dorey said.

Do not forget, also, the new Southend route, which is highly subsidised by the Southend authorities, which started on 20th May, was showing 10,357 passenger movements. So, looking at the Heathrow movements, Deputy Trott was talking about when he was on the two Heathrow flights last week, they were barely 25% full. Let me give the average load figures re Heathrow, as we have them, up to the end of September. Factors for the Heathrow route in September were 63%, August, 71%; July, 72%; 69% in June; 65% in May and 57% in April. So, reasonable, but not euphoric usage of the Heathrow route.

But let me say this, as a Deputy, generally, rather than as President of the STSB, I favour the Heathrow link. I think it was something the States should have undertaken. I favour the general routes that the other airlines are operating upon but do not use, please Members of the States, a stick to beat Aurigny with, because Aurigny was purchased by the States, an excellent decision made all those years ago, to protect the Gatwick slots. If, in due course, the States say that Aurigny should only operate Gatwick and, dependent on the PSO, Alderney, and I do not know what is going to happen with the PSO, it has taken longer to deal with the PSO than almost it took to build the Walls of Jericho before they came tumbling down.

I would hope that in relation to that we will eventually, because I thought, I may misremember, because I am getting older now – I am in that part of the population that is not drawing their pension. So perhaps my memory is not as sharp as it used to be, but I thought Deputy Parkinson said to us, at a very recent States' meeting, that we would have some information by the end of October. We are now into November. It is a bit like Boris Johnson, we have not got Brexit and our Guernsey equivalent, perhaps, of Boris Johnson, is Deputy Parkinson (*Laughter*) and we have not got any more information about the PSO. So let us have a PSO, so our colleagues can know where they are going to go and who is going to serve them during the course of next year.

In relation to this, as I say, I conclude where I started, we will have more to say about Aurigny and passenger movements and all the other kids of exciting stuff in general debate. This is a well-intentioned and, as you would expect from Deputies Dorey and McSwiggan –

I give way to Deputy Parkinson.

Deputy Parkinson: Sir, I thought it might assist Deputy Ferbrache if I say that, of course, the PSO process is being managed by the States' procurement services and so control over that process is not in our hands. However, they are now on the point of being able to make a recommendation. We will be considering that recommendation fairly shortly, both with the States

of Alderney and as the Committee *for* Economic Development and then we, in turn, will make a recommendation to the Policy & Resources Committee, who will decide what, if anything, to bring to the Assembly. But I can assure Deputy Ferbrache that this process is in train. I regret that it has taken so long. I have no control over how long it has taken but we are near the end now.

Deputy Ferbrache: I am very grateful for that interjection. Having no control over how long it is taking, I fully accept, but one would have expected that Deputy Parkinson would have known that when he said that we would have something by the end of October, just shortly ago. But there we are. We are where we are. As you would expect from Deputies Dorey and McSwiggan, what they brought forward is sensible, well-argued. But in relation to the review that I think we are all likely to sign up to later in this States debate, I would on balance reject the amendment.

The Bailiff: Deputy Soulsby.

Deputy Soulsby: Sir, I think the recent review by Nyras is all the proof that is needed that an air links strategy, governance framework, whatever you want to call it, is needed. Whether or not Aurigny is run well at an operational level –

The Bailiff: Is your microphone on?

Deputy Soulsby: I have woken up now!

Whether or not Aurigny is run well at an operational level, it was obvious from reading that report that an air links strategy is essential. Indeed, it supports what many of us have been saying for quite a while, now. Economic Development subsidise non-States' airlines to fly certain routes, which must have had at least some impact on the Gatwick route, and then Aurigny launch a service to Southampton, undercutting another airline and increasing its losses as a result, despite the fact it is directed to break even.

Now Deputy Parkinson said how Health & Social Care do not just use the services at the Hospital. No, we do not, but neither do we pay for services that are not needed. At the moment we are subsidising routes with empty seats. Indeed, according to the report, there has been a 35% increase in capacity in the London and South-East England region, but no commensurate increase in numbers travelling.

As Nyras say, extra capacity has delivered more passengers across routes but the growth to date has been inefficient on what is marginal activity at best. Then there is the Requête about a longer runway. I am not going there. And as Deputy Ferbrache just reminded us, we have a PSO still dragging out.

It is a right mess, as far as I can see. But what is obvious is that there needs to be a co-ordinated approach to air links. It is a shame we need a Proposition to this Budget to make it happen, but I am grateful Policy & Resources have included it and will support Proposition 38. But I am in two minds about this amendment. I am very tempted to support it, because I think the position we are in is, quite frankly, ridiculous, but at the same time understand that we are where we are now. Cutting off the funding before we have agreed what the policy is does seem to be cart before the horse. I am therefore not going to support it but I do have a lot of sympathy for why it was laid.

The Bailiff: Deputy Paint.

Deputy Paint: Sir, I think what we should be doing here is taking note of what has happened since the last World War.

A Member: Planes have got faster!

Deputy Paint: We have not had one single airline that has stayed with us until we bought Aurigny. We bought Aurigny simply because we wanted to guarantee the slots and if we did not buy it, it would have gone broke and we may have lost them.

So I think we have approached this the best way we could but it has not worked. Fares have gone up and up. All I hear is, 'They are too expensive.' But it does cost to run an airline. I am sure everybody appreciates that fact.

On what Deputy Ferbrache said on the radio the other day, I think it was absolutely right. It is never going to pay. But what we can do is a few other things. We can look at how we can reduce the cost. I think I have actually written to P&R and told them one way we could do it but that is another thing.

None of these airlines that came would have left Guernsey if they were making profits. They must have been making losses. So after 75 years we still have not found a solution to what we have got. I know the States take a long time to make decisions, but 75 years? That is even longer than I have been on this planet.

We are talking about cost *versus* charges and expenses. That is what it all boils down to. Are we throwing good money after bad? We need connectivity. We need airlines. We know about that. Are we living in a fool's paradise? I think that might be a little bit closer. But we have to do something, we have to try and do something to resolve this problem or it is going to carry on for another 75 years and I am sure I will not be here then.

Thank you very much, sir.

The Bailiff: Deputy Gollop.

Deputy Gollop: Thank you very much, sir.

Earlier I was a bit distracted in the debate by Deputy Lester Queripel, who I thought made an excellent set of points. He spoke about the Bee Gees. They had lots of hits, from *Stayin' Alive* to *My World*, but their last number one, at least in Britain, was *You Win Again* and I think this amendment will be a win, probably for Economic Development rather than Deputy Dorey and Deputy McSwiggan because, although Deputy Dorey, as always, has put a great analytical case forward, I kind of come at this from a very different angle.

Yes, Deputy McSwiggan made excellent points and we will hear later too, I am sure, about some of the urgent funding needs Employment & Social Security have not only today but over the last few years and maybe this has been an ostrich States, with its head in the sands on the bigger social and economic issues.

But I am afraid to say probably one reason why I did join the 2020 Group initially, and I am still involved with the Islanders, is that I think, if push comes to shove and you have finite expenditure – which I do not accept anyway, I do think Deputy St Pier is right, we have been trying to do too much on too small a share of GDP – but if you do have to choose in finite expenditure sometimes, I am afraid the choice has to be made on economic development and infrastructural issues more than on additional social issues. Perhaps we have not done enough as an Assembly, not only to promote economic development but we also have not done enough to encourage and support, through fiscal and other methods, the third sector to plug some of the gaps that exist in the social areas.

Although I do not think we should have to make that choice I think it is very important that we do focus on issues like connectivity and our brand, if you like, for the international business world. Deputy Trott, I am sure, despite being a great and strong supporter of Aurigny, and prudence financially, is correct in saying that the Heathrow link does wonders for us in terms of a Locate Guernsey/Guernsey Finance message.

If Cornwall are paying £3 million or £4 million for a service to Newquay when they have high speed, or whatever, trains and we are getting away with it for less than £1 million then that is not necessarily the worst deal I have ever heard. Although I will come onto Aurigny in a minute, perhaps.

Deputy Parkinson made lots of key, good points, but I felt he was even better on a radio interview I heard a few weeks ago, I replayed it, in which he gave a really strong case for the economic decision rationale, perhaps against overall corporate policy, in supporting the Heathrow link. Because the reasons were quite strong. Firstly, it had been something the Island had been moaning about ever since the 1990's.

Remember the *Guernsey Press* campaign, that I think Mr Richard Digard and others supported, which was 'Keep our Heathrow'? I went to Jersey that very month and spoke in a political meeting there and they said, 'We do not care, we will keep our Heathrow service, you have lost yours.' They lost theirs the following year.

So you do sometimes have to roll with the punches and try to work together. Now, we lost Heathrow. We could not get it back. It looked like an impossible dream and this Economic Development Committee has delivered on that. What are the arguments that Deputy Parkinson put forward?

Well, apart from tourists, of course, from west London, you have a hotline – a railway line and a Tube line – to central London, which is perhaps somehow more part of Greater London than Gatwick, which if I am honest is more of a 'tourist, seasonal, let's go away on a package holiday' kind of airport.

Then of course Heathrow is served by an airline that has code-sharing potential, part of an international marketing network; something that Aurigny has not been able to do, for one reason or the other despite, I believe, the best efforts of Deputy Parkinson and others to persuade them. Of course another airline has a wider marketing reach, potentially, than Aurigny.

But also, of course, Heathrow is not only a great airport for Guernsey people who want to travel to Australia, New Zealand and South-East Asia, the Middle East and all other parts of the world, especially North America; it works the other way as well. It is a much easier and more sophisticated way of high net worth individuals, celebrities, bankers, financiers, entrepreneurs, any and everywhere, to come to Guernsey without getting, I do not know, on a coach on some sort of ex-Greenline coach wandering the M40. It is not really a great option.

So Heathrow is important to us. We will, inevitably, always hear about Mrs Le Page, a charming lady who used to live in Torteval and now perhaps lives in St Sampson's, but I am afraid I used to be like Deputy Lester Queripel said, a bit of a pussyfooter. But I think nowadays one has to take a leaf out of some other people's books and concentrate more on a more direct, meaningful, less bureaucratic, technocratic approach that is a little bit more grandstanding and it is easier to understand.

I would say to Mrs Le Page, even if Mrs Le Page never flies by plane and does not have any relatives and friends who fly by plane, that she benefits by living in Guernsey, which has, generally speaking, low tax rates, and generally speaking, a thriving economy and a good, hopefully getting better, business and economic outlook. If the price of that is a contribution towards Guernsey Airport, Aurigny and other airlines serving that, that is a price worth paying. And we are not getting that message across.

I think we run the risk of the Island turning against Aurigny. I do not understand all the management issues there. Perhaps I will devote myself in the winter to doing a bit more work on that. But I just cannot support the thinking, although very clearly put, behind this amendment. Deputy Dorey has been very consistent and very outspoken in his belief that it is rather unfair, at a time of semi-austerity and not giving everybody everything they want, for disability rights, for health and social services, for other kinds of things. But it is a hard cheese to say to people, 'Yes, but your taxation will subsidise, in two different ways, not just one, perhaps even three different ways, airlines.'

First of all, you are subsidising Aurigny in a variety of ways. Secondly, you are subsidising for Economic Development these air links, and thirdly, you are subsidising, perhaps, Guernsey Airport if, for whatever reason, they reduce the real cost of airport landing or making losses in any particular way.

1600 But my philosophy is to try to support Guernsey tourism, Guernsey connectivity, the ability of lower earning incomes to travel off the Island, hopefully not always requiring Social Security support; the ability of greater freedom for people on the Island to travel when they need to and greater economic development and improving our offer for entrepreneurs and the business community.

1605 And for all of those reasons I will support Economic Development. If, in the unfortunate event they do have a reduction in their monies to support Heathrow for the foreseeable future, I would request that they take the money perhaps off Visit Guernsey expenditure. Because I think there is a stronger case for airline support than for some of the tourism issues as they are currently done and we do need some new thinking about supporting tourism in a different way.

1610 I will just bring in an example, Cornwall. I went to an interesting Chamber of Commerce presentation on Visit Cornwall earlier in the year and they kind of outsourced themselves and went down from £3 million or £4 million to under £1 million, although they have other sources as well, whereas of course they are clearly supporting their airline to a greater extent. So if we had to choose between TV adverts and public relations in colour supplements, and classic links to Heathrow, and also I would support for Rennes, French air link, particularly with the importance of Victor Hugo, I would go for the air links.

The Bailiff: Deputy Brehaut.

Deputy Brehaut: Thank you, sir.

1620 It is not so long ago that we had hordes of students and pupils outside this Assembly complaining about climate change, rightly, and it would be interesting how a climate change action plan may influence this debate in some way. It is interesting, is it not, that we are here to discuss putting huge subsidies into running aircraft with half payloads, burning tonnes of aviation fuel. It is interesting how debates are informed by sometimes, the moment that you are living in or the discussion that is being had outside, externally of the States, in the community at times.

1625 The reality is air travel is simply too cheap. It is ridiculous, all the hidden subsidies. It is plain ridiculous that you can, superficially, fly from Southampton to Guernsey for £20 and not even cover the cost of the biscuits on the flight, if there are any these days. What is the real cost of air travel both in environmental terms and the actual cost of the community? I am glad some of that is coming out now.

1630 Actually, with no sense of irony, the day of the protest outside of this Assembly, I flew to Alderney to take part in an environmental conference. The narrative out there in the community was that nobody was getting on and off of Alderney; it was impossible to get there. I went to the Airport, expecting to relinquish my seat to some Alderney resident looking to get back, when in fact I think there were five or six empty seats on the aircraft.

1635 Interestingly, flying back from Alderney, when Alderney was jammed full with people because it was a very successful conference, there were hordes of people –

I will give way to Deputy Tindall.

1640 **Deputy Tindall:** Thank you, sir.

I did raise this point with regard to the number of passengers that were not on Aurigny flights to Alderney and I am reliably informed that there are reasons why those seats are not filled. It is not possible to fill them all for various technical reasons. I am not technical in that regard but I am told that, just because there were empty seats, does not mean to say they can be filled.

1645 **Deputy Brehaut:** Can I just say thank you for that. Interestingly, I took a flight to Alderney. I like Alderney. I took a flight to Alderney and the co-pilot jested with the passengers that there were four emergency exits on the aircraft, 'So, folks, that is one each.' That is the reality of air travel to remote communities.

1650 When I came back from that trip to Alderney, there were 14 empty seats on the aircraft. That is the nature of the challenge that we are facing. It is not easy. It is incredibly difficult to maintain – I will give way to Alderney Representative Roberts.

Alderney Representative Roberts: Thank you, Deputy Brehaut.

1655 All aircraft have quiet legs. You never have a taxi with passengers going both ways. You have been lucky because you had a lot of seats to yourself. You have to budget for these empty legs and you will never have full, full, full. You have seen this on at Heathrow.

Deputy Brehaut: I would make a strong argument ... Do you know, I am going to be longer sitting down than I am giving a speech but I will give way to Deputy Merrett.

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

1665 I do not want you to mislead the Assembly, which was not your intention. The week I think Deputy Brehaut was referring to is the week where Alderney residents were stuck in the UK and they could not get back from the UK and they chose, for whatever reasons, be known to them, not to come via Guernsey, whereas Deputy Brehaut, sir, was going Guernsey to Alderney and that was the difference.

Deputy Brehaut: I was making a broader observation. As Deputy Parkinson said, it may be useful if I would have focussed on Heathrow and he is right about that. I was making a broader observation about air travel. I would make a very strong argument about essentially Aurigny is our lifeline route, it is Alderney's lifeline route too. But I think in this discussion sometimes, although there is a degree of focus on it today, we forget about the actual cost of air travel – both the cost and the environmental cost.

1675 Thank you.

The Bailiff: I do not think anybody ... Deputy de Sausmarez is trying to decide whether to stand but she is not standing so, as I say I see nobody standing and I will call on Deputy Dorey to reply,

1680 **Deputy Dorey:** Thank you, Mr Bailiff.

The debate started with Deputy Kuttelwascher who talked about it would stop Heathrow continuing and I think I explained to him that it will not stop the existing route continuing and actually, as has been said in the debate, if the States votes for this amendment and votes for (a) they could still continue to operate the Heathrow subsidy. If that is what Economic Development think is their highest priority, the money that is available in the fund.

1690 Deputy Parkinson, when he was speaking about the fund, he talked about long-term commitment. He talked about they would not be able to do these other projects but most of the projects, which are in there, are long-term commitments. They are up to 2020-21, so that money already has been accounted for in the balance that is left in the fund. As I said, the balance left in the fund is inaccurate, it should be £1.7 million.

I will give way.

Deputy Parkinson: Sir, that is a complete *non sequitur*. Just because part of the Economic Development Fund is committed, for example, to future funding of Guernsey Finance does not mean that the money has gone out. It has been allocated, it has not been spent.

Deputy Dorey: It shows the money that has been allocated to the fund up to those day, as I understand. Deputy Trott said it was all about subsidies. In fact, it is not just about subsidies, because I have got Deputy Parkinson's original statement, when he mentioned about the Heathrow move and he said the Heathrow opportunity would not be possible without the move

to open skies. That followed the States' agreement of the economic policy letter in July 2018, so it is not just about the subsidies, but I thank him for his support. Deputy Parkinson has said he is also about the open skies.

1705 Deputy Fallaize, as I said, if we are committed to going ahead with the Heathrow route, you can vote for this amendment and the States can vote for (a) and they can carry on subsidising Heathrow but it will be, as Deputy McSwiggan said, out of the envelope; it will be a more significant part of the Fund. But the review is to return in April 2020. I just do not think it is sensible continuing the *status quo* when we know the amount of problems it is causing. It is
1710 spending significant sums of money, the fiscal benefits have not been identified, it is costing significant losses to Aurigny. I just cannot see the point in continuing. There is a point when you say, 'Actually, it is not working.'

The other important thing is, if we are really committed to a route and we want to invest in it, we have got no certainty of that route continuing. Deputy Parkinson went at length to explain that
1715 we are just babysitting a slot, so the slots might be here today but tomorrow they might not. So we might have put all this money, investing in this route, and then it is suddenly cut off. Not because we do not have the money, because simply the slots are not available.

