



Policy & Resources  
Committee

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The Presiding Officer  
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14<sup>th</sup> March 2025

Dear Sir,

### **Letter of Comment re: P.2025/25 – Incorporating Our Trading Businesses**

The Policy & Resources Committee (“the Committee”) has considered the above Policy Letter which is scheduled for debate by the States of Deliberation at their meeting commencing 19<sup>th</sup> March 2025. The Policy Letter seeks the States’ agreement **in principle** for incorporating appropriate services run by the States’ Trading & Supervisory Board (“STSB”) and for proceeding with a project to incorporate Guernsey Water by the end of 2027.

Generally speaking, the Committee supports the concept of further commercialisation. Given the growing pressure on public finances, it is imperative that the States of Guernsey consider how their services are delivered and funded and how future requirements for States’ finance might be reduced. The Committee is planning for a Fundamental Services Review<sup>1</sup> across the organisation to help understand how services might be best delivered. This includes defining which States services must be delivered by government, which services might better be commissioned by others, which services should become ‘user pays’, and which services should be stopped altogether. In the Fundamental Services Review and in any incorporation efforts, however, **it is vital that the States does not simply pass cost burdens on to the public and significantly increase the financial pressure on local households.**

**Whilst the Committee supports incorporation in principle, the amount of work required before any service is incorporated should not be underestimated.** The Committee is concerned that it is too early for a firm decision to be made on the incorporation of

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<sup>1</sup> The Policy & Resources Committee noted its intention to return to the States with proposals for a Fundamental Services Review in the [Major Projects Portfolio Review, Billet d’État V, 2025](#)

Guernsey Water. Guernsey Water, whilst it is in the best position of all STSB's services, will need more detailed investigation of the impacts of incorporation (including financial impacts and requirements), consultation with stakeholders, and preparatory changes in practice (requiring effort from across the organisation) before incorporation can be agreed.

**Whilst some resource requirements can be met using external sources as suggested by STSB, expertise from the States' HR, finance and treasury teams and internal legal advice will still be needed.** The legislation for Guernsey Water will need to be considered, as well as the review of the States Trading Companies (Bailiwick of Guernsey) Law, 2001 and the development of legislation under the Transfer of States Undertakings (Protection of Employment) (Guernsey) Law, 2001. More detailed modelling of the overall financial implications will be required (from the perspective of the companies and the shareholders) and consideration of the financial framework for any companies, including a borrowing framework. There is also the potential for complex employee matters and negotiations. Some of this work would be inappropriate to outsource and, in some cases, the necessary knowledge and expertise will not exist outside of the States.

Any work to incorporate Guernsey Water has the potential to ease the incorporation of other services, including Guernsey Ports and States Works. However, whilst the Committee is not against incorporation, it also recognises that, at present, **the Ports have significant capital requirements (including a maintenance backlog) and current and historical deficits. In these circumstances, incorporation would not be possible without a significant recapitalisation.** There will be a requirement for significant change and development ahead of any States decision on incorporation and, as recognised by STSB, any decision will need to be informed by wider policy considerations. The investigation of the incorporation of Guernsey Ports and States Works will also require STSB to engage and consult with service areas across the States.

It should be noted that prioritising an incorporation workstream will mean that the resources involved have more limited capacity to work on other States of Guernsey projects. The relative priority of the States' workstreams, ongoing and new, will need to be considered by the new States Assembly as part of next term's Government Work Plan.

Any assessment of incorporation options will also need to be informed by the States' past experience, including the incorporation of Guernsey Electricity and Guernsey Post. Amongst the lessons learnt from this experience are the importance of an effective governance structure and reporting lines, the time it takes to adapt and develop as a newly incorporated business, and the need for clear shareholder goals. **Clarity on the States objectives is essential and forms a logical first step in determining whether a service should be incorporated.** These objectives will inform the structure and design of any incorporated trading companies and their relationship to the States.

Whilst one objective of incorporation might be to allow the company to become more self-sustaining, it is unrealistic to expect that an incorporated company will be financially independent from its commencement. Further, even if achieving strong commercial performance, any incorporated companies will still be part of the States of Guernsey Group and any decisions on financing and funding will have an impact on the wider Group. **It is essential, therefore, that the States continue to coordinate activity across the Group and their individual trading companies. The Committee is keen to work with the STSB to ensure any decisions on the incorporation process, and the future operation of any businesses, are informed by the wider States context.**

The Committee has noted the STSB's consideration of regulation requirements. The need for regulation is likely to vary between services, however, given that Guernsey Water would have no competitors, the Committee considers that there will be a requirement for proportionate regulation in order to manage its monopolistic position. This would need to be considered in more detail if incorporation is agreed in principle and any proposals would likely need to return to the States.

The Committee trusts that this feedback is useful for States Members ahead of the States debate. It looks forward to working closely with the STSB on the debate's outcomes.

Yours faithfully,

A handwritten signature in black ink that reads "Lyndon Trott". The signature is written in a cursive, slightly slanted style.

**Deputy Lyndon Trott OBE**  
President