



BILLET D'ÉTAT

XXVI
2014

WEDNESDAY, 10th DECEMBER, 2014

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BILLET D'ÉTAT

TO
THE MEMBERS OF THE STATES
OF THE ISLAND OF GUERNSEY

I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY**, the **10th DECEMBER, 2014** at **9.30 a.m.**, to consider the items contained in this Billet d'État which have been submitted for debate.

R. J. COLLAS
Bailiff and Presiding Officer

The Royal Court House
Guernsey

31st October 2014

**THE MOTOR TAXATION (FIRST REGISTRATION DUTY) (GUERNSEY)
ORDINANCE, 2014**

The States are asked to decide:-

I.- Whether they are of the opinion to approve the draft Ordinance entitled “The Motor Taxation (First Registration Duty) (Guernsey) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance establishes an obligation to pay motor tax upon the first registration of a motor vehicle ("first registration duty"). First registration duty is based on a motor vehicle's carbon dioxide emissions and overall width. The rates and method of calculation are set out in the Schedule to the Ordinance.

There is a transitional provision (see clause 2) in relation to vehicles where a contract to purchase was entered into prior to the commencement of the Ordinance. These vehicles are exempt from first registration duty.

The Ordinance is effective on 1st January, 2015.

For information it should be noted that the Environment Department intends to make regulations, subject to the approval of the Treasury and Resources Department, which will prescribe the classes or uses of motor vehicles exempt from the requirement to pay first registration duty, and the classes or uses of motor vehicles entitled to preferential rates of first registration duty.

The classes or uses of motor vehicles that it is intended will be exempt from the requirement to pay first registration duty are emergency vehicles used by the police, fire and rescue or ambulance services, motorcycles, agricultural tractors, road repairing machines, vehicles specifically converted for use by disabled persons, classic cars, and mini buses that are registered in the name of a charity.

The classes or uses of motor vehicles that it is intended will be entitled to preferential rates on the amount of first registration paid are hire vehicles, commercial vehicles and caravans. Hire vehicles will be entitled to a preferential rate of 15% of the amount of the first registration duty payable provided that the hire car is exported from the island within twelve months of the first registration in Guernsey and is not re-imported back to the island within two years of the vehicle's exportation. Commercial vehicles and caravans will not be subject to the width duty but a first registration duty, based only on the vehicle's carbon dioxide emissions, will be payable and capped at £2,000.

It is intended that the Regulations will come into force on the 1st January, 2015.

**THE INSURANCE BUSINESS (BAILIWICK OF GUERNSEY) (AMENDMENT)
ORDINANCE, 2014**

The States are asked to decide:-

II.- Whether they are of the opinion to approve the draft Ordinance entitled “The Insurance Business (Bailiwick of Guernsey) (Amendment) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance amends the Insurance Business (Bailiwick of Guernsey) Law, 2002, ("the 2002 Law") in order to remove current solvency requirements for insurance businesses from the 2002 Law and enable the Guernsey Financial Services Commission to regulate the requirements by rules. In broad summary the amendments include repeal of Schedule 2, and a number of consequential amendments, to the Law of 2002 as well as repeal of the Insurance Business (Asset and Liability Valuation) Regulations, 2008, and the Insurance Business (Approved Assets) Regulations, 2008. The basic objective is to replace the concepts, currently set out in the Law of 2002, of the margin of solvency and approved assets with prescribed levels of capital resources and a Capital Floor, which will more closely align the Bailiwick with recognised international standards.

**THE HOUSING (CONTROL OF OCCUPATION) (AMENDMENT OF
HOUSING REGISTER) (NO.2) ORDINANCE, 2014**

The States are asked to decide:-

III.- Whether they are of the opinion to approve the draft Ordinance entitled “The Housing (Control of Occupation) (Amendment of Housing Register) (No.2) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance authorises the Housing Authority to inscribe in Part A of the Housing Register three apartments on the site known as Les Residences, Rue De La Saline, Castel (the former Hotel Les Carterets site).

It should be noted that section 3 of the draft Ordinance provides that the inscription must be made within 12 months of the commencement of the Ordinance, whereas the resolution of 24th September, 2013, provides that inscription must be made within 6 months of commencement. The Minister of the Housing Department is proposing to provide a brief explanation of the reason why the draft Ordinance varies in this respect from the approved policy at the December meeting when the Ordinance is presented for approval.

