

**REPLY BY THE PRESIDENT OF  
THE STATES' TRADING SUPERVISORY BOARD  
TO QUESTION ASKED PURSUANT TO RULE 14 OF THE  
RULES OF PROCEDURE BY DEPUTY GAVIN ST PIER**

**Question 1**

Could the Committee please re-present Table 6 on page 19 of the policy letter using net present values for the whole-life costs and savings?

**Answer**

Table 6 and Table 7 provided on pages 19 and 20 of the published policy letter have, as stated, been produced on a Rough Order of Magnitude (ROM) basis using January 2022 pricing which at this stage is the best we can achieve. We have also had to make some broad assumptions over timing of the cash flow which are yet to be tested, but which become more relevant in any NPV analysis, when compared to our existing calculations based on whole-life cost.

It is also worth noting that the whole-life costs are currently based on a 15-year life following completion of construction. In reality we consider that the runway could be expected to last up to 20 years providing for continued benefit from the PSO consideration.

Apart from a small amount of tender inflation inherent in the base tender prices, inflation is not considered in any of the options.

However, we are readily able to create an NPV version of these tables, over 18 years being 3 years construction and 15-year life, using a rate of 3.5% as follows:

NPV Rate	3.50%		Inflation	0%
Summary at NPV	Option	Option	Option	Option
	A	B	C	C+
Capital Expenditure	13,369,304	14,631,366	19,300,885	23,146,035
Operating Expenditure	484,486	484,484	1,846,015	1,846,015
PSO Considerations	-	-	- 8,214,243	- 8,214,243
Sub-Total	13,853,790	15,115,850	12,932,657	16,777,807
Unavoidable Associated Future Capital	4,205,771	4,205,771	4,205,771	-
<b>Total NPV of ROM costs</b>	<b>18,059,562</b>	<b>19,321,621</b>	<b>17,138,428</b>	<b>16,777,807</b>

As can be illustrated, the NPV version has reduced the benefit derived from the PSO considerations but, in the final analysis, continues to show Option C+ to be the most favourable over the modelled 18-year cost. It is important to note that inflation has been excluded from the above table. Modelling inflation in would also change the NPV rate by a similar figure and result in relatively minor movement in the Total NPV of the ROM costs, not changing the comparison. Inflation would clearly impact the numbers in the original tables 6 and 7.

**Date of Receipt of the Question: 28 October 2022**  
**Date of Reply: 11 November 2022**