If you said, right this is the route that we want to develop, you would want to make and invest in a long-term commitment where you have got some certainty. But we have got no certainty
1720 from decisions not under our control; we might lose it. So I would ask him to think again about voting for this amendment and leave the options of whether you want to just limit their returns or limit the amount of money they have for this fund. It is only up until April, when this report comes back, given the money in the fund, so they cannot spend it on routes such as Heathrow.

Deputy Lester Queripel commented on the amendment. The amendment was written,
1725 obviously, as always politically, you have got to write an amendment to try and maximise the support in this Assembly, so it was written to achieve a purpose but to try and maximise the support. He talked about curing the problem. The States have decided open skies but not to spend a ridiculous amount of money on Heathrow and, when it was agreed we should fly to a major hub, it did not know the effect on Aurigny. It now knows and there should be action.

1730 He said, who has concluded about the costs of the Heathrow? He just said, or it is just the Aurigny management. I will read from the Nyras report. They said:

It would be reasonable to assume that financial support to Flybe on the Heathrow-Guernsey route is negatively impacting Aurigny's most profitable route, Gatwick.

So that is their conclusion.

Any subsidy in the competitive London market would be likely to distort the natural supply and demand balance. While we understand there is some public desire for a Heathrow connection, Gatwick's connectivity has increased dramatically in recent years, meaning the contrast in public benefit from services between two airports is not as great as before.

That is the important thing because Deputy Parkinson has made a lot about the connectivity. Now there is far more connectivity from Gatwick than there has been. He goes on to say:

We consider any subsidies in overlapping markets as not being good practice and likely to distort the market.

1735 So they are very clear and I was extremely disappointed that Deputy Parkinson, as Deputy Ferbrache has said, tried to say that they have got compromised hands. I think that is really bad that a Member of this parliament doubts some independent consultants.

Deputy Parkinson: Sir, my point was that Nyras was the consultant who recommended to the
1740 States that Aurigny be allowed to buy the three new ATR72-600s and it is only in this report that they tell us that the ATR fleet loses money and the implication of their report is that it cannot make money.

Deputy Dorey: I think he is trying to re-say what he said. He was definitely very critical. Nyras were commissioned by the Scrutiny Management Committee and STSB to do this job and I think his remarks were unwelcome and disappointing for a politician in this Assembly, about an independent consultant.

Deputy Queripel quoted from the *Press* about the business community and I will go on to what Deputy Lowe said because she said she supports subsidies but if it is just moving passengers from one airport to another, what is the point? I will repeat what I said in my speech. The number of passengers on Gatwick was up on the first three months of the year, before the Heathrow route started. It was 1,483. What Deputy Ferbrache quoted was the net effect for the year.

But if you just look at the six months which the Heathrow flight has been operational, there has been a 15,600 passenger movement reduction on Gatwick. Is that a coincidence that Gatwick was up before the Heathrow route started and he has quoted there how other airports were down, but Gatwick was up. As soon as the Heathrow route started, we had this big reduction. We have also had reduction on Stansted in those six months of 2,500, so 18,100 passenger movements down, where the passenger movement for Heathrow, for that period, was 19,600. I think there is an absolute case that one is being affected by the other.

I will give way.

Deputy Lowe: I thank Deputy Dorey for giving way.

He is missing the point that I was trying to actually say. It is not just about going from one airport to the other, as he has just actually said, it is about putting money into our community. It is about those that, when they have a fare and connectivity that is good, they will be in the restaurants, they will be in the hotels. It is looking at it broader than just one airport to another of some form of subsidy. It is looking to see what we can do to bring people here to this Island and spend in our Island and stay in the Island on holiday.

Deputy Dorey: As I said in my speech, if you just look at Gatwick and the increased passengers between Heathrow-Gatwick, you are talking about £360 subsidy for each round trip and that is not counting the Aurigny losses. If you include Stansted, it is £500 per movement or £1,000 for each passenger round trip. That is not good use of public money.

Many Members in this debate talk about austerity, about not having the money for it, yet we just seem to be throwing money at airlines –

Deputy Kuttelwascher: Point of order.

The Bailiff: Point of order, Deputy Kuttelwascher.

Deputy Kuttelwascher: I think what Deputy Dorey has just said is misleading to a great extent. He is making a presumption, I think – the underlying presumption that Heathrow is the sole cause of the migration of passengers from Gatwick. We do not actually at this time know how many Gatwick passengers have gone to Heathrow, any more than we know how many have gone to Southampton, where Aurigny is competing with itself, because you fly to Southampton for a lot less, or indeed what happened at Southend.

All these routes came on line in the six months he is talking about, so I think it is quite wrong to come out with these massive subsidies that are apparent because of Heathrow, because the presumption he is making is that the whole problem is Heathrow. I have no doubt it is a partial problem –

The Bailiff: I think you are making another speech now, I think you are going beyond just a point of order.

Deputy Kuttelwascher: No, that is it, sir.

Thank you.

The Bailiff: Deputy Dorey.

1800 **Deputy Dorey:** In my reading of the book of points of order, I do not think that is, but any way.

Southampton, yes, Deputy Parkinson mentioned it and it is impossible to know, without asking each person, where they have come from. I fully accept that. But there is an uncanny relationship between what is happening with Gatwick and Heathrow and I accept that, if you look at the
1805 location of Stansted and Southend, there is probably some relationship between the change in the numbers between those two airports.

But people going to Southampton, they are going to have to go by train to London and pay for that additional cost so I do not think it is so likely that they will. If you go on the train from Gatwick you get the £1 use on the Underground ticket so I think, if people are looking at it purely
1810 financially, I do not believe that many people would go to Southampton. But I will wait and see what will happen from the survey.

I will try not to repeat too many points. Deputy McSwiggan, I thank her for her excellent speech. As she said, it is a crisis of the *status quo* and that P&R said it is an urgent need for this report and I think they have outlined the problem we are in. I think, in this current situation, as I
1815 said, people have got, with this amendment, the opportunity of (a) or (b).

Deputy de Lisle, who has been so critical of public expenditure, I am really surprised at his points on this. He comes to this States repeatedly saying that we must not put these taxes up, we must cut public expenditure, yet he seems to be quite happy throwing tonnes of money at an airline and then having to pick up the resultant losses from Aurigny. He cannot carry on with these
1820 points that he is making and replying differently to each debate. **(Several Members:** Hear, hear.)

Deputy Parkinson spoke about the fund and the financial benefit. I fully understand how the fund works and the 50% that goes back in but it is interesting that all these other initiatives have not produced any benefit and no money has gone back into the fund from them. If they were investing in so many initiatives, which were so good to the economy, and having shown fiscal
1825 returns as they were meant to do, he would have money from all these different initiatives and not just Locate Guernsey to put back in the fund.

The £900,000 will be just held in general reserve until the policies have been agreed, so that money is available in the future, once the decision has been made in April, when that report comes back to the States. He talked about the business community; well I think the business
1830 community, one of the most important things to them is having frequent flights to London, to a hub airport.

That is what I was always told and if we endanger that by putting in flights to other London airports I cannot see that is beneficial to the business community. One of the key ones is having the early flight to London. We will endanger that if we have to, for example, stop the mid-
1835 afternoon flight from Guernsey to Gatwick because we cannot justify it because we have got a Heathrow flight instead.

As Deputy Ferbrache implied, Deputy Parkinson never missed an opportunity to have a go at Aurigny and I am just disappointed that he continues with that stance. He has got history because, when he was T&R Minister he wanted to sell them off. He has never been in favour of Aurigny and
1840 he has always wanted to not support them and criticise them and, to me, this policy is just robbing Aurigny of passengers for no good reason. All it means is the taxpayer has to pick up the cost.

I am not going to comment on every speech and I thank those who support this amendment. The point that Deputy Brehaut made about the environment and Deputy Soulsby talked about the increase in the number of planes going over to the South-East of England, the whole strategy
1845 makes no sense and to continue with that strategy by pouring money into flights to Heathrow, to

me the position is ridiculous. From an environmental point of view, it makes no sense having loads of planes flying over just half-empty or less, which the taxpayer is then having to pick up.

1850 So I would ask Members to support this amendment as I believe the decision needs to be made about whether we either limit the amount of money in the Future Economic Fund or you have got the option of giving the money to the Economic Fund but stopping route subsidies to the UK, which to me are not benefiting the taxpayer, are not benefiting our community. They are just increases in our taxes. I ask Members to support it, thank you.

1855 **The Bailiff:** We vote on amendment 3, proposed by Deputy Dorey, seconded by Deputy McSwiggan and there has been a request for a recorded vote, so we have a recorded vote on amendment 3.

1860 **Deputy Lester Queripel:** Sir, for clarification please, just to clarify what you said; I think you said earlier we are voting on the amendment in full?

The Bailiff: We are.

Deputy Lester Queripel: Okay, sir. Thank you.

1865 *There was a recorded vote.*

Not Carried – Pour 9, Contre 29, Ne vote pas 0, Absent 2

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Brehaut	Alderney Rep. Roberts	None	Deputy Inder
Deputy Tooley	Alderney Rep.		Deputy Dudley-Owen
Deputy Trott	Snowdon		
Deputy Laurie Queripel	Deputy Ferbrache		
Deputy Paint	Deputy Kuttelwascher		
Deputy Dorey	Deputy Tindall		
Deputy McSwiggan	Deputy Gollop		
Deputy Langlois	Deputy Parkinson		
Deputy Roffey	Deputy Lester		
	Queripel		
	Deputy Le Clerc		
	Deputy Leadbeater		
	Deputy Mooney		
	Deputy Le Pelley		
	Deputy Merrett		
	Deputy St Pier		
	Deputy Stephens		
	Deputy Meerveld		
	Deputy Fallaize		
	Deputy Lowe		
	Deputy Smithies		
	Deputy Hansmann		
	Rouxel		
	Deputy Graham		
	Deputy Green		
	Deputy Le Tocq		
	Deputy Brouard		
	Deputy de Lisle		
	Deputy Soulsby		
	Deputy de Sausmarez		
	Deputy Prow		
	Deputy Oliver		

The Deputy: Members, the voting on amendment 3 was nine in favour, with 29 against. I declare it lost and we will rise now and resume at 2.30 p.m. with amendment 4.

*The Assembly adjourned at 12.30 p.m.
and resumed at 2.30 p.m.*

POLICY & RESOURCES COMMITTEE

**The States of Guernsey Annual Budget for 2020 –
Debate continued**

The Bailiff: We move on to amendment 4 which is to be proposed by Deputy Dorey, seconded by Deputy McSwiggan. Again, would you like it read?

Deputy Dorey: Yes, please, sir.

The Bailiff: Greffier, could you read amendment 4 please?

The Greffier read out the amendment.

The Bailiff: Deputy Dorey.

Amendment 4.

To replace Propositions 36 and 37 with the following Propositions:

"36. To agree that the direct and indirect financial implications for the States of Guernsey arising from the Public Service Obligation (PSO) tender process decision(s) in respect of the Alderney-Guernsey and Alderney-Southampton air routes, including any financial consequences for Aurigny, shall be included in the policy letter which sets out the funding options available and recommends the most appropriate way forward (as referred to in paragraph 8.33 of this Report); and to direct the Committee for Economic Development, the States' Trading Supervisory Board and the Policy & Resources Committee to include proposals within that policy letter for appropriately addressing any new costs to the States and Aurigny that arise as a result of the award of the PSO contract(s) on the Alderney routes.

"37. To direct the Committees involved in creating a governance framework for all aspects of States-funded air route operation and support, as set out in Proposition 38, to include consideration of the full costs and benefits of the PSO model and its sustainability for Guernsey and Alderney."

Deputy Dorey: Thank you, Mr Bailiff.

Firstly, I would like to thank Deputy McSwiggan for seconding the amendment and for helping draft the amendment.

Sir, I will read Propositions 36 and 37 because those are the Propositions that will be deleted by this amendment. Proposition 36 is:

To authorise the Policy & Resources Committee to make available a temporary overdraft facility for 2020 of a maximum of £5 million to Aurigny Limited if Aurigny ceases operating either or both of the Alderney air routes.

Proposition 37 is:

To authorise the Policy & Resources Committee to guarantee an external overdraft facility of Aurigny Limited up to 31 December 2020 of a maximum of £5 million if Aurigny ceases operating either or both of the Alderney air routes.

I thank P&R for notifying Members that they will support the amendment. I will keep my speech short as a result of their support and I think this amendment is very controversial unlike the previous one.

This amendment is to ensure that the full financial implications of any Public Service Obligation are included in the report and in the Propositions when they are eventually debated by the Assembly. I notice in the Billet it says by the end of November but we had some debate earlier about we were expecting it earlier but the report should be ready by then.

1890 If the outcome is that the PSO contract is not awarded to Aurigny those financial implications will have to include the costs to Aurigny of ceasing to operate the Alderney services and how it will be paid for. In that situation one of the options will be for an increased overdraft although presumably that will be a temporary solution.

1895 There is no current need for the Assembly to authorise P&R to increase the overdraft for Aurigny to cover such a possible outcome because no decision has been made on the PSO.

I do think that it is important that the full consequences of the PSO are considered at the debate, including any overdraft facility and that is the right time to propose the overdraft if required.

1900 The second part of the amendment relates to the co-ordinated and coherent government framework for the consideration of all aspects of the air route operation support that is under the control or influence of the States of Guernsey that is effectively Proposition 38 which we discussed in the previous amendment.

1905 Our amendment to the proposals in Proposition 38 make sure that the framework includes the PSO model. The PSO model will probably be the biggest, or one of the biggest, subsidies given to any air route. So it makes total sense that it is included in the framework. As I said, this amendment hopefully is not controversial, therefore I ask Members to support it.

Thank you.

1910 **The Bailiff:** Deputy McSwiggan, you formally second the amendment, do you?

Deputy McSwiggan: Yes, sir.

The Bailiff: Deputy St Pier, do you wish to speak at this stage?

1915 **Deputy St Pier:** Yes, very briefly, sir, just to confirm as Deputy Dorey said that the Policy & Resources Committee, having considered the amendment, does support it. We are perfectly happy to accept what we regard as being an improvement in the governance around the management of this issue.

1920 The question of the overdraft facility that we were seeking through the original proposals we are very content should be part of any policy letter that deals with the PSO.

So on that basis, sir, we are very happy to support this amendment.

The Bailiff: Deputy Gollop.

1925 **Deputy Gollop:** Sir, I will support the amendment as well.

Funnily enough, I probably earlier would have instinctively voted against it, but I think we are at least moving forward to some kind of a framing of where we are going on that and maybe Deputy Tindall's amendment next will also add flesh on where we are looking to take our overall aircraft view.

1930 I think we heard a little bit of political banter or badinage maybe this morning with the big hitters, Deputies Trott, Ferbrache and Parkinson, about some aspects of air travel and the different perspectives there are perhaps on Aurigny and its future. It is certainly difficult for lay Members like myself to start becoming an instant expert on aircraft costs and whether somebody is managing something correctly or not.

1935 Of course I sit on the Transport Licencing Authority, but sometimes, like we have seen in the UK recently, MPs seem to change their mind a lot. I sometimes think: did I really support that and if I did can't I change my mind because I am really ...? I have been uncomfortable for the last six to

nine months about ... well there is another question about open skies which we will come to on another day perhaps or later in this debate, but I have been uncomfortable about the construction of the PSO process that Economic Development on behalf of the States have undertaken.

I know they have consulted ESS and other committees and there have been several false dawns or restructurings and delays and so on, but I kind of think I wish we were not on this particular runway or railway because the Public Service Obligation model is fraught with difficulties, particularly as we have no transport ministry, which I would like to see or the equivalent. We have four or five different committees with different functional roles, and we have a situation whereby we have heard today that Economic Development despite being vigorously interested in the aspects have to, on the one hand, be relatively confidential and commercially confidential about issues, on the other hand. Although they presumably politically want to drive the process they have effectively sub-contracted down to an operational and official level much of the weighting and decision making, it would appear, to the Procurement Group, which would not have happened in quite that way in the olden days.

Therefore one feels, as both somebody who now owns a property in Alderney but who has a long-term interest there and in Guernsey, to think: what is the impact on Alderney governance and our relationship with the States of Alderney and its Members on their long-term strategic outlook? Why have we been ambivalent about support for an English to Alderney airlink from Southampton or somewhere else?

I do not know where we are with this. We certainly do not know where we are; whether Aurigny will be part of the future solution or not. Now we are reading, if I understand the Budget right, that it could cost us £10 million, by my adding two and two and making four: £5 million overdraft facility, another open chequebook, to misquote Deputy Inder; plus £5 million of guarantee for what would be, if they were not running in Alderney anymore after half a century, a traumatic change in terms of crew, station crew, use of planes, sale or whatever of parts and all the rest of it.

So I think somewhere we have gone very wrong on this and actually we did need a subsidised structure for the Alderney route but we perhaps should have simplified it and just allocated a block figure that was properly tested and costed to our State owned, if you like, airline, Aurigny rather than going down this route.

But we are where we are, and I think that this amendment at least perhaps makes our decisions easier because I am not entirely convinced that we will come out of the tunnel with the right solution.

If it was up to me I think I would abandon the PSO process, but I am perhaps more confident that we can work in partnership with the States of Alderney to find a solution that is mutually acceptable to the States and people of Guernsey and the States and people of Alderney and is in the best strategic, social and economic interests of both communities.

The Bailiff: Deputy Trott.

Deputy Trott: Sir, I rise briefly to make a point because I support this amendment, about the comparative costs of the Alderney PSO.

I think it is widely accepted that the losses that Aurigny incurs servicing Alderney are around £3 million a year, certainly answers to questions that have come from the President of STSB have pointed us firmly in that direction. In fact this morning the President of the Committee for Economic Development intimated or insinuated they could be higher, at £3.2 million or even £3.5 million but certainly the procurement people at the Policy & Resources Committee are fairly confident the losses have a three in front of them.