**THE HEALTH SERVICE (SPECIALIST MEDICAL BENEFIT)
(AMENDMENT) ORDINANCE, 2014**

The States are asked to decide:-

IV.- Whether they are of the opinion to approve the draft Ordinance entitled “The Health Service (Specialist Medical Benefit) (Amendment) Ordinance, 2014”, and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance amends the Health Service (Specialist Medical Benefit) Ordinance, 1995 and modifies the Health Service (Benefit) (Guernsey) Law, 1990, ("the Law") in order to enable consultations, treatments and procedures under the Law to be provided by primary care mental health wellbeing practitioners, under arrangements approved by the Social Security Department for the purpose of the Law, as specialist medical benefit.

STATUTORY INSTRUMENT LAID BEFORE THE STATES

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

THE WASTE DISPOSAL CHARGES REGULATIONS, 2014

In pursuance of section 32(2)(c) of Environmental Pollution (Guernsey) Law, 2004, the Waste Disposal Charges Regulations, 2014, made by the Public Services Department on 2nd October, 2014, are laid before the States.

EXPLANATORY NOTE

These Regulations, made by the Public Services Department in its capacity as Waste Disposal Authority under the Environmental Pollution (Guernsey) Law, 2004, prescribe the charges payable in order to dispose of waste at the Authority's waste disposal sites as from 1st January, 2015.

ELIZABETH COLLEGE BOARD OF DIRECTORS

NEW MEMBER

The States are asked:-

V.- To elect a member of the Elizabeth College Board of Directors to fill the vacancy which will arise on 5th January, 2015, by reason of the expiration of the term of office of Advocate Russell Clark, who is not eligible for re-election.

[N.B. Each year the States elect a Member of the Elizabeth College Board of Directors, who does not need to be a sitting Member of the States, to serve a six year term. The College Statutes include a provision at Statute 13 that any person having served in the office of Director shall not be qualified for re-appointment until after the expiration of twelve months from the time of his going out of office.]

[N.B. Rule 12 of The Constitution and Operation of States Departments and Committees states the following in regard to *'Nomination of Candidates for Election by the States'* - *'Save in respect of the office of Chief Minister, persons shall be eligible for nomination from the floor of the Assembly on the day of election, but where a person nominated is not a sitting member of the States the proposer shall provide to Members of the States, no later than the start of the meeting at which the election is to be held, a full report in writing containing background information about the candidate, the candidate's willingness to seek election and the reasons for his name having been put forward'.]*

The following has been provided from the Clerk to the Elizabeth College Board of Directors:-

The Bailiff
Bailiff's Chambers
The Royal Court House
St Peter Port
GY1 2NZ

30th September 2014

Dear Sir

I am directed by the Elizabeth College Board of Directors to say that it would be grateful if you could request the States to appoint a member of the Board to replace Advocate Russell Clark whose term of office expires on the 5th January, 2015, and who is not eligible for re-appointment.

Whilst nominations may be made by any Member of the States it has become the practice that one nomination is made on behalf of the Board. In considering this year's nomination for the first time the Board formed a Sub-Committee to specifically consider the appropriate skills and experience of likely candidates. On reflection the Board felt that they had the opportunity this year to move away from Directors who had variously been parents, OEs and from the Island by nominating someone from a completely different perspective. Mr David Sussman has recently arrived on the Island as the Managing Director of Barclays Wealth Trustees (Guernsey) Limited. With a background in the Caribbean he has spent the previous 9 years in Bermuda where he was both a Governor and then the Chairman of the Governance Committee of Bermuda High School. In meeting him, the Sub-Committee felt very strongly that he brought

great enthusiasm, wisdom and experience as a Governor in an island school, albeit not Guernsey. This nomination also adds transparency and balance to a Board strongly represented by parents and OEs.

Mr Sussman has confirmed his great interest in this opportunity and is delighted for his name to be put forward to the States for consideration. His CV is attached and it is intended that his proposer in the States will be the Deputy Chief Minister who will meet him in advance of the December Meeting.

I trust this letter both sufficiently informs you and is compliant with Rule 12 of the Rules relating to the Constitution and Operation of States Departments and Committees.

Yours faithfully

Mike Spiller
Clerk to the Board of Directors

**DAVID A. SUSSMAN
B.A., LL.B., M.B.A., TEP**

David has over 25 years' experience in the international financial services arena. He has lived and worked in six countries and has played a significant role in the development and execution of strategy at several of the world's premiere banks and trust companies.

A qualified lawyer in Ontario, Canada and Bermuda, David served as General Counsel to Wood Gundy Inc., one of Canada's largest Investment Banks and to Bank of Bermuda Limited. He has subsequently held increasingly senior management roles with Coutts, UBS, Franklin Templeton, Conyers, Dill & Pearman and Barclays.

David holds a Bachelor of Arts from Huron University College at the University of Western Ontario, a Bachelor of Laws from the University of Windsor and a Master of Business Administration from Southern Methodist University. David is a member of the Society of Trust and Estate Practitioners and has served on the STEP Branch Executive Committees in the Bahamas and Bermuda.

Amongst his industry accolades, David has been named to the Citywealth Leaders List every year since 2009. David is a frequent speaker at industry trade gatherings and has published numerous articles on topics of interest to the international private banking, trust and investment community.

David has counselled private and institutional clients on six continents and has been engaged in the establishment and administration of over 100 Private Trust Companies. He has served as trusted advisor to numerous high net worth families and family offices with interests in a diverse array of holdings including inter alia, multi-national manufacturing and production facilities, new and old media assets, entertainment conglomerates, hotel chains, professional sports franchises, commercial and residential real estate, ships, aircraft, intellectual property and a variety of chattels including wine, classic automobiles, antiques, bloodstock and fine art.

David has been an active member in the communities in which he has lived and has been involved in student affairs his entire life. Following his election as president of his graduating class in high school, university and law school, he continued his contribution to educational causes in Canada, Bermuda, the Cayman Islands and the Bahamas. Prior to relocating to Guernsey David served as Trustee and Chairman of the Governance Committee for Bermuda High School.

David and his spouse Lynne have two sons currently continuing a liberal arts education at university in Canada. Both boys are the product of small island primary and secondary schooling and successfully completed the International Baccalaureate diploma within a traditional commonwealth preparatory school setting in Bermuda.

POLICY COUNCIL

THE AIRPORT AND ECONOMIC DEVELOPMENT IN ALDERNEY

1. **Executive Summary**

- 1.1. This report is submitted in response to the States' Resolutions of 29th January 2014, following consideration of a Requête dated 31st October 2013 entitled "The Airfield in Alderney", signed by Alderney Representative the late E P Arditti and six other Members of the States (See Appendices A and B). It reminds States Members of the background and context to the relationship between Guernsey and Alderney, and the linked challenges of economic decline and depopulation being faced by Alderney, and therefore indirectly by Guernsey. It presents the results of several specially commissioned pieces of research in regard to the two linked issues of:
- i) Making recommendations to contribute to sustainable economic growth in Alderney, which in turn could arrest depopulation and then produce modest population growth, and as an essential part of this;
 - ii) Future proofing Alderney Airport for the next 25 years.
- 1.2 The report shows that such matters are complex and there are no clear solutions, but the States of Guernsey and the States of Alderney are committed to work together to address both issues. This report makes recommendations to the States on work and actions required at Alderney Airport to make it suitable for the next 25 years, as well as actions that, if implemented (and as stated in the Resolutions on the amended Requête), "will likely contribute to stimulating Alderney's economy and reversing depopulation".

2. **A Brief Historical Background**

- 2.1 Alderney has a long and complex history, for much of its existence it maintained a status much like that of Sark with a Seigneur that had a direct relationship to the Crown. There has also been a longstanding link through the Royal Court of Guernsey.
- 2.2 However, for many decades Alderney has been tightly linked to Guernsey. 1948 is a pivotal date in Alderney's history in that from that time its financing has been inextricably linked with that of Guernsey. Before this date Alderney was administered from local direct and indirect taxes, with Crown land administered by Crown revenues (rents, royalties etc.) and the shortfall met from UK HM Treasury funds.
- 2.3 After residents returned to Alderney post World War II, discussions between the UK Government, the States of Alderney and the States of Guernsey led to changes in financial and legislative controls. A report of the Privy Council was presented to, and accepted by, the States of Deliberation on 5th November, 1948, and this in turn led to what is now known as the '1948 Agreement'.