So let's use that as the basis: £3 million servicing the resident community of no more than 2,000 works out at a *per capita* subsidy of £1,500. Now if you extrapolate that against a community of 63,000, the comparative being Guernsey as opposed to Alderney, that would generate losses on this airline of just under £100 million a year. That is the extent of the subsidy, it

1990 is absolutely enormous and our community is rightly concerned about losses that are approaching double figures and yet by comparison we are talking about losses that are approaching three figures. Bear that in mind.

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

1995

Deputy Dorey: I do not think there is much to reply to, sir.

Deputy Gollop talked about the PSO was fraught with difficulties but that is beyond this amendment. We are in the same attempt to get a PSO.

2000 He mentioned about £10 million; I think he was mixing up those two different Propositions. It is the same £5 million they are referring to, it is not £5 million plus £5 million.

I just ask Members to support the amendment.

Thank you.

2005 **The Bailiff:** We vote then on amendment 4, proposed by Deputy Dorey, seconded by Deputy McSwiggan. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried.

We come to amendment 6, to be proposed by Deputy Tindall and seconded by Deputy Queripel. Deputy Tindall.

2010 **Deputy Tindall:** Thank you, sir.
Could I have it read out please?

The Bailiff: Yes. Greffier, can you read out amendment 6 please?

The Greffier read out the amendment.

The Bailiff: Deputy Tindall.

Amendment 6.

To add at the end of Proposition 38 the words "the terms of reference for that consideration to include

Identification of strategic goals of the States for the provision of reliable, sustainable and affordable air links for residents of the Bailiwick; tourists to the Bailiwick; business travellers to and from the Bailiwick

analysis of the type and amount of support required for air transport routes which aligns with those goals including the balance between investing in infrastructure, major or otherwise, and subsidies to airline operators and to include, within their report, a clear and impartial analysis of any local, regional or international legislation (particularly in respect of competition) which may be relevant to the States' ownership or subsidy of, or provision of infrastructure or other support for, airlines and/or air routes flying into and out of Guernsey and Alderney

analysis of potential methods of operation of the air routes considered lifeline routes by the States of Guernsey in order to align those with the identified strategic goals

identification of shareholder objectives of Aurigny which are consistent with those strategic goals."

2015

Deputy Tindall: Thank you, sir.

We have been informed by P&R that they support this amendment which in normal circumstances would hopefully reduce the debate, but for me whilst this is reassuring, they say in

2020 the note to us that the contents of the amendment contains terms of reference which are actually narrower than what they themselves were proposing. I happen to disagree and for that reason I have done this speech to get the point across why I think it is so important to ensure that this review or collation of reviews is so important.

In the note we are being told that P&R's proposed scope of the work is to:

Evaluate progress against the 2017 recommendations ... 14.46.50

– which I am assuming is the Strategic Review of Aurigny –

... and the impact of the implementation of those recommendations; evaluate as far as possible the impact of this subsequent development set out above on (a) the economy; (b) Aurigny's business, and (c) the aviation market; recommend clear shareholder objectives, business priorities and financial targets for Aurigny; evaluate different operational models for Aurigny in terms of routes and fleets; recommend the level of public funding;

2025 – it does not say for Aurigny but it sort of leads you to think that way –

... recommend any guidelines for the States of Guernsey to ensure that future decisions on expanding air routes take into account the wider impact including on Aurigny and making other recommendations to support reducing the scale of losses to the business.14:47:48

– which has to be Aurigny.

2030 So the reason I say this is because the amendment that we are putting forward is basically to ensure that it does not just focus on Aurigny, or indeed just subsidies for air routes, but options including infrastructure versus subsidies, ways of operating routes not just bailing out Aurigny is being considered.

I should also add that I do not see the amendment terms of reference are actually mutually exclusive to what has been put forward by P&R, I just think that it has got to be wider than what P&R's scope of review has been said.

2035 I feel strongly that one of the issues in relation to the reviews is the way the terms of reference are drafted and the limited approach to those terms of reference in the final recommendations.

There is often a real willingness to grasp the nettle but when you see the terms of reference they are either not drafted as widely as expected or the recommendations are actually not fulfilling the terms of reference, and it is this sort of frustration, this disconnect, that I particularly want to draw into the limelight as it were.

2040 Despite the fact that I am saying what I have put out in this amendment is actually expanding, I still do not see a problem with the timeframe. Deputy Fallaize felt P&R's timeline was ambitious; I do not feel that that is the problem because the amendment does not so much ... the extra work does not so much add to the work, it is just that there are more reports to collate because it is out there.

2045 Deputy St Pier has informed us that he does not believe that this work will be particularly lengthy given that much of the work has been undertaken in different ways in this term. I agree other than the fact it is not just this term. However, because the P&R scope of work is as limited as I feared before, I actually laid the amendment. The amendment is even more necessary to ensure it covers what is needed.

2050 As I say, it collates the information out there, comes up with recommendations and we can draw this to a conclusion in this term. Wouldn't that be nice? (**Several Members:** Hear, hear.) Because it feels like a merry-go-round. We need to get off this merry-go-round. We have had three or four reports, and other reports supporting at least four debates, five including today's, and then we have also had comments made in updates and questions and answers. There has been, to list them: the 2015 Scrutiny Report on the Security of Strategic Airlinks; 2017 two reports out of the Strategic Review of Aurigny; October 2018, the RESA runway debate; followed in short succession in December 2018, the States of Guernsey Air and Sea Route Policy Development and Investment Objectives; then the guarantee for the purchase of aeroplanes for Aurigny; and in April 2019, finally, the Strategic Air and Sea Links Infrastructure Report; but most recently the Efficiency

2055

2060 & Benchmarking Report on Aurigny in November, only last week. Throughout those reports and debates, questions were asked and P&R should take heed so that they are not lost by concentrating on Aurigny or indeed subsidies.

I wish to summarise these comments to assist P&R. I hope Members forgive me for stealing their words, albeit I will attribute their quotes. I start with Deputy Le Pelley's foreword as Chairman to Scrutiny's Strategic Review of Aurigny in 2015, and he will forgive me for reading a couple of paragraphs out but I think it is so relevant because it was 2015:

One of the major observations resulting from this review is the clear requirement that Government policy must be focussed on addressing major issues such as ensuring strategic air links rather than rigidly based on departmental responsibilities.

Government must consider that the management of the airport the shareholder responsibility for Aurigny and the production of a tourism strategy all have to be aligned to achieve key overarching objectives rather than the current model where each is evaluated as an end in itself. Over this parliament different parts of the Government have been pulling in different directions.

These assets must be strategically aligned to the wider priorities of the Government not focussed on individually based and potentially contradictory financial performance targets. Achieving this policy synergy should be the main focus for future Government policy to ensure strategic air links truly serve the economic and political interest of the Island. Responsibility for air links will of necessity continue to be split between departments, the split itself is not the problem, the lack of leadership and direction is. The SRC proposals will we hope provide an opportunity to rectify this issue.

It goes on:

Given that the Government owns the airline which is central to ensuring strategic air links across the Bailiwick it is surprising there is no clear policy to use Aurigny to support wider economic and political objectives.

The objectives given to Aurigny should be a tool to enable the achievement of wider government policy aims rather than focus simply on the financial performance of the company.

Then later in the RESA runway debate two very short quotes of note in October 2018, Deputy Parkinson:

We are discussing what the solution might be without even having identified what the requirements are.

2070 Deputy Langlois:

We just continually have reports because it is a way of deferring coming to terms, defining what the problem is.

Then we have the States of Guernsey Air & Sea Route Policy Development & Investment Objectives debate December 2018. Deputy Parkinson again:

... it was originally intended that P&R would bring a policy letter on their review to this meeting, and the PwC report was to have been appended to it. Sadly, that has not now happened. So unfortunately some of the evidence on which our policy letter is based is not before the States. So let me be absolutely clear, if the States agrees the objectives today then it must require further work to be done to assess the business case for the extension of the Airport runway.

It did approve the objectives but as we all know it has not, as yet at least, agreed to commission a business case.

2075 Then we have April 2019, the Air Route Infrastructure, and this is the P&R policy letter and Deputy Trott said:

The Policy & Resources Committee is under no illusion than transport connectivity is critical for the future economic and social wellbeing of the Island, but we are 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 we have undertaken.

Interesting. Deputy Hansmann Rouxel mentioned, and was actually quoted by quite a few speakers for what she said, and worthy to be so, and she says:

Nowhere has someone sat down and said what is the overarching policy here. Where are the gaps?

She mentioned two gaps, climate change and the lack of tourism strategy and concluded with:

I urge Members to think about this holistically.

2080 As I say, Deputy Fallaize said that:

... where she talked in part about the sequence of decision making and whether it was appropriate to be considering infrastructure projects before we have decided what the policy objectives are.

Deputy Tooley said, referring again to Deputy Hansmann Rouxel when she said:

We need to identify the problem before we decide the right way to solve it.

Deputy de Sausmarez said:

Call me old-fashioned but I think the normal way of doing things is to identify the problem and then come up with a range of solutions and then appraise them on that basis ... what does this mean for the security of our air links? How do you reconcile it with the question of Aurigny and things like that? ... I absolutely agree that there should be a strategic case but the outline strategic case actually should not take very long to build but no one yet, in years and years of debate on this, seems to have produced even that. That is what I do find quite frustrating.

2085 To me somebody also, when doing my trawling through *Hansard* and the reports – somebody said trawling through *Hansard* is worse than actually going through the debate itself. I apologise for not being able to – Deputy Merrett said it was her – as I say I apologise for not quoting ... having a quote for that person ... saying it was Deputy Merrett, I got there in the end. The point is actually those were very interesting quotes I thought.

2090 But I would like to finish off, sir, with the reason why I have said this; it is because I really would like this to be a holistic report in order to collate everything that has been done because I just felt, having seen the scope by P&R, it was too focused on Aurigny.

I want to finish with a couple of quotes in respect of the most recent report which is the Aurigny Efficiency & Benchmarking Report 2019 and it says in that report:

6. The broader review to cover purpose and scope shows that much strategic thought is needed around how Guernsey best uses its airline to the benefit of the economy and people.

2095 To finally finish with Deputy Green in his press release, 'Hopefully this report is the starting point in creating an aviation strategy for the islands.' I agree and I ask people to support this amendment in order and if they wish to add to the debate to help focus that terms of reference and the way in which it comes back to the States I heartily look forward to this debate.

Thank you, sir.

2100 **The Bailiff:** Deputy Laurie Queripel, do you formally second the amendment?

Deputy Laurie Queripel: I so second the amendment, sir.
Thank you.

2105 **The Bailiff:** Deputy St Pier, do you wish to speak?

Deputy St Pier: Yes, briefly, sir.

Again just to confirm that the Policy & Resources Committee does support this amendment.

2110 I absolutely agree with really everything that Deputy Tindall has just said. She has clearly done a considerable amount of research and referred to many wise words expressed in this Assembly and elsewhere in the last four years on the subject. We need now just to crack on and get on with it.

Several Members: Hear, hear.

The Bailiff: Deputy Smithies.

2115

Deputy Smithies: Thank you, sir.

I tend to agree with P&R on this one. The amendment may be seen as gilding the lily a little bit. It seems to assume that none of the list of points included in the amendment will be considered. But Proposition 38 refers to all aspects of air route operations and support.

2120

However, I do support the sentiments of the explanatory note which seek to combine the results of many reports into an overall strategic review and if it results in a more clearly defined air transport policy then so much the better.

2125

Turning to Aurigny, and we all seem to turn to Aurigny eventually, we need clearer definition of the shareholders' expectations. (**A Member:** Hear, hear.) From Aurigny, this can only be welcomed. Is Aurigny charged with reaching a break even, or is it an economic enablement vehicle, or both or neither? I think we need some clarity on that.

The Bailiff: Deputy Kuttelwascher.

2130

Deputy Kuttelwascher: Thank you, sir.

I am happy to support this amendment.

I am particularly interested in bullet point No. 2 because it highlights an issue which says amongst other things to include:

... the balance between investing in infrastructure, major or otherwise, and subsidies to airline operators ...

2135

It seems to me painfully obvious that if we do not do a cost benefit analysis of major airport infrastructure investment we will not be able to deal with this particular issue. I hope Members remember that when the appropriate requête comes forward.

Thank you, sir.

The Bailiff: Deputy Gollop.

2140

Deputy Gollop: As intimated earlier I, on balance, support this amendment and I think I was present when some of the thinking for it was being identified because it certainly adds flesh to the bone to the original Proposition which was just endorsing the intention to:

... develop a co-ordinated and coherent government framework for consideration of all aspects of air route operation and support and that is under the control or influence ...

– and this goes further.

2145

Of course I kind of want to talk a little bit about the Transport Licencing Authority which I do not think has met this year, but it met frequently beforehand. Deputy Paint of course is our President and like earlier today expresses points of view about perhaps thinking of the taxpayer as well as connectivity.

2150

But of course it still exists, the Transport Licencing Authority, and therefore should have an input into this. It still has a residual role in being open for compulsory mandatory application should there be a competitor wishing to fly on the London Gatwick/Guernsey route or indeed actually the Guernsey/Alderney route because they were not covered under the open skies liberalisation.

2155

I mention that because in a way it was a curiosity that Heathrow ever got off the ground in the first place because I remember we had legal advice in the early days of the Transport Licencing Authority which of course before that, Deputy Brouard and others may recall, was part of the Commerce & Employment. Deputy de Lisle, I believe, served as well in that respect and Deputy Laurie Queripel, who seconded this amendment, and it did not just include looking at the viability and suitability, appropriateness of a competitor coming in on an airport service or even a new

2160 route say to Cardiff or Newquay or wherever. It also applied to airports that might adversely affect the competition and viability of nearby routes.

You do not need to be a genius to guess that, for example, the Heathrow service supported or otherwise by a States' department would potentially, at least in the views of the other airline, affect the Gatwick viability and therefore the taxpayer.

2165 Also I think Deputy Kuttelwascher nearly said this but it has been said in the business community that the Southampton run is an extremely good link to London for those who prefer train travel and an airport where you do not have to walk half a mile. It is partially a competitor of Heathrow and Gatwick. So again competition on Southampton has a material affect potentially on Gatwick.

2170 Also we were told, I think, by Deputy Parkinson in a radio interview that Aurigny might have considered the Heathrow link but amongst other problems might have wanted a £2 million grant rather than the amount that its competitor wanted perhaps. So there are a lot of issues.

I am actually not particularly crazy about this amendment or the Proposition because I think the last thing we need is another transport review because, as Deputy Tindall explored, we have had numerous reports and we have gone round in a circle.

2175 The States decided in their wisdom not to go for Deputy Kuttelwascher's advice on runway extensions, and we also decided in our wisdom to go for open skies against Deputy Trott, Deputy St Pier and wise advice potentially from the upper bench. Open skies, I knew, was never a complete answer because we had open skies before, Manchester, Southampton, Jersey, Alderney, and the answer was always the same, the market never grows enough to enable cheaper air fares to be sustainable to the operator or the taxpayer. But open skies temporarily delivers cheaper fares for some consumers. It also, to be fair, broadens and expands the market and perhaps the attractiveness of Guernsey as a tourist or enterprise destination. So it is not all bad.

2180 But what angers me is we do not seem to have a leadership message out there of saying whatever policy we adopt for transport has a cost and it probably has a cost to the consumer and the taxpayer.

2185 Sometimes I fall out with some of my Guernsey political friends when we get on the topic of Alderney because I say I know what people in Alderney want from their air service. They want very small planes running every half an hour with fares no higher than £30 or £40 a ticket that operate in all weathers and winds and are easy to book and easy to change. Now of course the reverse, that the airline executives will say that is not – oh, okay.

Alderney Representative Roberts: I am sorry Deputy Gollop that is not what Alderney want: £30 or £40 would be nice but that is not what we aspire to.

2195 **Deputy Gollop:** I am exaggerating. I am talking prices maybe of a few years ago.

2200 But of course there was a golden era when a certain Blue Airline competed on to the rock and others before then and for a brief period, albeit with difficulties further down the line, we did see cheaper and a wider selection of tickets and perhaps – well, you can actually get tickets for £43 if you are really lucky, single but the point I am making is I am exaggerating sometimes what the feeling from Alderney is. But I would put it another way because I am not taking a pop at my friends from Alderney that actually that is the same message I hear from Guernsey consumers whether they are locals, tourist entrepreneurs or businesses, they seem to want an astonishingly wide variety of airports, with budget airline prices, running every hour or two, all the time at consistently cheap fares, using ideally jets or ecologically sustainable aircraft, I was hearing some messages earlier as well.

2205 Now the problem is that actually I hate to say this but maybe airfares are too low because it is perhaps not possible for the consumer in the Guernsey cost base to get airline prices at the rates that match up to their income without, as Deputy Lowe indicated earlier, some form of subsidy.

2210 Therefore I think we have spent the first few years of this States not actually realising what the problem was, and the problem is the cost of getting on and off the Island without a longer

runway is one of the factors, is very high in terms of diseconomies of scale. So we either have high airfares which the public, community and the businesses complain about, or we have lower airfares but with the taxpayer paying some of the bill.

2215 I think until we have a really honest conversation and perhaps more open book accounting – and so all of the airlines who serve us really should be more open about what their real costs are and what their losses have been that they may have accepted or accumulated – we are not going to get anywhere.

2220 Therefore we almost need to do what we have done with the bus industry and actually accepted that to run a reasonable bus service in Guernsey with growing passenger numbers against the UK trend has involved significant, in real terms, public subsidy.

As Deputy Trott said, he is more than aware that Alderney has a subsidy but in reality Guernsey is going the same way as well, albeit on a smaller *per capita* scale; and that is the conversation we need.

2225 So I support this amendment really with a heavy heart.

The Bailiff: Deputy Trott.

Deputy Trott: Thank you, sir.

2230 I rise really just to ask the proposers of this amendment, particularly the proposer, whether the intended consequence of this amendment is fully appreciated by them.

The identification of strategic goals of the States – one of the things that this Assembly has done well during this term with regards air links is decide on which routes that are currently undertaken are lifeline and which are not, and the proposer will know, through you, sir, that 2235 Guernsey/Gatwick and Guernsey/Alderney are considered lifeline, if my memory is serving me correctly, all other routes are not. Yet in the penultimate bullet point she says or they say:

... analysis of potential methods of operation of the air routes considered lifeline routes by the States of Guernsey ...