- 2.4 Through the 1948 Agreement, the States of Deliberation have responsibility for most major services in Alderney including the provision of the airfield, healthcare, education facilities, immigration, policing and social services; such services are known as the Transferred Services. Under the terms of the 1948 Agreement the States of Guernsey can legislate in any areas of these services without the consent of the States of Alderney, although in practice the islands liaise closely in such areas. In addition to the 1948 Agreement, in 1950 the UK Government transferred all Crown lands in Alderney, including the seabed to the States of Alderney as a measure to help Alderney's economic development.
- 2.5 The States of Alderney are responsible for domestic services outside the transferred services, which are funded by Alderney revenues plus a Cash Limit from Guernsey. While the States of Guernsey approve the domestic budget, the States of Alderney have freedom and flexibility to manage their own financial affairs including the collection of some revenue income and expenditure.
- 2.6 Capital projects in respect of the Transferred Services are funded directly by the States of Guernsey through Departmental Capital Allocations or the Capital Reserve, in exactly the same way as such capital projects in Guernsey. In respect of domestic services, capital projects are funded through the States of Alderney capital allocation which currently includes Conge (2% tax on property sales), Alderney Gambling Control Commission surpluses and, if required, a routine capital allocation from the States of Guernsey. All capital expenditure is subject to the same approvals process, irrespective of the source of funding.
- 2.7 It was broadly anticipated in 1948 that the net overall annual cost of the agreement to Guernsey would be in the order of £15,000 to £20,000. Although no longer a relevant indicator, inflated to present day values this range would be £525,000 to £700,000.
- 2.8 As a result of the 1995 Review of the Agreement, which amongst other things consolidated the Guernsey and Alderney accounts, it is not possible to say with any real degree of certainty what the present day annual costs to Guernsey are of supporting Alderney. However, given the losses reported in operating Alderney Airport (c. £900,000 per annum), the current costs to Aurigny of flying the Alderney routes (c. £900,000) and the annual revenue costs of the Transferred Services including providing health, education and policing services as well as capital top-ups, the cost of supporting Alderney may be significant in magnitude compared to the initial 1948 forecast.
- 2.9 Such cost increases in real terms for providing public services are of course not unique to Alderney. The Islands have been able to invest in very major upgrades to public services over the past 65 years, and modern standards and expectations are considerably higher than in the immediate post-war period.
- 2.10 Responsibility for the Breakwater in Alderney formed no part of the 1948 Agreement, because at that time the structure was maintained by HM Government. However, in 1987 Guernsey also assumed responsibility for maintaining the Breakwater in Alderney, as part of an agreed package of

measures offered in response to a request from HM Government for a contribution from the Bailiwick of Guernsey as a whole towards the costs of defence and international representation.

- 2.11 The costs of maintaining the Alderney Breakwater are significant. Since 1987 the States have operated an effective on-going maintenance regime, supplemented by one-off repairs, as necessary, following major storm damage. Over the last 28 years the Bailiwick has spent approximately £25 million (at today's prices) on the structure. The problem however remains that the Breakwater has a finite life. Its superstructure, i.e. the portion which is seen above the water, is akin to the tip of an iceberg, as it is built on top of a massive rubble mound. All the engineering predictions are that sooner or later the main superstructure will fail either because of direct storm damage, or by an undermining of the structure as a result of movement in the mound.
- 2.12 The Public Services Department, which has the mandate to look after the Breakwater, is alert to these issues and has indicated its intention to report to the States with recommendations for a long term strategy. This will undoubtedly stimulate discussion over whether continued maintenance and repair provide best value for the Bailiwick. Without doubt, it is essential for Alderney to continue to have a sheltered harbour. However, in the knowledge that the Breakwater will not last for ever, the Islands will need to work closely to ensure the future investment decisions in terms of guaranteeing a sheltered port, strike the right balance between effectiveness and affordability.
- 2.13 Alderney's economic fortunes have fluctuated in the years since the 1948 Agreement, and there have been several reviews as to whether Alderney could gain more financial and constitutional autonomy from Guernsey. In 1955, the President of Alderney submitted proposals to the Home Office for resuming responsibility for all its services. While the Home Office consulted on this and was willing to accept it in principle, the proposal was later dropped due to economic and political problems in Alderney.
- 2.14 A further proposal was made for greater separation in 1971. This proposal was made in the run up to the accession of the UK to the EEC in 1973. At that time the UK Government said it would need to be satisfied that Alderney was, and would likely remain, financially and economically viable, the States of Alderney was a responsible body, that there was no reasonable objection from the States of Guernsey and that there were special safeguards on certain Transferred Services. Uncertainties over the Island's economic future stalled this proposal.
- 2.15 The next review of the relationship took place in 1995 when the States of Guernsey Advisory and Finance Committee and the Alderney Finance Committee set up a joint working group chaired by the then Bailiff with a mandate to review the operation of 1948 Agreement and to consider any necessary amendments. In addition in September 1995 the States of Deliberation considered two reports on the Alderney Airport operating hours with proposals to reduce operating hours. In the event, both reports were subject