Well we know that Alderney/Southampton is not considered a lifeline route; was it her intention to deliberately exclude that route? I suspect it was not and in the interest of fair play I make that point in advance of the vote, sir.

2240

The Bailiff: Deputy Langlois.

Deputy Langlois: Thank you, sir.

2245 I am just standing to explain that I will not be supporting this amendment. I think the terms of reference are far too broad to result in anything meaningful or focussed.

I think Deputy Gollop was right when he said 'yet another strategic review', and I think that is exactly what we are going to end up with.

2250 I think P&R are over confident that they can turn these terms of reference into something which might prove to be useful to the States. I think their original Proposition and the subsequent explanation of those items of the terms of reference that they have considered so far are far more likely to result in a focussed look at the practicalities of our air links.

I think we have discussed strategic goals as much as is useful and it is time to look at the practicalities of the finances of the various air routes we have got and the airlines supplying them to the Island.

2255 I think we are going to get carried away with strategy when we should be having a lot more of a tactical look at our air routes. I do not want us to end up in the beginning of next year with yet another strategic review which will be debated in this Assembly and then end up on a shelf somewhere. I want to see something a lot more focussed and I do not mind if Aurigny is at the heart of it, as some people seem to object to, after all it is our States' owned airline and does 2260 provide one of our lifeline routes.

So I will be rejecting or rather not voting for the amendment and I am trusting P&R to put together something with some meat on it for us to debate at the beginning of next year.

Thank you.

Before I sit down I will give way to Deputy – (*Laughter*)

Deputy Oliver: Thank you.

I was just wondering, Deputy Langlois says they are wider than what P&R agreed and P&R are saying that they are actually slightly narrower. So it seems that everybody is a bit sort of – it is either narrower or it is wider. It is one of them, it cannot be both.

Deputy Langlois: I am not the one who is confused. I think P&R is (*Laughter*) if they actually read through the amendment with greater care they will see that it is – it is those words, the magic words are strategic goals which are included in the amendment but are not included in P&R's statements to date.

I do not want to be in another 'I told you so' situation regarding air routes, but I fear I might be if this amendment is passed.

Thank you.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I think what is needed is a piece of work which takes the conversation forward, and I think there is a danger with this amendment that it will not do that. In fact I think there is the potential for it to reopen some issues which are already implicitly or explicitly settled.

I mean, for example, one of the bullet points would require in terms of reference:

... analysis of the type and amount of support required for air transport routes which aligns with those goals including the balance between investing in infrastructure, major or otherwise, and subsidies to airline operators ...

(**A Member:** Hear, hear.) Now that may be a good thing in itself. Deputy Kuttelwascher I think is – is it later this month – we tend to have an airport runway debate at every other States' meeting; we have not got one this time so I think it is probably next meeting we will have our next debate on that subject due, (*Interjections*) but Deputy Kuttelwascher is entitled to lay his requête and he may or may not be successful. But the holding position, the *status quo*, is that there is not going to be any lengthening of the runway. Deputy Kuttelwascher may be able to persuade the States otherwise, but I am not quite sure why the States would want to reinsert that issue into this work that is being proposed at Proposition 32 when notwithstanding Deputy Kuttelwascher's requête it has already been settled.

I will give way to Deputy Kuttelwascher.

Deputy Kuttelwascher: Sir, I think Deputy Fallaize – I thank him for giving way, but I just want to point out the requête does not propose we extend the runway.

Now all it is proposing is we do a cost benefit analysis and depending where you draw the bar you can then decide whether it is value for money to do so, and unless that is done I am afraid the second bullet point which he has referred to here could not be delivered. So that is what it is all about. Is it a proposal that could be proved to be value for money? That is all, it is not proposing that it be extended but let's actually look at the evidence, that is all.

Thank you, sir.

Deputy Fallaize: Well, not wanting to rehearse that debate, Deputy Kuttelwascher is right. Obviously he has characterised the Propositions in his requête accurately.

But in any event I do not see how the conversation is ever going to be taken forward if every time a piece of work needs to be done in relation to air links there has to be an analysis carried

2310 out of whether the runway should be lengthened. I mean at some point the position, whatever the States decide, is just going to have to be accepted and then further pieces of work will have to follow based on those earlier decisions.

2315 Then in the terms of reference proposed in the amendment there is potential to reopen the concept of lifeline routes. I think the problem here is it could grow into a monster. Now the States have a problem – the States have numerous problems – but one problem the States have is being overly afraid of doing anything until you can see the whole picture in relation to everything, which you never can.

2320 So I have used this phrase that you do not do anything until you can do everything, which inevitably means you end up doing nothing; that the States are stuck in that rut in almost every area of policy, and certainly the States have been there in relation to air links. It is because we are extraordinarily risk averse, whether it is financially, or in terms of policy making, or the way in which we use property, or the relations between committees and officers.

2325 The States is just a very – we are in a very risk averse culture. I think because probably we are as an organisation afraid of making errors which then can be attributed to particular decisions made by particular people. But anyway that is my analysis of it, but I do think we are very risk averse. It does constrain us from doing things which might just sometimes be good enough.

2330 I think what I see in this amendment, although I understand why Deputy Tindall is laying it, I understand what the objectives are, I have some sympathy with it, but I see in it an attempt to try to mould this idea of a kind of perfect review which might somehow result in a perfect set of recommendations which encompass absolutely everything about air routes and airports and the airline industry, and I do not think that is going to be possible. I certainly do not think it is going to be possible to get a report like that before the States by April, because that is the timeline that is set out in the Proposition which this amendment is seeking to add some words to.

2335 So I looked at the Proposition from the Policy & Resources Committee, the original Proposition, and I thought actually the way in which it is framed which is setting out I think the need to take this conversation forward but without making it too prescriptive actually I think that level of flexibility is probably advantageous when it comes to setting up some terms of reference; and that by trying to be more prescriptive about it I think we are in danger of overcomplicating this issue and in my view almost inevitably provoking a review which will take many months more than the timeline that is set out in Proposition 32.

2340 So although there is nothing particularly objectionable in what Deputy Tindall is trying to set out, I do not think that this is the next phase of work which needs to be done in this area and therefore I would ask the States to reject the amendment and to support the original Proposition.

2345 **The Bailiff:** Deputy Oliver.

Deputy Oliver: Thank you, sir.

2350 To be honest, this amendment and what we are actually discussing, Proposition 38, is all a bit hypothetical anyway to a large extent, because Proposition 38 says to endorse the intention of Policy & Resources Committee to consultation, so it is not actually saying to direct them, it is just saying: well Policy & Resources think about it, they might get around to it, they might not. They have put a date in there but again they can come back and say well it was the intention but we have not actually got around to it, so whichever one we choose at the moment it probably will not happen in the timeline set out, which is quite concerning.

2355 If I had actually thought about it I should have done an amendment to say 'direct rather than to sort of this,' but I think that if we are going to do something we may as well get a full picture to see the whole picture rather than just part of the picture which is what this amendment is trying to do.

2360 So I think I will be voting for it but whether it actually gets carried out is a different matter.

The Bailiff: Deputy Merrett.

Deputy Merrett: Thank you, sir.

I will try and inject a bit of positivity in debate but I might struggle to be honest.

2365 So Deputy Tindall said get off this merry-go-round, I do not think that is realistic. I kind of think an idea of the treadmill, or maybe even the lift going up or down might be slightly better in this regard.

Whatever comes from this, I will fire a shot across P&R's bows ... is that it cannot be just a vanilla overarching, maybe this, that or the other, it has actually got to come to some sensible realistic recommendations that this Assembly can actually debate.

2370 There has to be the reality check, it has got to be fluid, we have to react to market forces. The market forces may be another airline, it could be competition, it might be the demand or expectations of our community; it might be the expectations of businesses, but we cannot sort of have a debate in April and go, right, this is it for the next 10 years, because that is just not realistic working in the environment of business or working in the environment of airlines. I do not think
2375 that is realistic at all.

If P&R do come forward and they are able to answer this trilemma and Deputy Tindall's amendment says – I will put my glasses on so I can quote it:

Identification of strategic goals of the States for the provision of reliable, sustainable and affordable air links for ...

Residents, tourists and business travellers, and we know that there is a real tension there and it is a real trilemma, so if they are able to come back and give us some recommendations on that,
2380 well first of all I would applaud them.

Odd world we live in though, sir, isn't it because – well it is a very odd world we live in because Deputy Shane Langlois – I can't say it – has come down on one side saying I am not going to support it because it is just ... and yet using exactly the same line I am actually going to come down probably to support it, because we do need to have a more overarching debate, and I was
2385 quite concerned actually by Deputy Fallaize because he said why would we want to talk about infrastructure when we are talking about air routes; well because planes have to land somewhere, and an air route is not just when it is in the sky, it has got to go somewhere and the assumption again is that this is all about extending Guernsey's runway – well actually Alderney have a runway as well, sir, and it may be that we have to do something on that runway to enable a more
2390 commonality across the fleet of, for example, Aurigny to the commonality of the fleet so that actually planes can go to Alderney or they can go to Gatwick or they can go to Southampton or they can go to Guernsey.

So my assumption, sir, and I assume that somebody at P&R will give some comfort to me on this, is that when we say infrastructure it is infrastructure of the airports that we serve, as in
2395 Alderney, as in the Bailiwick, as in not just Guernsey.

I am wanting to support it but I do appreciate the other Deputies that have spoken, especially Deputy Oliver's pessimistic view. I say it is pessimistic but maybe it is more realistic, I am not sure, time will tell. But please if we do agree to this Proposition 38 as amended, or as the main Proposition, can we please have something back before this Assembly that is written in a way that
2400 can actually be debated, deliberated and determined, something that is realistic and something that... – but if we debate that in April, sir, there is a new Assembly in June and they could rescind whatever we debate anyway. So I just think we are leaving it a little bit late, as normal maybe, but we are leaving it a little bit late, but even so, I am going to try and be positive with an injection of reality that I think we need to do this but please, P&R, STSB and who else is it, ED, get round that
2405 table, have the conversation, come back with something please, something please, I do not have to amend.

Thank you, sir.

The Bailiff: Deputy Ferbrache.

2410

Deputy Ferbrache: Sir, I did not see the point of this amendment at all when I saw it tabled, then I thought because I am largely going to support, as I said earlier, the approach of P&R and they said they are going to support it, and then I heard the speech of Deputy Fallaize and I read again the proposed Proposition 38 and I thought why on earth would we support this amendment. In my view, it is far more limiting than the actual wording of proposed Proposition 38.

Let me just deal also with Deputy Oliver's point about there being an intention. I think it is pretty clear that what Policy & Resources are saying in that regard is that there is the intent and it is not only their intent, it is Economic Development's intent and it is STSB's intent to come back here by April with something meaningful, so I think you could take comfort from that. I do not think we need to direct, I think intent is fine, that is fair enough.

But when you read, just read the words of proposed Proposition 38:

To endorse the intention of the [P&R] Committee in consultation with the [Economic Development Committee, the STSB] to develop a co-ordinated and coherent government framework for the consideration of all ...

Note that word, I cannot think it could be any more, it is only three letters.

... all aspects of air route operation and support that is the under the control or influence of the States of Guernsey and report back to the States by no later than April 2020.

Does it need any more than that? The answer is no. Reject the amendment and vote in favour of the Proposition.

The Bailiff: Deputy McSwiggan.

Deputy McSwiggan: Sir, I think that the base line message from people speaking on both sides of this amendment is that what it comes down to is not the words on the paper but for P&R to manage it sensibly and I think the response that P&R gave to this amendment when they said, 'Okay we will support it because it fits in with what we intend to do,' basically reflects that P&R's intention is to manage it sensibly and to bring back to this Assembly something that makes sensitive areas different meaty issues that we know we need to get into and proposals.

In a sense, I do not think the outcome of this debate matters too much, I think we are going to get the same product one way or another.

But I do just want to say I did a bit of adding up at the weekend, I mean it is the Budget debate of course I did a bit of adding up at the weekend, but specifically around transport links. There are, one way or another, at least six committees of the States involved in transport links: there is the STSB with Aurigny and the Ports; there is Economic Development with the air route subsidies; there is the Transport Licensing Authority that Deputy Gollop has reminded us about; Health & Social Care and Employment & Social Security both have a significant interest in the provision of transport links and Medevacs; and of course there is P&R with its overarching view.

So I think we are probably kidding ourselves a little bit if we say it is just a problem with co-ordination, because finding cohesive policy solutions about issues where there are just two committees involved and those two committees are sympathetic and pulling in the same direction is pretty darn difficult. So I think it is probably more than simply a challenge of co-ordination and I am sure that we will see that recognised in the recommendations that P&R bring back to us early next year.

But I do just want some assurance from the proposers of this amendment that my vote for it does not necessarily logically have to entail a vote for that requête next month.

Thank you, sir.

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

Well like some other Members have said in their speeches, I am suffering from a sense of *déjà vu* in terms of these reviews and going to the question of how long this review might take. I think it depends how far back you want to go. Do you want to tear up everything that the States has decided over the last five, 10 years or do you want to accept that *acquis* and move forward from there?

Now just briefly to remind Members of the approach that has been agreed so far, and agreed incidentally by the Members of this Assembly, Economic Development brought a policy letter to the States which said in terms of air links strategy what we first need to do is decide what kind of connectivity we need, and we did this on the basis of a report produced by PwC who gave us some very useful advice on this very issue. What do you need to connect to and for what purposes? So you decide what you are trying to achieve and then you can start having a discussion about, 'Okay, we need to be connected to these kinds of airports for these sort of purposes,' that has various implications. If it is a business service they probably need flights going out early in the morning and coming late at night. If it is a leisure route they are probably very happy to travel at midday when airlines generally have more capacity and can offer cheaper prices.

So you get that picture in the background and then you say, 'Okay, against that picture what sort of operators would provide the services that we require? So if you are looking for a connection to an international hub you obviously want to work with people who have got onward connections so that you code share or interline to other destinations. If you are talking about a leisure route to the East Midlands, as I say, it probably does not matter to the public whether the flight goes at eight in the morning or 12 noon. What will matter to them is price and obviously some reliability. But that tells you that the operator you need for that route is a different animal, you are looking for a different kind of operator.

Then once you have decided that you say, 'Well okay, so what infrastructure do we need to support that kind of service?' So the runway, for example, is not the start of the process, it is one of the conclusions in the development of policy. If you decide that you need low cost carriers flying people over in the middle of the day relatively cheaply then you have got to build runways that they can operate off.

Similarly, other infrastructure projects around, radar and everything else, you need obviously to have the infrastructure which will support the operators who will provide the service that you wanted, but you have started there and you work your way down the list.

Now that is where the States is, and we have gone a long way down that track actually, and personally I think that framework philosophically is very sound, and we are in the process of delivering policies around that kind of connectivity.

Well sure if the States now wants to tear all that up and say we want a totally different approach to air and sea link connectivity and we want to go back to first principles and rethink the whole thing then Deputy Fallaize is quite right we will not get there by next April, it will be a massive piece of work. But why would we want to do that? Actually I think the logic behind the existing strategy, which has been approved by this Assembly, is entirely sound.

Now there are practical implications around the details, particularly given that we own an airline and that, in some cases, presents conflicts and tensions between what would be in purely philosophical terms a very sound structure of thinking actually, 'Ah, yes, but does it cost our airline something?' There are real problems around that which I hope P&R will help to resolve. But I do not think the actual strategy which the States has agreed is unsound, and I do not think we need to tear it all up and go back to square one.

We expensively engaged PricewaterhouseCoopers to advise us on this matter, I think and I am not always polite about what consultants produce, I think actually what they produced was very sound and I found it very persuasive and we have brought a policy letter to the Assembly based on their recommendations which you, the Assembly, have approved.

Now if people are willing to start with where we are and let P&R do a piece of work around fine tuning that to actually iron out some of the creases and wrinkles, well fine, I think that can be

2510 done by April, I really do. But there are some conversations going on in this Chamber which lead me to suspect some of the Members of the Assembly just want to sort of tear it all up and start again. Well, I do not think that is either sensible or possible in the timeframe.

2515 So in terms of the amendment, like some other Members, I do not really see that it adds an awful lot, arguably it detracts a little from what P&R's original Propositions were, but I am not going to lose sleep over that. I think the amendment actually and the original Propositions largely reflect the framework.

Bullet one, identify the strategic goals of the States for provision of reliable and sustainable and affordable airlinks. Yes, we have done that.

Bullet two, analyse the type and amount of support required for air transport routes which aligns with those goals. Yes, that is what we were trying to do.

2520 Bullet three, analyse the potential methods of operation of air routes considered lifeline routes by the States of Guernsey. Yes, that obviously fits into it. Incidentally, to Deputy Trott's point, of course the States of Alderney are free to designate other routes as lifeline routes. Our policy letter on de-regulation of the air route licensing system only related to air routes regulated by Guernsey and that is why Alderney/Southampton is not mentioned.

2525 Then finally, identify the shareholder objectives of Aurigny which is consistent with these strategic goals. Yes, that is exactly what we should have been doing.

I cannot argue with this either, the amendment or the original Propositions, I think actually they are all redundant in a sense. We are doing that; that is the course the States have already embarked on.

2530 I give way to Deputy Laurie Queripel.

Deputy Laurie Queripel: Thank you, sir, and I am grateful to Deputy Parkinson for giving way.

2535 I just want to refer back to something he said just a bit earlier when he said that the strategy in place at the moment is sustainable. Does he think, bearing mind that the subsidised Heathrow route is damaging the financial position of Aurigny, that that is sustainable in the long term?

Thank you.

2540 **Deputy Parkinson:** Well the subsidy to the Heathrow route may have, and I suspect will be having, some impact on Aurigny. As I have said publicly and I said this morning, I do not think that is the root cause of Aurigny's financial problems. I am hoping that the review, unlike the recent Nyra's review, will get to the bottom of where the Aurigny losses are arising from. I notice this morning Deputy Ferbrache made disparaging comments about private sector investigations into this –

2545 **Deputy Ferbrache:** Point of correction.

I did not make disparaging comments about the private sector, I made disparaging comments about Deputy Parkinson's secrecy.

2550 **Deputy Parkinson:** Well these reviews that have been conducted by the private sector are not my property. They are not mine to publish, and the reality is that the person who should know where the losses of Aurigny are arising from is Deputy Ferbrache and the members of the board of the STSB. So frankly, if he disagrees with anything that I have said publicly about where the losses might be arising from I invite him to publish a full analysis, a full economic analysis, setting out exactly where the losses are stemming from.

2555 Anyway –

I have been asked to give way to Deputy Trott as well.

Deputy Trott: I am very grateful to Deputy Parkinson for giving way.

2560 I think his analysis of the situation is fair, but he did maybe, somewhat bashfully, forget to mention that PwC concluded that this Island has good connectivity. It has good connectivity; we

have a problem because we have a State owned airline that is losing a shedload of money. That is our problem.

Deputy Parkinson: Well I will partially accept Deputy Trott's point. I think for a small community on a rock in the middle of the English Channel we do have quite good connectivity, but the PwC report came up with various recommendations as to how that might be improved and those are the recommendations we have been trying to act on. We are trying to get somewhere better than the already decent place we are. Sir, I think that is all I have to say about this.

Members will support or not the amendment and I am actually not terribly invested on one side or the other of that argument. But my central point is actually it is telling us to do what we are doing already. We are on this path now. Only if Members are going to tear up the policies that have been agreed and approved by this Assembly do we need to go back to square one and put the timeline in jeopardy.

Thank you, sir.

The Bailiff: Deputy Tindall will reply.

Deputy Tindall: Thank you, sir.

I would firstly like to start with Deputy Parkinson and to really repeat a couple of things I said in opening and also to point to the fact the word 'review' does not appear either in Proposition 38 or in the amendment. This is not a review. This is a collation of all of those reports and reviews already done. It is supporting what the States has already approved. I was part of the Committee at the time so I certainly do not wish to throw any of that out.

But I think that Deputy Parkinson's passionate speech indicates that it does need to be overarching, as Deputy Oliver says. It does need to be swept up and brought together in a more holistic way.

Deputy Fallaize mentioned about not to have everything perfect and to see it all but it is that 80:20 dilemma, isn't it. You spend a reasonable amount of time getting 80% but you spend 80% of the time trying to get the 20%. I am not asking for that. I think it is just a collation, as I say, to just tidy up, fill in those gaps and bring it back together.

The main reason why I brought the amendment is when you look at the original Proposition, yes, the Proposition in itself it is quite short and the description in the policy letter is fairly broad but what concerned me was the dialogue that was going round it, and that concern was brought back when I saw the scope of the review in the notes, is that this aim at Aurigny, and yes it is absolutely important but as Deputy Parkinson was going through all of those stages he did not until he was – in fact my wonderful seconder, Deputy Laurie Queripel, actually then mentioned the word Aurigny, so for me it is the last of the list and not the main aim of the collation.

There were so many questions that were brought out by these reports and I have to remember there was something that I did not recall properly during one of the debates was that being on Economic Development we do see a lot more, we do have a lot more conversations that some of the Members in this Chamber do not have. So I have the benefit of knowing all of these reports and what is in there and all of these ideas.

So I mean, for example, the mention of something that Deputy Trott asked, a question about the consequence of bullet point three, analysis of potential methods of operating the air routes considered lifeline routes. It is not a re-examination, it is certainly not, but there was consideration in some of the reports as to a different way of running the Gatwick route and whether or not it is beneficial to be able to continue running it in the way it was. It was never swept up and considered either discarded.

But there is also, for example, the element that Deputy Kuttelwascher raised – which I am glad he raised because I did think of him when I was writing that – is that we have these runway debates and that is why I quoted from some of those debates. It is the fact that we do not – it is

about the runway; well, no, it is not just about the runway, it is about whether we need to spend money on infrastructure, like Jersey have, or whether we put some money into subsidies to pay for those empty seats at the back of the planes so they can land on the current runway.

It is those sorts of questions that all have been addressed in the various reports but never really swept up in a way that I feel has actually been answering all of those quotes that I came out with.

Unfortunately, I know that Deputy Langlois was out the Chamber when I was quoting him earlier which is quite ironic considering the speech he just gave, in the sense that his quote was we just continually have reports but it is a way of deferring coming to terms defining what the problem is. That is the point of the collation of all of these reports. That is really the primary aim of this.

As I say, yes, I do repeat I do not think this is mutually exclusive to what has been indicated obviously in the original Proposition; this is in addition. It is the way it was drafted, but also the comments made which were more directed at Aurigny, as I outlined. I do not see them as mutually exclusive. I do therefore see that it is perfectly possible within the timeline and I do not think it is going to – It is certainly not throwing ... it is starting again. I certainly do not want that and for me it is a case of reaffirming ... I mean one of the criticisms I have is the fact that despite nagging, it was only through a motion of Deputy Meerveld that we actually got the order of the debate in the right way. We had the objectives then we had the Aurigny fleet. Originally it was allocated the other way round and I felt that was very frustrating, but I also found it frustrating that as a result I did feel that that debate was truncated and I did not feel that whilst it was actually approved I do not think a lot of what has happened since really appreciated what the States approved that day. I think this is a means by which to reaffirm all of those. It was well thought through and I thought they were excellent, I think therefore this is an opportunity, I repeat, to collate, not to do any further research on undertaking a review.

So again it comes back to Deputy McSwiggan, who I have to say is an indispensable resource for helping on such amendments and I am grateful to her input, but she asked by supporting this amendment whether or not we had to support the runway. Again I hate to disappoint Deputy Kuttelwascher with my answer, but I still feel that the same answer will come as it did in the last debate. It is that we are not ready yet to make that decision and I think this collation will enable us to decide whether or not we need to input infrastructure or whether we need to go with more subsidies.

So for me, it certainly does not bind anyone to decide. Some people may already feel that there is sufficient to do that, but that is not the intention of this particular amendment.

So for me, as I say, yes it was worded in such a way as Deputy Merrett pointed out, to include Guernsey and Alderney because it is certainly part of the picture. The timeline is very much hoping that there will be quite a few things coming to fruition when these are ready to come back to the States.

I think that as far as the – I am just quickly looking through this, and one of the things that I think I quoted at the beginning is that this is about, yes, many departments, committees as they are now, being involved and having these different approaches is to require P&R to show the leadership that the 2015 report was identifying to sweep it all up and bring it together, and as I say, I do not see any reason why it should take that much time when the information is out there.

I hope I have covered everything.

I certainly want to finish off by saying thank you very much to my seconder, Deputy Laurie Queripel, and I hope I have covered everybody's points.

There is no problem with this additional wording, I do not think it is going to be a problem, and I hope that it is not mutually exclusive, the words, and we can get something back within the timeline as P&R have already indicated.

So I ask you to support this amendment.

Thank you, sir.

2665 **The Bailiff:** We vote on amendment 6, proposed by Deputy Tindall and seconded by Deputy Laurie Queripel –

Deputy Lester Queripel: Sir, can we have a recorded vote please?

2670 **The Bailiff:** – with a recorded vote on amendment 6.

There was a recorded vote.

Carried – Pour 29, Contre 8, Ne vote pas 0, Absent 3

POUR	CONTRE	NE VOTE PAS	ABSENT
Alderney Rep. Roberts	Deputy Ferbrache	None	Deputy Tooley
Alderney Rep. Snowdon	Deputy Brehaut		Deputy Inder
Deputy Kuttelwascher	Deputy Trott		Deputy Dudley-Owen
Deputy Tindall	Deputy Fallaize		
Deputy Gollop	Deputy Smithies		
Deputy Parkinson	Deputy Graham		
Deputy Lester Queripel	Deputy Langlois		
Deputy Le Clerc	Deputy Roffey		
Deputy Leadbeater			
Deputy Mooney			
Deputy Le Pelley			
Deputy Merrett			
Deputy St Pier			
Deputy Stephens			
Deputy Meerveld			
Deputy Lowe			
Deputy Laurie Queripel			
Deputy Hansmann Rouxel			
Deputy Green			
Deputy Paint			
Deputy Dorey			
Deputy Le Tocq			
Deputy Brouard			
Deputy McSwiggan			
Deputy de Lisle			
Deputy Soulsby			
Deputy de Sausmarez			
Deputy Prow			
Deputy Oliver			

The Bailiff: Well, the voting on amendment 6 was 29 in favour, with 8 against. I declare it carried.

 That concludes those on air route support and we move on to amendment 17, to be proposed by Deputy St Pier, seconded by Deputy Trott.

2675 Deputy St Pier.

Amendment 17.

To replace proposition 1 with the following:

"1. To direct the Policy & Resources Committee to submit a policy letter to the States for consideration no later than March 2020 reporting on the findings of the review of the terms and conditions of public sector workers, together with any recommendations in respect of the remuneration of employees based on the principles of fair and equal pay including, if appropriate, a timeframe for their implementation."

Deputy St Pier: Sir, in moving this amendment I can be brief, I believe. This amendment really seeks to take the original Proposition and mash it up with the amendment that came from

2680 Deputies Soulsby and Le Clerc and I would like to thank them for their constructive engagement over the last few days to get to a position that I believe everybody is now happy with.

There are some semantics, arguably, there was some disagreement about the meaning of some particular words but I think we have got to a point where we are happy. In particular as the explanatory note to the amendment makes clear, the policy letter that comes back to the States
2685 no later than March 2020 in relation to the terms and conditions review will, it is envisaged, include with any recommendations on a move to fair and equal pay to include a timeframe which was the essence of what is currently amendment 1.

So, sir, with that, the Policy & Resources Committee are presenting this amendment in a way that we hope will address the concerns of Deputies Soulsby and Le Clerc in a manner that
2690 everybody is content with. Hopefully the debate will be short and we can move on, sir.

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

Deputy Trott: I do, sir, and reserve my right to speak although hopefully I will not need to.
2695

The Bailiff: Does anybody wish to speak?
Deputy Oliver.

Deputy Oliver: Thank you.
2700 I would just like P&R – it is more of a question that I have got ... it is just that I understand this is much wider than just the nurses, it involves a lot more people. However, with this, is this going to delay agreement with them? If I could just get that, that would be ... that is all I have got.

The Bailiff: Deputy de Lisle.
2705

Deputy de Lisle: I had a question on the costs, sir, and whether this is to be done internally within P&R or whether it is something that is going to be consulted out.
Thank you.

The Bailiff: Deputy Gollop.
2710

Deputy Gollop: Yes, I can certainly support this amendment. Funnily enough, as I was walking into the Chamber today I was pleased to meet members of the nursing organisation lobbying groups and they were very much wanting a message to be put across to the Assembly as part of
2715 the Budget making process that it might go a long way, I do not know if Deputy Le Tocq could agree with this, but if there was a negotiating tool that we were able to access perhaps more Jeremy Corbyn style than traditional David Cameron style, the rainy day fund, in order to finance employment backlogs. So I think that is part of the conversation out in the community if not within this Chamber.

2720 Also in the interesting opening speech that Deputy St Pier made on behalf of the Committee he spoke about our GDP and 21%; admittedly, we are very much domestic product rich but, and he compared our 21% with Jersey's 24% and UK's 38%. Well economists have recently costed out that if the Rt Hon. Mr Boris Johnson wins the Election it could go up to 41% of UK GDP which is a bit eye watering and 43% if Mr Corbyn wins, in one way or another. So that is a comparison.

2725 Of course the cost to the public sector, public sector worker pay, keeping it competitive with both costs of living here and the wider conversation in other places, is not going to be cheap and as a Member of Employment & Social Security we are very well aware that part of the ... well it was the equalities groups starting the conversation – well not starting the conversation; for 20 or 30 years there has been a States' view and a union view probably that we should have fair and
2730 equal pay.

We heard during the consultation process – it irritated me a bit at the time I must admit but I knew they had a fair point – that representatives of the business community were saying this could cost us a lot what are the costs for the public sector and the taxpayer and the implications.

2735 Now if this is going to be an open, transparent and honest report that tells it as it is and gets the electorate to make an informed decision both in themselves and in their lobbying through professional groups and their voting for the next generation of States' Members, we need to have real information that is accessible.

2740 So I do not see this as a do not discuss it, do not debate it kind of amendment. It is crucial because we need to do better than Jersey, I would say, we need to report on the findings of the review of the terms and conditions of public sector workers. We need the recommendations in respect of the remuneration of employees based on principles of fair and equal pay and a realistic timeframe.

2745 We also, particularly in view of the recently published professorial report that was alluded to in the news, need to frame this discussion not only as part of our pay negotiations but as part of our system of government, because we have the difficult situation which not even the NHS has to worry about, whereby one set of politicians are working in a partnership of purpose with key professional staff and others are negotiating the monetary side of it.

2750 I think Policy & Resources have to take on board stakeholders in this, including the committees that are on the sharp end of having perhaps difficulties with implementation of services and morale.

So I fully endorse this amendment but I think it is a bit ambitious to get all this done by March.

The Bailiff: Deputy Laurie Queripel.

2755 **Deputy Laurie Queripel:** Thank you, sir.

I have just got one question for Deputy St Pier and I realise this is a very early stage and he will not be able to give a definitive answer, but is it just possible that as a result of this piece of work some salaries might come down? (**Several Members:** Hear, hear.)

Thank you, sir.

2760

The Bailiff: Deputy Hansmann Rouxel.

Deputy Hansmann Rouxel: Thank you, sir.

2765 Again I will be brief. I realise that this amendment is in response to the amendment laid by Deputies Soulsby and Le Clerc which may not be laid if this is passed.

2770 So just to clarify, the addition that is made to their wording includes in the final sentence that it will have 'fair and equal pay ... if appropriate, a timeframe for ... implementation', so that addition of 'if appropriate'. I would just like an indication from Deputy St Pier when he sums up what that entails. What would not be appropriate? (*Laughter*) So when would it not be appropriate to have a timeframe? Sir, I am just curious as to what the implications of the addition of those particular words are.

The Bailiff: Deputy McSwiggan.

2775 **Deputy McSwiggan:** Thank you, sir.

I think both Deputy Oliver and Deputy Gollop have implied that this might either interfere in or be part of the solution to the public sector pay negotiations, but the way I understand it is that it is neither but it is about building trust that hopefully will facilitate some easier conversations.

2780 The importance of P&R coming back with a timeframe showing how fair and equal pay can be delivered is that it converts a commitment from sort of words that can be delayed forever and ever to, look, this is a big deal and I think we all recognise that equal pay for work of equal value within the public sector – which is what this is talking about – would be a big deal and would be

something that has to be achieved in steps over years, but this is how we can envisage it being possible.

2785 If we keep this at the level of an idea that we can float when we need to bring people to the table but we do not really have any realistic plans for implementing it, then we just erode year on year the trust that the public sector might have in us that we actually intend to convert ideas into reality. We have got to show that if we want to do something there is a plausible way of doing it and there is a reasonable timeframe within which we can do it.

2790 Deputy Laurie Queripel asked is it conceivable that salaries will come down as a consequence of this amendment. I think that there are – one could choose to interpret the idea of fair and equal pay as almost anything. I think there is a risk that the proposals that P&R bring back to the States will be about equalising the pay between the public sector and the private sector and goodness knows what that would cost us.

2795 The core concept at the heart of this is, as I said, the idea of equal pay for work of equal value and it is well understood, perhaps not so much in Guernsey but certainly beyond our shores, what that means. It means that within an organisation, within one employer, people who are doing similar work with similar responsibilities and similar skillsets should be rewarded similarly for their effort. So the question of fair and equal pay as is intended by this amendment, I think, certainly as
2800 I intend in my support for it is that question of how do we treat our employees as a collective fairly.

In other jurisdictions if you are trying to close the gap between the rates at which different employees are paid then you might freeze the wages of those employees who are paid more while you are trying to close the gap between those who are paid less, so you would not normally
2805 – in that group of people who are doing similar work but paid unequally, you would not normally – see the top come down to equalise it with the bottom, but if we are looking at the public sector as a whole, and if we are looking at ourselves, then I think we might need to say, look, we are going to have to share the pain here, so this is about not balancing the books on the backs of our front line workers.

2810 You are not ever looking at equalising say the pay of a nurse or a teacher with that of a very senior civil servant, but I think that we are going to need to have hard conversations about the sort of inverse triangle of remuneration within the Civil Service and the very high levels of pay at the higher grades. I think that it is not the concept of equalisation of pay that is going to see anybody's salary brought down but I think that needs to be part of a wider conversation about
2815 public sector remuneration which I believe the work that P&R are doing would enable us to address if we felt minded to do so. So that is a debate that we will have later in the term. It is sort of aside from the question of equal pay for work of equal value but it is something that we might need to address at the same time and is something that I think we should not shy away from addressing.

2820

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Thank you, sir.

2825 I would like to get back to the amendment and how we are not going to ... we should not seek to try and resolve current pay issues or indeed to discuss the very complex issues involved in trying to harmonise pay and conditions across the public sector, which work is ongoing at the moment. We should not try to do that, sir, in the floor of this Assembly now.

2830 Sir, this is important work because the States of Guernsey does employ over 22 different pay groups all on different hours of work; on different types of contract; on different holiday arrangements; on different lunchtime arrangements; on different hourly rates; on different enhanced rates; on different overtime rates etc. It is very difficult and, sir, trying to do that, trying to improve matters just for one group will sometimes make things far worse for other groups.

So, sir, I think what is before us is a realistic effort by the Committee to commit to coming back to this Assembly with some recommendations from the extensive work that has been ongoing,

2835 and if possible, a timeline to see how those recommendations which will not be simple, they will be complicated, how they can be put in place so that at least we have got some options before us.

I can predict now, sir, that for some in this Assembly they will not be palatable, almost certainly. For others maybe they will want to sign up to them but they will not be looking at the figures of cost they will do. At the same time, sir, I think within the next three years or so we as an
2840 Island and as the public as those who employ the public sector, the public services, have a unique opportunity, probably once in a generation, to do this sort of work that previous generations have not had the chance of doing.