to sursum motions pending the outcome of the review undertaken by the joint working group.

- 2.16 The review concluded that the 1948 Agreement set up a Bailiwick solution which was a unique federal relationship between the two islands. It was not fundamentally flawed, but the level of services in Alderney should be appropriate for its population.
- 2.17 The review did not favour a return to pre-1948 arrangements for administering and financing Alderney. However, if this was pursued Alderney would need to satisfy HM Government that it could maintain itself. The review further recommended changes to accounting procedures in Guernsey which would in effect treat the islands as the same financial account (consolidated accounts). This was to remove any invidious and divisive impression from the previously separated (but somewhat over-simplified) accounts that Guernsey was subsidising Alderney. The revised accounting reflected the financial union and common position that exists between the islands.
- 2.19 The most recent chapter in the relationship was in January 2014 when the States formally reiterated that "...since 1948 Alderney and Guernsey have been inextricably linked and today there is fiscal union between the islands..." Fiscal union, inter-alia, means in reality that every £1 earned/spent in Alderney has the same effect on the Guernsey Exchequer as every £1 earned/spent in Guernsey.

3. The Context to the Present Studies

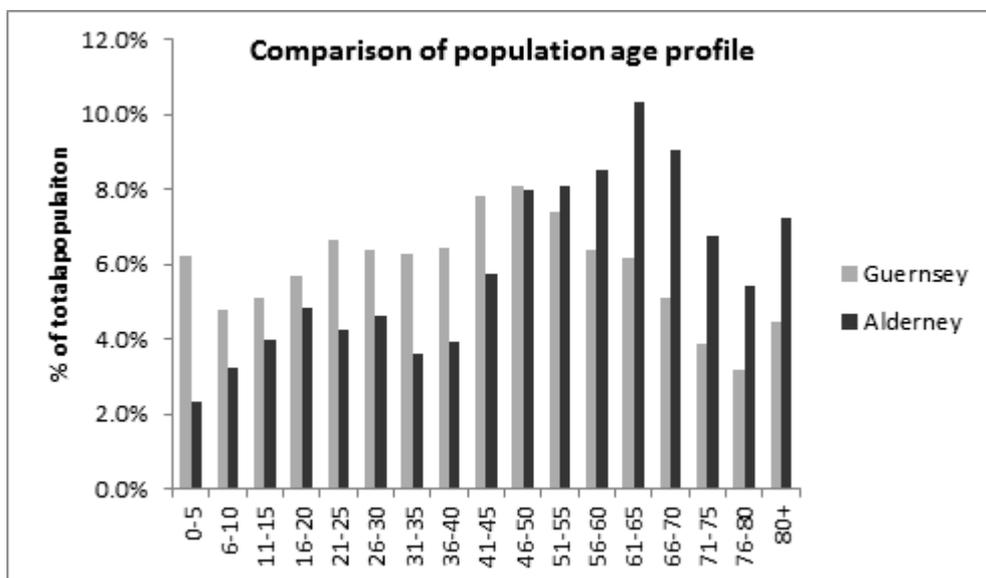
- 3.1 At the end of 2012/early 2013 several Alderney politicians were expressing concern to their Guernsey counterparts regarding the on-going and developing linked problem of economic decline and de-population in Alderney. This had emerged as the top priority in the Alderney Strategic Plan and it was felt that government interventions needed to be made to help stimulate the Alderney economy. This in turn would hopefully help to start to reverse the de-population. It was in response to such concerns that the Policy Council formed an Alderney Liaison Group (ALG) in early 2013. This Group currently comprises the Chief Minister (or Deputy Chief Minister) and the Ministers of the Public Services Department (PSD), the Treasury and Resources Department (T&R) and the Commerce and Employment Department (C&E), who meet with members of the Policy Committee of the States of Alderney. Membership of the Group can, however, be flexible and include any Ministers when matters of concern or relevance to their Departments are discussed. Indeed it is planned that several of the forthcoming meetings will include presentations by the Departments in Guernsey responsible for the Transferred Services in Alderney, and these ALG meetings will be attended by the relevant Ministers with their Chief Officers.