The Bailiff: Deputy Merrett.

2845 **Deputy Merrett:** Thank you, sir.

I will be very brief and I am going to be a bit brusque but still.

Something that no Member has mentioned yet is that when we say fair and equal pay that has to be fair pay for the taxpayer ... what we are paying somebody to deliver a service to the
2850 taxpayer, it has to be fair from that angle as well. It has to be a fair and reasonable pay that I would expect to pay somebody to do a service that I wish to receive. So we have to look at it from that angle as well.

But I think a definition of fair and equal pay is certainly confusing me a little bit, sir, because to me and I give a very simple example and build on what Deputy Laurie Queripel and I have
2855 discussed this before for unequal pay maybe and I use the example I think it was the BBC who suddenly said I am being paid this amount and it was actually on gender equality, I believe, and then when other people doing a similar job realised they were getting paid a lot more money they said, 'Well actually that is not fair and reasonable. I will drop my salary or give it to my colleague.'

So that to me is part of fair and equal pay, that if actually it comes to light that somebody is
2860 receiving a far higher rate of pay than somebody else for doing something which, and it is obviously subjective, has an equal value to our community as in serving our community then realistically, sir, it is not about equalising it to the lowest point or the highest point, it is about having a debate and deliberation and paying what we believe is a fair and equal pay to that member of the public service to deliver a service to our community, and surely that to me is the
2865 premise of fair and equal pay.

So I would be quite interested if Deputy St Pier is to give me a definition of fair and – he is nodding so I am looking forward to it – of fair and equal pay. But I certainly think it should be part of the discussion of equalising it upwards, downwards, sideways, in the middle, but that really concerns me that we just seem to miss the point sometimes that we are a Government and we are
2870 providing services to our community and we need to ensure that the community are receiving that service in a fair and equal manner as much as the pay given to the people to deliver that service.

I am sorry if I am going round in circles, sir, but I do feel quite passionate about this. I do intend on supporting this amendment, but I will just say, because I cannot help myself, sir, it is
2875 Deputy Soulsby, isn't it, and Deputy Le Clerc and obviously Deputy McSwiggan and other Deputies that really wanted this amendment, as we know we only need one proposer and one seconder in life for the States so really I would like to thank Deputy Soulsby and Deputy Le Clerc for actually laying the amendment. Of course it is good that P&R were willing to talk to them over the weekend and come to this resolution and agreement, so that is good as well; do not get me
2880 wrong, I appreciate that communication.

But before I sit down I am going to thank Deputies Soulsby and Le Clerc because actually they are the ones with other Deputies who I think I have named that actually did this original amendment, spent the time they needed to do it because they felt so passionately about it.

Thank you, sir.

2885 **The Bailiff:** Deputy Soulsby.

Deputy Soulsby: Sir, I thank Policy & Resources for listening to Deputy Le Clerc and myself in order that we could arrive at an amendment with which we are both happy.

I actually have some sympathy for Policy & Resources on this matter, the issue of fair and equal pay is not new, as I am sure Deputy Roffey is well aware from his past debates. Previous administrations over decades have failed to grasp the nettle and address inequality in pay scales.

The problem now is that the inequality between various public sector workers and not exclusively those under agenda for change has grown so it is likely to come with a large price tag and will take quite detailed planning and a number of years to put right.

But something has to be done. The current situation is not sustainable and is actually costing us money, with people leaving hard-to-recruit areas and taking up other better paid public sector roles which require fewer qualifications and with agency staff who would like to be become permanent but cannot afford to.

The problem is assurances have been given in the past but nothing has been done. That is not the case now with a roles review in respect of agenda for change which came out of the Partnership of Purpose policy letter and the wider work by Kojima that has been commissioned mapping and benchmarking terms and conditions across the States. That is certainly a step in the right direction but that is only part of what needs doing.

I was pleased that Policy & Resources agreed to put in a Proposition with respect to equal pay but was disappointed with how it was worded.

... to endorse the intention ...

– which seems to preface a number of Propositions this year – just did not seem enough and it concerned us that we may end up not having a debate before the end of this term.

Now I am pleased that P&R have agreed to this more robust wording but, like Deputy Hansmann Rouxel, I suppose the only issue I have with the amendment in front of us now is the ‘if appropriate’ which begs the question: when would a timeline not be appropriate in respect of fair and equal pay?

However, I am happy to live with it in the spirit of co-operation and think it better than the original Proposition and would ask all Members to approve it.

The Bailiff: Deputy Le Clerc.

Deputy Le Clerc: Thank you, sir.

I was pleased to support the original amendment and I am happy to support this revised amendment. Partially I think I had already agreed to support the amendment, but then I read in *The Guernsey Press* this week and someone who writes in on a regular basis was talking about ESS and our anti-discrimination work that we have undertaken and about the equal pay for work of equal value.

I just wanted to take this opportunity to point out that, yes, it is part of that anti-discrimination work but it is also part of a promise that this States has made for years and years and years in respect of CEDAW. So I just wanted to say that CEDAW was adopted by the UN in December 1979 and came into force in 1981 and Guernsey decided not to be included in the UK’s ratification in 1986. But two debates by this States in September 2003 and July 2007 agreed to prioritise work to allow CEDAW to be extended to Guernsey.

So this is a promise that has been made, it is not part of the anti-discrimination. I hope that the anti-discrimination work has brought this into clear focus for everybody but this was a promise made many years ago by the States of Guernsey and of course we should lead the way.

I too would say about the words ‘if appropriate’ in respect of the timeline and I expect the ‘if appropriate’ and the timeline would be linked to the cost envelope when we are aware of it.

But as I say, I wanted to just point out that this is not as a result of the anti-discrimination legislation. I think that has just brought this into sharper focus, but P&R were already pursuing

this workstream in advance of our anti-discrimination work, and I would urge Members to support this amendment.

Thank you.

2940 **The Bailiff:** Deputy Roffey.

Deputy Roffey: Thank you, sir.

I do not want to get into the detail of what is equal pay because we are asking for a report and a review and I will have plenty to say about it when it comes back.

2945 Deputy Le Clerc has brought me to my feet to some extent because what she says is absolutely right, and I first proposed that Guernsey signed up to CEDAW in 1985 when I was President of the Equal Pay for Women Investigation Committee – they called things by simplistic names in those days – the States turned it down at that point but since then they have endorsed it on more than occasion. When the States' business plan – the brain child of Deputy Stuart Falla – came forward
2950 we were invited to pick one absolute social policy priority that we wanted to be seen done, PDQ, and it was signing up to CEDAW and it still has not happened.

But I was brought to my feet by Deputy Le Clerc's words because I do not want the Island to think that just because the States as an employer brings in equal pay for work of equal value it will mean that Guernsey will be able to have CEDAW extended to them. It is not just the States, it is
2955 right across the employment field in Guernsey that there will have to be a legal obligation for equal pay for work of equal value.

I can tell Deputy Laurie Queripel that sometimes, yes, it does mean having to bring down the ... Decades ago I was involved in a large commercial organisation that took the decision that they were going to bring in equal pay for work of equal value and it was the Co-op and they found
2960 that their female supervisors were really badly paid compared to the ML butchers, for instance, and we could not afford just to bring everything up, so we did have to, what they call, 'red ring'. We could not say, 'Oi mate, your pay is going to go down 20% tomorrow,' but we had to have a frozen pay rate or a slower increase in pay rate to do it. These are going to be the very awkward things that are going to have to happen inside the States' employment and also out with other
2965 employers.

So I think it is getting embarrassing with CEDAW, frankly. We either do what we need to allow it to be extended or we just be honest and say, no, we have never really wanted to do it – I do but most people do not seem to want to do the things necessary – and therefore we do not do it at all. But it will not just be the States who need to do equal pay for work of equal value, it will be
2970 every employer in Guernsey.

The Bailiff: Deputy Tindall.

Deputy Tindall: Thank you, sir.

2975 I know Deputy Roffey said he did not want to get into the meaning of equal pay etc. but I actually want to just refer to the UK because, as Deputy Merrett has asked for an understanding of what P&R think this is about, albeit briefly, I want to say what I think it is about in very brief terms.

Because of course as Deputy Le Clerc says, the principle is based in the EU legislation, but it was enacted in the UK in the 1970 Equal Pay Act and this may be where the inconsistency, if you
2980 like, the misunderstanding, occurs because it was replaced by the Equality Act of 2010 and it talks about bringing in provisions which are the equality of terms provisions and according to ACAS this gives equal treatment in the terms and conditions for employees and their employment contract if they are employed to do like work: work that is the same or broadly similar; work rated as equivalent under a job evaluations study; work found to be of equal value in terms of effort,
2985 skill or decision making. There is lots of detail in but obviously I would be interested to know in fact if Kojima was involved in any form of job evaluation study when they are comparing terms and conditions.

But going back to this specific amendment and the relevance of the timeframe for information and obviously the words 'if appropriate', I would have liked to have seen it more like 'an appropriate' timeframe for their implementation. Because I think Deputy Roffey and Deputy Queripel, by implication, are basically indicating to me the need for this, we can get on with this because this timeline is going to be quite long and spread out. You cannot just jump into equal pay. The conversation of how that equality of terms can be addressed has to start at the earliest possible discussion so that we can have a timeline, a lead into equality that is realistic and is also, as Deputy Merrett said, affordable for the taxpayer and fair to all involved.

Thank you, sir.

The Bailiff: No one else? Deputy St Pier will reply.

Deputy St Pier: Sir, I was hoping by introducing the amendment at speed that it would avoid a debate but it was a forlorn hope. Rightly so, Members did pick up on a number of issues that were worthy of significant airing.

Where to start? As Deputy Soulsby said, one of the changes was to alter from the original Proposition 'to endorse the intention', so Deputy Oliver and Deputy Soulsby picked that up in relation to this Proposition and we sought to correct it as we saw appropriate.

Deputy Hansmann Rouxel was the first one to latch on to the key insertion of 'if appropriate', which a number of others have questioned as well, and it is worth just explaining P&R's position which obviously we explained to Deputies Soulsby and Le Clerc in proposing this version.

Our concern was, sir, that notwithstanding the previous commitments, as Deputies Le Clerc and Roffey and others have said, to CEDAW that, as drafted in Deputy Soulsby's amendment No. 1, that without the phrase 'if appropriate' it could be interpreted that there was effectively a complete acceptance of whatever the consequences were in relation to the introduction of fair and equal pay.

We feel that there is a necessity to bring a detailed policy letter to the States by March, and I will come back to the timeline because Deputy Gollop has raised that, with an explanation so that the States can make a full, informed decision of the costs of doing so, because we anticipate that the costs will be significant. And as Deputy Roffey said, the process by which one moves to introduce equal pay for work of equal value may require an extended period, and he perfectly described for the benefit of Deputy Laurie Queripel, the process by which those who are perhaps over remunerated when judged on such a methodology need to be perhaps held back realistically, people who have a contractual to pay that simply cannot be scrubbed out overnight. So there is an extended process.

But more importantly the insertion of 'if appropriate' was really to provide a *caveat* that the States need to have had that policy letter to have had that debate, they need to understand the consequences and signed up to it through the process in March and that was really the way that we felt was the most appropriate way to do that. We did not feel it was fair to potentially move forward with the amendment without those words in and we then have a debate in March when everybody turns round and says, 'Oh yes, but we had already signed up to this in November in the Budget debate.' So that is the reason for the insertion of those words and hopefully that provides some comfort.

Deputy Merrett was looking for a definition of fair and equal. Again quite rightly, identified some of the key phraseology in this amendment and of course there is not a clear definition at all and indeed it is a phraseology that we used really to avoid getting into the question of equal pay for work of equal value, because that perhaps does have a clearer definition but this is a much broader issue and Deputy Roffey spoke about that. This is highlighting the fact that this is part of the project of work that has been ongoing for over a year now in relation to our multiple terms and conditions across multiple employee groups and seeking to align those.

So this is more to go to Deputy Oliver's original question of: is this just about the nurses? No, this is not just about the nurses, this has much wider application. I think Deputy McSwiggan addressed that quite well when she spoke.

But the insertion of this particular amendment in the original Budget Propositions very much was to –

I will give way, sir.

Deputy Oliver: Thank you.

Sir, I understood that this was ... the nurses would be included in this, what I asked was would this delay the current talks that are going on.

Deputy St Pier: No, sir, this will not have an impact or delay that at all. That is now subject to the Industrial Disputes Law process – but I was going to go on to say that the insertion of this wording in the original Proposition was very much, as Deputy McSwiggan said, to signal an intent which was something which, as Deputy Soulsby said, has been expressed many times before over the years but perhaps has not moved at the pace with which some employee groups would like, which has been one of the contributing factors which has brought us to the position we are now in, and this was seeking to perhaps ensure that there was a Resolution of the States which very much acknowledged the issues.

In relation to the timeline, Deputy Gollop questioned whether it could be done by March. Well again, it is just to reassure that this is not starting today as a result of this Resolution, or if it becomes a Resolution, this is as a result of an extensive period of ongoing work so we are confident that we should be able to achieve that timeline.

Finally, Deputy de Lisle questioned the costs. Well there are three sorts of elements to cost to this: there is the work that has been undertaken in relation to the terms and conditions review which has been commissioned from the Transformation & Transition Fund part of the work of public service reform and that has involved both internal resource and external resource; there is the preparation of policy letter which of course is a matter which can be managed internally; and then of course there are the costs of implementation. That takes me back to the beginning of my comments of saying that is very much the detail that needs to be included in the policy letter. It is one of the things that I referenced in my opening speech to this debate, sir, that we flagged as being one of the pressures on the States in the future that we do need to acknowledge.

I will give way, sir.

Deputy McSwiggan: I just want to ask whether Deputy St Pier would acknowledge that there is a fourth category of costs which is the cost of inaction and particularly the cost of living in this Island where we know it is expensive for public sector workers who are increasingly scarce in some particular enforcement jobs.

Deputy St Pier: Sir, I acknowledge those comments, I was of course responding to Deputy de Lisle's question in debate, but Deputy McSwiggan makes a valid point.

Sir, with that, I do urge Members, as Deputy Soulsby has done, to support this amendment.

The Bailiff: We vote on amendment 17, proposed by Deputy St Pier, seconded by Deputy Trott. Those in favour; those against.

Members voted Pour.

The Bailiff: I declare it carried and just for the record that means that amendment 1 will not be laid.

We move on to amendment 18, to be proposed again by Deputy St Pier.

Amendment 18.

To add a new Proposition 7A:

i. To endorse the Guernsey Finance LBG green finance initiative and its objective of Guernsey being at the forefront of the development of green and sustainable finance, and to affirm support for financial assistance of up to £300,000 to be provided through the Future Guernsey Economic Fund, following consideration by 31st December 2019 of a suitable business case by the Committee for Economic Development and the Policy & Resources Committee.

ii. To endorse a continued commitment to Guernsey Finance LBG, as the promotional body of the finance sector and to direct the Committee for Economic Development to, by the end of March 2020:

Develop a sustainable model for the continued funding of Guernsey Finance LBG, working with the Board of that company, that defines clear outcomes expected from such investment and provides Guernsey Finance LBG with greater certainty to plan and invest;

Formalise the States' funding of Guernsey Finance LBG in an agreement setting out, inter alia, investment objectives, performance reporting metrics and grant levels; and

Conclude its examination of the synergies between all of the promotional activities it provides funding for (including Guernsey Finance LBG, the Visit Guernsey brand and the Locate Guernsey brand) in order to assess any opportunities to further enhance overall effectiveness through the sharing of resources.

Deputy St Pier: Sir, the genesis of this amendment comes really in two parts, as is set out in i. and ii. The genesis actually was in relation to what is now ii; in other words, the future funding mechanism for Guernsey Finance.

3090 Over the last few years there has been additional funding provided to Guernsey Finance from the Future Guernsey Economic Fund and it comes as a request from the Committee for Economic Development for consideration and sign off by the Policy & Resources Committee, and over the last couple of years the Policy & Resources Committee have engaged with the Committee for Economic Development to make the point that we need to ensure that the funding mechanism
3095 for Guernsey Finance is sustainable beyond the end of that original funding period, the last year of which is 2020.

Sir, we felt that actually incorporating that not merely in correspondence between the two committees but as a Resolution of the States would actually help all parties concerned, both committees, the Policy & Resources Committee and the Committee for Economic Development,
3100 to engage with Guernsey Finance and its board and also industry as well to ensure that the model of funding is sustainable in the future. So I think that hopefully provides some background to the second part of the amendment and the bullet points.

Sir, subsequent to discussing matters at committee, Deputy Trott had submitted his amendment with Deputy de Sausmarez, amendment 8, and in discussing that amendment in
3105 committee, for which obviously Deputy Trott was recused, we felt it was appropriate to perhaps incorporate that within the amendment that we had already intended to lay as a result of that issue that I have just mentioned.

Really, sir, I will leave it to Deputy Trott to explain the need, as he has identified, for further funding for Guernsey Finance in relation to green finance, as he would have done had he laid his
3110 original amendment.

But the construction which we have put on this amendment is really to acknowledge that we do need to follow our acknowledged processes and procedures, there is no reason why they should be by-passed. We know that there has already been extensive dialogue between Guernsey Finance and the Committee for Economic Development; and our understanding, our latest
3115 information, is that that is very close to conclusion and therefore we felt that putting a time band on it of 31st December this year was reasonable to enable that process to conclude.

But really what we were seeking to do, sir, was to take Deputy Trott's amendment and merely ensure that it does follow the normal path which all such requests should have. In other words,

that we are applying good governance to the discharge of this particular sum, and obviously we are delighted that Deputy Trott and Deputy de Sausmarez are happy with that approach.

With that, sir, I will leave it to others to discuss the substance of that part of the amendment.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: I am happy to second it, and reserve my right to speak later.

The Bailiff: Deputy Trott.

Deputy Trott: Sir, I will speak early because I think it might be of use.

Sir, I suspect unanimous support for this amendment is a tall order but I am hopeful we might be able to achieve it. That would send a very strong message to the national and international community of just how serious we collectively are with regards green finance.

Now, sir, as Deputy St Pier has alluded to, I am only a 99% Member of P&R because whenever matters pertaining to Guernsey Finance are discussed I leave the room, as Members would expect, and that is because one of the functions that I do on behalf of this Assembly, and on behalf of the Guernsey Financial Services community, is chair Guernsey Finance, its promotional agency.

Sir, green finance is a huge global movement and the scale of investment required to fight climate change is in the trillions – the *trillions* – and global policy makers are pushed to use finance as the weapon and a big part of the solution in this fight driven by the Financial Stability Board under the Chairmanship of Mark Carney, the current Governor of the Bank of England.

Sir, green finance is a global cause, and green finance is a fast moving cause. Sir, Guernsey's green finance strategy is the key stone of the finance sector strategy, it is the root by which we re-work our reputation as a finance centre. By being a centre of sustainable finance we become a global force for good, a force for global good.

Economically, it can and probably, if not almost certainly, will reverse the relative decline of our fund sector whose growth stalled after AIFMD. Now some Members may not be familiar with that term but immediately after Brexit we were poised to have a passport which would enable us to market our funds into Europe immediately after Brexit; for political reasons that passport was withdrawn and that is what is meant when people refer to AIFMD. We may get it back again in the future but who knows. But irrespective of whether we do we can cement our growing position in the private wealth space as a consequence of this initiative.

Now over the last 12 months we have made great strides with Guernsey green finance. Guernsey Green Fund is the first of its type. It is a regulatory regime that is a pioneering, market leading initiative. The International Stock Exchange green created dedicated segment is again unique within its competitive space and we join the United Nations Finance Centres for Sustainability Network, a great peer group which includes London, Luxembourg, Paris, Shanghai and New York.

But, sir, funding green is not an alternative to business as usual with regards marketing, because it is still in its early days, and whilst I genuinely believe, and I know that Deputy de Sausmarez, who I am extremely grateful to for her agreement to second the amendment, and indeed to Deputy Carl Meerveld who would happily have seconded it in her stead ... They understand that the potential for this is enormous, the potential for this to be a game changer is huge, but it is still embryonic, it has a way to go, but we are in a very good place.

Now, sir, failing to provide significant resource undermines our position and this is where another comparison with Jersey is useful. Jersey's financial services industry is not twice as large as ours and it is not as well diversified as ours, but they spend three times as much marketing their financial services community. I think that tells you a great deal.

Now I do not blame our Jersey colleagues, this is certainly not a criticism, but we are in a competitive world and they would steal our breakfast, lunch and dinner given the opportunity, but of course they are not alone in this competitive landscape because many other places would do

the same, Luxembourg, which is a behemoth in this market place is a perfect example, but there are other places as well.

3175 People are putting huge amounts of money into this because they realise that, as Ban Ki-moon said, 'there is no plan B because there is no planet B'. I mean these are significant words, and it is not hyperbole, Deputy Ferbrache, which he accused me of recently, these things are very real and this whole strategy fits in absolutely with our skillset and indeed our place in the world.

We believe that green will drive development in the longer term and we believe that we could see double the rate of growth of our fund sector in five years. We also believe that you could see an increase in private wealth assets of 20%.

3180 Now remember our financial services industry is not only very well diversified, it is also the main game in Town. The 7,000 people who are employed directly into financial services, there are many others of course in support networks, still drive more than 40% of our GDP and over 70% of our export economy. Financial services is where it is at, and green finance is where it is going.

3185 So, sir, it would be, in my view, a reckless act to reject this amendment. I do not think the States is going to do that, but I do hope for unanimous support.

It is, in conclusion, a huge economic growth opportunity. This is the route by which we fundamentally change the reputation of the finance sector, and we have put ourselves in a good position in a short time, but we need to put the resources in place to maximise and exploit the opportunity.

3190 Sir, it is difficult if not impossible to conceive of a better use of funding from the Future Economic Development Fund and I hope that Members of this Assembly unanimously agree with that comment.

The Bailiff: Deputy Le Clerc.

3195

Deputy Le Clerc: Thank you, sir.

I want to support this amendment because I know that this is essential to our finance industry and I feel that this is perhaps the golden goose that is going to lay the next golden egg for us. However, I have got some concerns, and I would just like some reassurance from the proposers of this amendment.

3200

I sit on the ESS Investment Sub-Committee and I also sit on the P&R Investment Sub-Committee because we have membership of both. We have had fund managers that have presented to us over the last 18 months, ESG Funds and my concern is and I am sure Deputy St Pier, sir, will remember this, that we had one fund manager and when he drew down into the underlying funds there was an investment in Amazon, and at the time Amazon was all over the newspaper for paying barely minimum wage, for using couriers and again paying barely the minimum wage, and I think people will recall it was also whether they were employed or self-employed as another dodge so that they did not have to pay sickness benefits and holiday pay.

3205

So what concerns me is sometimes what is perceived as green finance and ESG when you actually get down into the weeds of it I am not sure that it would be what I would call green finance.

3210

I will give way to Deputy Trott.

Deputy Trott: I am very grateful to Deputy Le Clerc for giving way because I think this is an issue that is a concern to many. The Director General of the Guernsey Financial Services Commission has made it very clear that the Guernsey green regulatory environment will ensure there will be no green washing. To be properly regulated under this umbrella you will have genuine green credentials and this sort of fanciful, if you like, disguising camouflaging of an underlying philosophy will not be permitted. So Deputy Le Clerc can rest assured that that assurance is in force.

3215

3220

Deputy Le Clerc: I thank Deputy Trott for clarifying that.

But I went on to the Guernsey Green Finance website today actually. I know it is a bit last minute, but it has been a bit of a frantic couple of weeks, so it says:

The objective of the Guernsey Green Fund is to provide a platform upon which investments into various green initiatives can be made. The Guernsey Green Fund enhances investor access to the green investment space by providing a trusted and transparent product that contributes to the internationally agreed objectives of mitigating environmental damage and climate change.

3225 I think we would all endorse that. It went on to illustrate how the Guernsey Green Fund can be used by clients, so it says:

Mr. X is a ... NGO working across Central and South America to incentivise reforestation by providing education and support for local landowners, allowing them to replant deforested areas in a way that benefits wildlife ... [etc.] Over the years, Mr. X has developed a range of contracts and realises that if he could provide funding to landowners that would generate significant returns he could participate in whilst also ensuring the reforestation work continues.

3230 So he needs to establish an ethical regulated structure and that is where Guernsey steps in and provides that ethical and regulated structure. Absolutely fantastic, that is business to our fund managers, that is business to our advocates, etc. everything that goes with it. Now what I want to understand is how is that ongoing regulation of that investment? Where is the oversight of how that investment is actually made into that Central and South American country? Because again, as Deputy Trott said, this is reputation as a finance centre and I just want to be sure that when we are promoting this that we are still keeping our intact reputation and when you start going off and this is to some degree, I think, still fledgling and we are in at the front and that is absolutely
3235 fantastic and ahead of the game, but we need those reassurances that the reputation of Guernsey as a finance centre is not going to be tarnished by some remote Central American investment that is not as we set out to be. Also again the Anti Money Laundering and the regulatory checks.

3240 So again I would just like someone to give me that reassurance that this is proper and pukka and I would be happy then to invest £300,000 of our money in promoting this green Guernsey finance.

Thank you, sir.

The Bailiff: Deputy Ferbrache.

3245 **Deputy Ferbrache:** Sir, I do not think anybody can give anybody 100% reassurance on anything in the finance sector, but I think we can say that this would do immense good for our reputation as a finance sector. I do not have any doubt about that.

3250 You never know, do you, when you sometimes make a remark in a previous States' debate against what you think is a robust character that you have touched upon their sensitivities, you never know that, and I do not think that Deputy Trott needed to be defensive when he thought I would be saying in relation to the adjectives he used in his speech that they were hyperbolic in this particular case because they are not.

3255 The potential is huge. We are in the vanguard of this particular type of industry. It is something that the finance sector is clamouring out for, it needs energising, it needs something like this. This is an ethical, beneficial and potentially strong issue of growth, a strong opportunity for growth in our finance sector. I do not think anybody realistically could say that there is any good reason to not support these proposals.

3260 Deputy Trott also touched upon a wider point which I think is a good one, and it is a point that really follows on to a comment that Deputy Parkinson made earlier about there are not very many people in the States, there are not very many departments in the States that actually go out and try and create wealth. This is an opportunity so to do.

We do not support the finance sector enough in relation to the kind of contribution that Guernsey Finance has to make against Jersey Finance. I have heard so many people say that Jersey is better known than Guernsey; it should not be, we are a first-rate finance centre. We are where I

3265 would like Tottenham to be at the top of the Premiere League, but sadly Tottenham is not, but Guernsey Finance and the Guernsey finance sector is. So anybody who does oppose this is acting adversely to the interests of our finance sector and acting adversely to the interests of Guernsey and the Bailiwick of Guernsey's future.

3270 **The Bailiff:** Deputy de Lisle.

Deputy de Lisle: Sir, I think it is important that Members understand the financial background here with regard to what the States are already putting in to Guernsey Finance and what the businesses are putting in.

3275 So in terms of the 2019 Budget for Guernsey Finance, I think it is important to note that it is made of £800,00 from industry through an annual levy. It is also made up of £800,000 annual grant from the Economic Development Committee, but it is also made up of £400,000 additional grant from the Future Guernsey Economic Fund. Now, the £400,000 from the Future Guernsey Economic Fund reflects an existing committee commitment to provide four annual amounts of
3280 £400,000 from 2017 to 2020 inclusive, subject to information being provided on the return on investment of funding in the previous year. Now the funding is to be used to focus on, and that is this £400,000 multiplied by four, it is used to focus on promotion of Guernsey's finance sector to new products, new markets, and to promoting the development of new products. Now that is precisely what this is all about, this £300,000, and we are already giving £400,000 (*Interjection*) and
3285 more.

Sir, I think we have to realise, and I have had a concern here, within the structure of Economic Development that we are already giving towards the funding of new markets and promoting the development of new products, and this is a new product and presumably it will extend to new markets. I think we have to consider this given that the Economic Development Committee is
3290 faced with two requests really. It is for the £400,000 and also for this £300,000, and that is the one point that I would like to make.

The other point is that, as Deputy Le Clerc has indicated, the money is going into funds, right, it is not going into Guernsey in terms of green. This is where we are lacking here in Guernsey in terms of renewables and diversification. This is where the £300,000 should be going on directly
3295 into this community for environmental projects and development of sustainable energy, if you like, but also renewable energy here in this Island.

Now I would think, from what Deputy Trott is saying, that at least a percentage should go into green initiatives within Guernsey, not just into the focus with regard to funds, which are of course for development of wind energy, let's say, goodness knows where in the world, but it is not going
3300 into necessarily wind energy here, which we would like to see perhaps off the north coast of Guernsey, supplying 30% of our energy requirements, our electrical energy requirements in Guernsey.

So this is something that I would like to have Members realise with regard to this investment. It is not going really into Guernsey directly into green or, what was the other word that was used,
3305 sustainable, where is this green, what is it in terms of sustainable; but it is certainly not going into this Island from that point of view. So I think we have got to be careful in understanding the terminology.

You could also say what about further investment with regard to the £300,000 from the private sector. They have got Zero-10 currently, they have got all sorts of allowances. Why not build up
3310 what I was talking about there earlier, the £800,000 from industry, through an annual levy? Why not put another £300,000 on that? Why on Government? Why are the pensioners having to suffer the taxation that they are suffering through this Budget in order to facilitate £300,000 into the (*Interjection*) fund industry?

So I think I would just like to bring those points across so that people, so that Members can
3315 reflect on those issues with respect to the direction of this funding and also the opportunity for the private sector from industry itself to up their game in terms of their annual levy.

Thank you, sir.

The Bailiff: Deputy Soulsby.

3320

Deputy Soulsby: Sir, I just had to check with Deputy Le Clerc there just to make sure, I could not remember that Deputy de Lisle was actually on the Committee *for* Economic Development. Yes, he is. *(Interjections and laughter)*

3325

Deputy de Lisle: Sir, on a point of order.

The Bailiff: Is it a point of order – a point of order means you *(Interjection)* are pointing out –

Deputy de Lisle: Let me put it as a point of correction.

3330

The Bailiff: Point of correction.

Deputy de Lisle: I am on the Economic Development Committee. *(Laughter)*

3335

The Bailiff: That is not a point of correction then.

Deputy de Lisle: But I am also a straight talker, sir, and I would like my points to be made quite clearly so that they understand.

3340

The Bailiff: That is not a point of correction, Deputy de Lisle.

Deputy de Lisle: Thank you.

The Bailiff: Deputy Soulsby.

3345

Deputy Soulsby: Point of frustration.

I have to say I do share some of the concerns of Deputy Le Clerc. I think she put them across very well. Green finance is a bit of a bandwagon and is it, to mix a few other metaphors, likely to bite us in the backside at some point?

3350

I bow to the greater knowledge of the people who are doing this at the moment. It seems to me it would be a lost opportunity if we do not try and really take advantage of what looks like we are getting in there as the first guys really to do something about this. I am quite supportive of what they are trying to do. I will be really interested to see how the business case stacks up, because I really do not want to see that £300,000 going on people taking lots of expensive, and not necessarily environmentally friendly, plane journeys all around the world for marketing; it kind of would defeat the object.

3355

So from that aspect I am more or less happy, but really the element I do support is the second part of the amendment, particularly the second bullet point about requiring the funding of Guernsey Finance to be formalised in an agreement. I think that is really important because ... and I think that is good for the public as well as us to be able to know that. For too long I think we have just seen lots and lots of money go into Guernsey Finance and some people are more confident than others about what sort of return we are getting from that work.

3360

Particularly as we look in the Budget I think, is it 5.58 paragraph which actually says about how the money coming out of the Guernsey Economic Development Fund, really it is difficult to determine what value we are getting out of it and being able to measure that value. So hopefully this makes measurement easier.

3365

I was surprised by the last bullet point though, especially for some of us who have been living and breathing transformation projects for quite a while now, to see that we needed a bullet point

to look at the synergies between various other bodies under the Committee *for* Economic Development. For me, I would think that is something transformational. Let's just go and look at the Transformation Fund because I do think there are synergies there or, for want of a better word, savings to be made in that area. There are a lot of people doing a lot of related marketing sort of work, and I think there are clear opportunities for savings that could be made through Economic Development.

But I do support this amendment. I think it is far better than the previous one which just said let's have the dosh and we will spend it; this has got something that comes with this, so I will support this amendment.

The Bailiff: Deputy Merrett.

Deputy Merrett: Thank you, sir.

Firstly, in response to Deputy Soulsby, I think Deputy Soulsby said she would look forward to seeing the business case, well of course Deputy Soulsby will not be seeing the business case, will she, sir, because it says here:

... following consideration by 31st December 2019 of a suitable business case by the Committee for Economic Development and ... [P&R].

So they will construct the business case and then P&R will decide whether or not to give them money –

Deputy Soulsby: Sir, point of correction.

I did not say I would be seeing the business case, I said I would be interested to see how P&R see the business case in terms of, well, I hope it is not people flying around the world and impacting the carbon footprint.

Deputy Merrett: I accept that. I accept the interjection but the point is we will not get to see the business case, will we, and that is virtually the whole point of what I was trying to say. We will not because it says quite clearly under i. that it will be by the Committee *for* Economic Development and P&R, and that concerns me because I do have recurring nightmares with people marking their own homework, as Deputy St Pier undoubtedly knows.

Now I did have some alignment with Deputy de Lisle. He did lose me half way through what he was saying but there was some alignment because if you look at the fund so far there is £2½ million that has either been from to date a remaining uncommitted balance to Guernsey Finance that is £2½ million, so that is an awful lot of money, and I know I appreciate completely that is nothing on the bigger scale of things when it comes to comparative jurisdictions and to the GDP allocation from that industry but it still is an awful lot of money, sir.

Then Deputy Ferbrache said the potential is huge. Absolutely, sir, so I asked myself, if the potential is huge and if they know the potential is huge, why are they not investing, or are they? I think, Deputy de Lisle, it is one of the questions I wanted to ask because are they actually giving £300,000 towards it as well so is that a £600,000 investment? Because that does not say that here so I do not know. My expectation is if this potential is huge industry has recognised that then why are they going to put in £300,000 as well or is it just the taxpayers' money.

Lastly, sir, and this is something I do feel quite passionate about – when I was in Devon I was still passionate about it – is that it says Economic Development Funding Plan 2021-23 and what I would really like to see in a mature industry is when, if, how, can it become self-funding. Do we have to constantly be paying in? Should the end goal not be at some point that in a mature industry we say actually we have been paying millions towards this and we have taken millions out of it? Do not get me wrong, sir, I completely appreciate that, but can it ever become a self-funding Guernsey Finance or is it the expectation that we will always be paying money in?

I think the bit that resonated the most of what Deputy de Lisle said is that the £400,000 additional to what they already have is exactly for what this £300,000 is being asked for. This is what the £400,000 is for, so unless somebody can explain to me why it is an additional £300,000 on top of the £400,000 and why they cannot do it within the £400,000, and if somebody cannot explain to me the industry is also going to commit to the £300,000 as well, then I am going to struggle with this because – and I use Deputy Ferbrache’s words again – the potential is huge, it is huge. So why is industry not saying, ‘The potential is huge, let’s investment in this. Let’s go forwards’? Why do they have to look to the Government and say, ‘Will you give us £400,000 for this new stuff? Actually we need another £300,000 on top.’

Now I have to confess, sir, Deputy Trott has not convinced me at this juncture, he has not, but I wanted to speak early because I reckon Deputy de Sausmarez has got a good chance of convincing me because I think our mindsets are fairly similar. I will look forward and I hope Deputy de Sausmarez has got a fantastic speech to support this. Maybe Deputy de Sausmarez knows whether or not there is £300,000 coming from industry because that would give me comfort, that would give me some comfort.