3.2 Some of the key statistics to result from a Census in Alderney in April 2013 were as follows:-

- the number of children aged 14 or less in Alderney has halved in the past 12 years;
- the number of residents aged 55 and over has now reached half of the total population (this figure is around one third in Guernsey);
- Those aged 60 to 69 make up one fifth of population (compared to a tenth in Guernsey).

3.3 The following table and chart shows this comparison:

	Guernsey	Alderney
Total population (administrative data)	62,732	2,080
Median Age: Male	41	52
Median Age Female	43	54
Modal age Group	46-50	61-65
% of population <16	16.10%	9.60%
% of population over 64	17.1%	33.1%
% of population over 84	2.5%	3.9%



3.4 Assuming zero net inward migration, Alderney's population is forecast to continue to decline over time (a further 5% decline by 2020 and 12% by 2030). The percentage employed was 46% (i.e. the same ratio as 2001 meaning there are less persons employed).

3.5 With the overall population falling and the demographics becoming increasingly weighted towards the elderly, Alderney is becoming less sustainable as a community. Not only is the economy in decline, displaying signs of both

structural and cyclical decline, but it will become increasingly difficult and costly to maintain aspects of essential infrastructure such as education facilities with reducing school rolls. Provision of some health and social services are also likely to be negatively impacted by reducing numbers of people (especially young people and families).

- 3.6 Given the fiscal union that exists between the islands, Alderney's problems are also Guernsey's problems. Further demographic and economic background is given in the consultancy studies appended to this report.

4. Alderney Airport

- 4.1 The role of the airport is pivotal to the debate on stimulating economic growth, hence the explicit linkages between the two issues. It was known in 2008 that some upgrading works would be necessary at Alderney Airport to comply with Civil Aviation Authority regulations and requirements. Works were carried out up to 2010 to address these matters, but they were not successful. PSD therefore investigated options for further work in 2012, and included suitable capital provision within the States of Guernsey capital programme for its recommended works. This is explained in some detail later in this report.
- 4.2 Consideration of the role of Alderney Airport dominated the ALG meetings through 2013. To some extent the Requête led by former Alderney Representative the late E P Arditti pre-empted the conclusions of the ALG in that it brought proposals direct to the States.
- 4.3 The original Requête was effectively promoting a significant upgrade to Alderney Airport involving a major runway extension (and widening) to enable aircraft up to 42 seats to land and take off. It was believed by some States Members in both Assemblies that this measure could be the catalyst for turning around Alderney's economic fortunes. In the event the Requête was amended directing exactly the sort of research that ALG believed to be necessary to be able to provide some long-term answers to the vexing issues of economic decline and de-population in Alderney, taking account the undeniably significant role which the Airport plays in Alderney's fortunes as a sustainable community.
- 4.4 The amended Requête helpfully directed further work on establishing what may be necessary not only for Alderney Airport to comply with current CAA regulations and requirements, but (as far as reasonably possible) to future proof it for the next 25 years. To do this it is vital to understand the present and future economic opportunities in Alderney and how they may be unlocked and delivered. The most difficult aspect of this work is to understand the link between realistic potential economic growth and the Airport infrastructure and facilities. It is in many ways the proverbial chicken and egg problem. Which must come first - the demand led business case for larger Airport facilities (as would be typical when planning such capital infrastructure), or using the Airport capital investment purely as a catalyst to try to trigger economic growth? For communities like Alderney (and through its fiscal union – Guernsey) this is a challenging problem.