Of course I am waiting for Deputy Parkinson to speak as well because £300,000 out of that fund, I’m looking at Deputy Parkinson, because if he wants that fund to be replenished he has to have assurances which I did not have, when I was on Economic Development, that the money we are giving to Guernsey Finance is indeed giving back the funds into the Island. Now if he can do that that is fantastic and if Deputy Parkinson says, ‘Yes, £300,000 is an absolute bargain. Deputy Merrett do it,’ then I will by all means listen to Deputy Parkinson.

So unless I can get some reassurances on these points and I am really querying in my mind why our conditional £400,000 to look at new emerging industries that we are going, ‘Ah, ah, ah, we need another £300,000 particularly for this.’ So unless I have those reasons I am going to really struggle to support this amendment on the information I have before me.

Now that is notwithstanding the fact that there may be information I just do not know about and that is why I am hoping Deputy de Sausmarez does. I am certainly hoping that when Deputy St Pier sums up he can give me some reassurances on the points that I have made.

So I look forward – I do not often look forward, but I am looking forward – to hearing the summing up of this debate, sir, on this amendment.

The Bailiff: Deputy Fallaize.

Deputy Fallaize: Thank you, sir.

I do not understand the scepticism about this amendment in any way. To me it seems to be quite simple.

We are talking here about the industry which in terms of a single industry is far and away the biggest contributor to employment and GDP in the Island, and for anybody who wants to prioritise the importance of employment, both for the benefit that employment has for the individual and their families and because it increases the tax take for Government, then we ought to take steps to protect and promote the finance industry.

I am staggered, frankly, that our finance industry attracts as much new business as it does when our competitors are spending much more than we are in terms of promoting their finance industries. Now I am not convinced that that is a sustainable position, and it would not surprise me if in the years ahead there has to be significant additional sums committed by Government to promoting Guernsey as a finance centre. But nonetheless, the performance of the industry has been quite impressive in recent years despite Government putting relatively little into the promotional side of it.

Now for a long time Guernsey Finance had to fight against claims that it was wrong for the States to put any money into it to promote certain businesses, and it actually took Guernsey Finance quite a long time to establish the position that they were promoting Guernsey as a jurisdiction rather than promoting the particular businesses in the finance industry.

3470 So the case for providing public money to support the promotion of Guernsey as a finance centre to me is unarguable. So what is left then in this amendment is whether any of that money should reasonably be committed to green finance initiatives.

3475 Now green finance is in its infancy but most people in the world, as far as I can see, other than a few extremists on either side of the debate, seem to agree that the green economy is very likely to be a major growth area in the years and decades ahead. Therefore there must be a lot of potential for our finance industry to take advantage of that. But because it is very much in its infancy it is hard for industry to justify investment itself, and in those circumstances it is not unusual that governments have to step in and try to provoke some kind of impetus in this area initially.

3480 So I think that given the potential around the green economy, and given the importance to the Island of the finance industry, this amendment makes a great deal of sense. If anything, we should be committing more into this area of promotion. It would be enormously beneficial to Guernsey if we could not just maintain but grow the finance industry but do things which encourage it to become more acceptable to more of the rest of the world.

3485 Now we can defend the reputation of the finance industry as much as we like, there is no question that to some people in the outside world some of what is done by the finance industry does cause concern to be ... for some people to have concern on Guernsey as a jurisdiction. The more that we are able to shift the activities of the finance industry into areas of the economy which are considered wholly constructive and healthy and sell our finance centre as a good global player, the better it is for the industry, the better it is for Guernsey.

3490 So I think that the case is compelling and I would be surprised if any Member felt the need to reject it.

A Member: Hear, hear.

3495 **The Bailiff:** Deputy Tindall.

Deputy Tindall: Thank you, sir.

3500 Deputy Fallaize rose quickly before I was able to say, because I wanted to pick that point up in particular about the benefit to Guernsey. For me, the phrase 'speculate to accumulate' also springs to mind.

3505 Deputy Le Clerc mentioned many businesses that could benefit from this, and again Deputy Fallaize explained it is the biggest source of tax revenue, the finance industry, and we need to grow and diversify this and this is an exact way to do this to increase that tax take, but also to coin a phrase which I do not particularly like but, it is a reputational dividend here and I think that is a very good point that Deputy Fallaize makes.

3510 So much so that some of us who were able to attend the IOD event recently had also an incredible ambassador for this, who is Dr Sloan, and he is incredible about the way he talked about the enthusiasm in which this can be achieved, and it will promote Guernsey, and it will be extremely beneficial.

3515 I think that debate, however, did highlight the need for this £300,000 because it was a bit surprising to me that there were many Guernsey firms or people who put their hands up saying, 'Yes, we are in part of this,' but there were quite a few who were not. So there are Guernsey firms that can get involved and there is also the world to know about what Guernsey do.

3515 Deputy Le Clerc also mentioned about, and Deputy Trott mentioned the lovely phrase, a green wash and not green washing, and of course that is the importance of the role of our regulator, the Guernsey Financial Services Commission. It is also of course about, as she quite rightly pointed out, Anti Money Laundering, Countering and Financing of Terrorism which of course, as she knows and many know, I am particularly involved in and keen to confirm the importance of it.

3520 But it goes to the Budget as well about the money that has been set aside to ensure that we have a good evaluation, that we can support the Guernsey Financial Intelligence Service (FIS), and to be able to support the finance industry through not only this initiative but other initiatives.

3525 But that said, I have just done a relatively home element, in particular, in relation to the fact that whilst I was on Economic Development it is good obviously that, as Deputy St Pier says, it has been linked to current process and the need obviously for the business case which of course, being more than £100,000, is not being onward delegated to the Committee for Economic Development, so Policy & Resources will need to check that business case, but also in respect of part ii. shall we say.

3530 I know particularly in respect of bullet point three, which Deputy Soulsby referred to, I spent quite a lot of time trying to argue for the sharing of resources for Guernsey Finance, Visit Guernsey and Locate Guernsey. I know that Deputy Parkinson also did and two colleagues who are not here today who were also on Economic Development. One who also argued the case often, and now Deputy Inder who has taken my place, will be really pleased to see, because I know that there was a concerted effort to try and get a transformation, as Deputy Soulsby mentioned, to try and we saw that there was benefit in not having duplication of the effort and I am glad to see that that is coming forward soon. The examination will be put up, hopefully productive and will save money there too.

3540 That is sort of within the Committee looking outwards, and of course that is the main thing here. It is a huge opportunity. We do need to diversify what we do and we do need to increase the economy to be able to provide for all our public services, and we have a lot to provide for, of which the residents of Guernsey and to a certain extent Alderney are keen to see; they do have high expectations. This is a means to an end and for that I wholly endorse this amendment.

Thank you, sir.

The Bailiff: Deputy Parkinson.

3545 **Deputy Parkinson:** Thank you, sir.

3550 I should begin by explaining that, like Deputy Trott, I am a member of the Board of Guernsey Finance which means that in Committee discussions of such matters I have to recuse myself. In fact on that basis today, the Committee would not be quorate since we only have two other members here. So I have not directly participated in the discussions around the committee table around Guernsey Finance's application for an additional £300,000 on top of the additional £400,000, on top of the £800,000 that they get as a basic grant.

3555 That having been said, I do know what the substance of the Committee discussion was. They thought the initial application from Guernsey Finance was too flimsy and there was not enough substantiation for what the £300,000 was going to be spent on. So the request went back to Guernsey Finance for them to provide more detail about what they planned to actually do with this money. Now I understand that that detail has now been provided by Guernsey Finance and my Committee will go on to consider the revised application, and in line with the terms of this amendment will then consider and approve it; and if they do approve it then it will go to Policy & Resources who, as always, have to approve any allocation from the Future Guernsey Economic Fund. So that is the background to where we are.

3560 Members should take some comfort from that. I know there has been discussion about whether this should come back to the floor of the Assembly but the process is that Economic Development considers it, if it sees fit it asks Policy & Resources for the money to be released and then Policy & Resources consider it. So it does get a fair amount, these applications get a fair amount of consideration, and hopefully if it is all approved that will be because a sound business case with sufficient detail has been presented.

3570 Whether that business case will involve long distance air travel or not I do not know but the members of my Committee and then the members of P&R who review these things will have to take all of that into consideration.

Now, that is in the context of a rather unstable situation in terms of the funding of Guernsey Finance. As has been explained by Deputy de Lisle, Guernsey Finance currently gets a core £800,000 from the Committee for Economic Development and then it gets an additional £400,000 from the Future Guernsey Fund and that was £400,000 for four years and this is the last of those four years.

So actually the financial model for Guernsey Finance going forward does need to be considered and, as the amendment says, we need to develop a sustainable model for the continued funding of Guernsey Finance. So there is a big piece of work which needs to be done to actually put Guernsey Finance on a more secure footing going forward, even excluding this £300,000.

That forms part in the wider context of an ongoing agency review which is nearing completion within Economic Development. Reference has been made to it by Deputy Tindall, we have a number of promotional agencies which are focussed on different markets, whether that is Visit Guernsey or Locate Guernsey or even the Digital Greenhouse, we have a number of agencies that are generally speaking in the business of promoting different aspects of Guernsey.

Although there is no reason to suggest they should all be merged because their functions are quite different and the target markets are very different, the reality is that a lot of the underlying resources that they use could be shared. After all, if you are an event organiser you are an event organiser and it does not actually matter terribly much to you what the purpose of the event is, and if you are a PR agency you do PR and you can do PR for a number of different clients. So one of the parts of the ongoing agency review which will be completed in the next month or so, I am hoping, will be to sort of disaggregate the components of all of our promotional agencies to see where there are cost sharing and resource sharing opportunities to try and reduce the overall cost, or more importantly, get better value for the overall spend.

That may form a part of the development of a sustainable model for Guernsey Finance going forward. There will no doubt be complex and at times difficult discussions with the agencies about what parts of their resource bank could be shared with the other agencies, but I just want to give Members the assurance that that is very much a live issue, something we are working on to try and get the best bang for the taxpayers' buck.

Apart from that, I think all I need to say is that personally I am very supportive of this initiative, I think green finance is a great opportunity for Guernsey. We do need to get it right, but if we get it right ... We are not the only people in the field, Luxembourg have made a big play that they are at the forefront of green finance, so we have not got this all to ourselves, but we are in the leading group and I think there is an opportunity for Guernsey which we need to exploit.

Thank you.

The Bailiff: Deputy McSwiggan.

Deputy McSwiggan: Thank you, sir.

I agreed with Deputy Fallaize's conclusions, but there were a couple of points in his speech that I want to take issue with very briefly and in passing. One of those is that we spend very little on promoting our finance industry compared with our competitors and yet get quite a lot of business as a result, so of course in the future we are going to have to invest more.

Well maybe, but the other way of looking at this is that perhaps marginal returns on investment and finance actually get quite small after a particular period and so Guernsey as a case study is showing that you really do not need to invest all that much more than we do in order to get the kind of business that we get. We should not jump to conclusions that we are going to have to spend more in future.

The other point at issue, which I think has been repeated in several speeches, is that green finance is in its infancy. It is not, it was very much a thing when I was a 16-year-old nerd reading about development and economics, and that is no longer within a timeframe I am willing to admit to in public. So it has been around. It was around for about 20 years at that point and it has been

around for a while since, but what has happened is greater awareness of the climate crisis has pushed it into the mainstream and made it something that communities like ours are more willing to engage with, and that is a great thing and something we should be supporting.

Deputy Le Clerc effectively asked is this a band wagon, well yes, it is really but at least it is an electric band wagon or at best a hybrid! (*Laughter*) But there is bound to be some green washing in there, there are bound to be some things that will not reach the highest ethical standards that you would like them to, but there are also going to be a whole lot of excellent initiatives that we can be very proud to be associated with and that are going to make a very positive difference around the world.

It is one of those we have to be wise and realistic about this and realise that not everything is going to tick every box every single time, but the net benefit of Guernsey committing to green finance is significant.

The point that I really want to make is Deputy Trott asked for unanimous support for this amendment, he acknowledged that the world is going to have to mobilise trillions of dollars, trillions of pounds, to address the issue of climate change, and of course we need to play our part in addressing that globally, but we also need to address it on our own doorstep.

So Deputy Trott, I am more than willing to give my wholehearted support to this amendment but I expect likewise in terms of the £100,000 that E&I are asking for on biodiversity.

Several Members: Hear, hear.

The Bailiff: Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

I have no problem with the approach by Deputy Trott to potentially second this amendment if Deputy de Sausmarez was not available. It certainly is on a subject that I can speak on with some authority.

In my professional career I spent 30 years setting up and running investment research companies in Asia and was considered one of the world's leading experts on the Asian fund industry. I chaired the first conference on Asian fund industries, I was an expert witness in the large court case in Australian history based around funds.

But to give you some background, there is a fundamental understanding I think we need to have of where our finance industry came from in Guernsey. I think we all understand the benefits it has brought to us, and the benefits it continues to bring to us, and that the majority of our economy is based around the finance industry, but it was not always so. So why did the finance industry ever come to Guernsey? What is going to happen with this in the future?

For that we need to look at a little bit of history. It was thought the Nobel Laureate economist, Milton Friedman, who really started the ball rolling with his consumption theory in the 1960's and 1970's – which eventually won him a Nobel Laureate – and a change in the policies of America who were at that time in the late 1960's, early 1970's, actually suffering from inflation, devaluation of their ... well their currency was under pressure and at that time we had the gold standard in place, the Bretton Woods Agreement from 1944 and dollars were freely convertible into gold. Basically the Americans were seeing their gold reserves depleted as they were struggling to control internal inflation within America, and it resulted in what was referred to as the Nixon Shock in 1970 when basically America reneged on the Bretton Woods Agreement, with the Bretton Woods Agreement eventually being scrapped in 1973 and officially ended in 1976, and that led to free floating currencies.

You also, at the time, were suffering the oil crisis in 1973 and the energy crisis in 1979 so you had a very disruptive period where America was looking for a way to expand its markets for its products and services, recognising it was not as competitive in manufacturing as it should have been or its base competitiveness was deteriorating and there was a move led by Milton Friedman to reduce global trade tariffs and restrictions to trade a general move to globalisation.

Now the offshore finance industry was a baby of that development, it was birthed from that, because if you look at Guernsey, where did the finance industry come from in the 1970's? Why did it come to Guernsey? Quite simply, it was expedient for the offshore industry to develop so that capital could be channelled for the developed countries into developing countries to help develop markets for goods and services from the west and it needed to go into an area where it could bounce into those emerging markets and come back in and be banked and then go back again for investment without incurring significant tax obligation.

So there was an acceptance and facilitation of the development of the offshore finance industry to help western countries, and particularly America, and arguably its economic imperialism to develop worldwide and to expand.

So then we come to 2008 and everything changes: (a) the western countries go through worldwide financial crisis; also if you look at the last 10 years, the emerging markets have emerged, they are now actually becoming a threat to the developed countries. All of a sudden the developed countries want to have that tax revenue back on shore. They want to actually have that money that was originally allowed to go offshore to help fund global development and globalisation, they want it back where they can tax it onshore.

So we see OECD and other methods being used to beat down the offshore finance industry, trying to restrict them and trying to capture that capital back on shore. So what does that mean for us? Well that means – and for the offshore finance industry worldwide? – the offshore finance industry worldwide is under constant threat.

The fact is we have served our purpose as far as the developed countries are concerned and now they are, as I say, trying to recoup that capital back on shore.

So our issue is the majority of our economy is based on the finance industry and yet the finance industry is under threat, the offshore finance industry is under threat worldwide.

We are lucky in Guernsey and much better placed than Jersey in fact because of the diversity of that industry, we have far more different sectors of finance here such as re-insurance, such as funds etc. where Jersey tends to be more based on traditional deposits and banking.

But we are never going to see the boom years. In my opinion we will never see again the boom years of the 1970's, 1980's and 1990's, the growth in the finance industry, the demand. We are likely to see consolidation over time and that is a major threat to our economy. What we need to do is, in any way we can, support our industry, ring-fence it, protect it, and help it diversify where it can.

As Deputies Ferbrache and Parkinson in previous debate today were mentioning, we woefully underinvest in developing our economy and boosting our revenue streams. So I see this as a no-brainer in the sense that we need to invest money into developing our economy, we have to support our key industry in any way we can.

It also, I think, as other speakers have spoken to and I am sure that Deputy de Sausmarez will go to, is a wonderful initiative anyway that will also help Guernsey's reputation, its position in the industry is something I think which is close to all our hearts.

Deputy Merrett was asking why are we paying for this. Well the fact is if businesses invest in developing an area of business it is in a competitive environment, they are going to invest for their own advantage. If they put money into a pool they will be looking for how that money in that pool will help them specifically, it is not necessarily for the greater good of the industry, or money that could be applied in a way that promotes an initiative over all. It is going to be viewed from a competitive investment perspective as an individual company.

By the States of Guernsey putting money into this, we are signalling our support for the industry, we are signalling our support for fantastic initiatives worldwide to help address the environment and we are also helping to grow the economy.

I give way to Deputy Trott.

Deputy Trott: I am grateful to my friend for giving way, sir, because he makes a very good point, as others have done, about how we do underinvest in the promotion of our Island, but we

3730 do it in a rather odd way because we spend nearly twice as much in funding terms on Visit
Guernsey in support of 10% of our economy; and nearly half of all the funding from Guernsey
Finance comes from the financial services industry, supporting a sector four times as large
domestically; and let's not lose sight of this key statistic tanking on from nearly three quarters of
our export economy. So it does not take a genius to do the numbers to see that, if anything, we
are putting too much funding into one sector and nowhere near enough funding into another.

3735 **Deputy Meerveld:** Yes, just in closing, I would ask all Members to support this. I think it is not
a huge amount of money when we are talking about a Budget of this size, it is an important
initiative and I would ask people to support it.

Thank you, sir.

3740 **The Bailiff:** Can I just have an indication of how many people who have not spoken and would
wish to do so ...? Can you stand in your places if you wish to? So six are standing. If it was just one
or two I might have suggested we continue to sit, but given the number who are standing, I
suggest that we rise now and resume tomorrow morning.

The Assembly adjourned at 5.30 p.m.