4.5 Having given a brief historical context and the current background to Alderney's position, the main part of this report seeks to address the apparently imponderable question of which comes first...major investment in Airport infrastructure (the chicken)...or more direct efforts to stimulate and grow the economy to increase demand (the egg)...which in turn may produce a business case for further development of Alderney Airport.

4.6 There is no empirical evidence to support a clear answer to this question. Understandably, given the dilemma, even consultants seem to differ on the solution. Frontier Economics, engaged as part of this exercise, clearly concluding:-

“There is a clear case to improve current airport facilities so that they are in line with regulatory standards and to reduce risks around weather and infrastructure related reliability.

Frontier Economics were not persuaded, on the basis of the evidence gathered to date, that an extended runway at Alderney airfield was critical to unlocking economic potential in the sectors identified.”

4.7 Conversely, DRASS Economics, engaged to provide independent advice to the States of Alderney reached a different conclusion on the basis of its economic analysis:-

“The current length of the runway presently precludes any other commercial operators and does not support this strategy. Developing the runway to open up Alderney to new operators would support this strategy and could readily boost tourism by upwards of 20%.”

4.8 Whilst these conclusions are different, the report from DRASS Economics does not suggest that the runway extension would be ‘critical’ to unlocking economic potential, it suggested there is a strategic case for so doing.

4.9 The ALG considered not only the Frontier Economics Report and the DRASS Economics Report, but also a report from TPS Consult on the Runway Options available at Alderney Airport (see Appendix C). This study reviewed options for Alderney Airport and concluded inter alia as follows:-

“This TPS commission is somewhat unusual in that the feasibility study is being undertaken in anticipation of a favourable economic case. All airports planning undertaken by our company over the past 20 years has been demand led; in other words, there are underlying economic growth forecasts that identify increasing passenger numbers and/or cargo tonnages, which necessitate infrastructure development if they are to be realised...”

4.10 These conclusions are set out in greater detail in the following section of this report.

- 4.11 The Policy Council would encourage States members to read in full the reports appended to this report as they provide a great deal of relevant background information which is not repeated in the main body of this States Report. It should be borne in mind that the ALG and Policy Council have been mindful of this full research in the conclusions they have reached and in the recommendations the Policy Council is making to the States.
- 4.12 As part of its annual audit process, the Civil Aviation Authority (CAA) identified (for the first time in 2008) a number of issues relating to the runways at Alderney Airport. A series of remedial actions were undertaken until 2010 to endeavour to improve what was first reported as a problem with undulations of the grass runways. In 2010, the situation was not much improved and at that time the CAA audit highlighted the following specific issues that needed to be resolved:
- The deterioration of the edge of the paved runway (08-26) and erosion of the ground creating a step at the runway edge;
 - Undulations experienced on the two grass runways; and
 - A requirement to adjust the width of the grass runways (03-21 and 14-32) to bring the current configuration into full compliance with CAA standards.
- 4.13 Regretfully the actions taken between 2008 and 2010 to resolve the undulations (which included increased rolling for the grass surface) further compacted the surfaces such that they became more susceptible to waterlogging. This led to the semi-permanent closure of the shorter grass runway 03/21 following the 2012 CAA annual audit and the temporary closure of the longer grass runway 14/32 following the 2013 audit. This effectively reduced the options for landing at Alderney Airport (particularly during winter months and during high winds) as these two grass runways had previously provided alternative runway directions for aircraft in certain weather conditions.
- 4.14 In order to expedite more significant engineered solutions to address these issues, PSD commissioned Mott Macdonald, a respected airport pavements engineering company, to undertake two separate studies. Stage 1 comprised data gathering, a site visit and development of alternative solutions to address the issues, along with indicative costs. The options were then considered by PSD and preferred solutions were identified.
- 4.15 Stage 2 then comprised the development of a preferred option in further detail along with the preparation of a main report for subsequent presentation to the PSD Board.
- 4.16 The outputs from these two reports and the options identified therein have been subsequently incorporated into the case preparation materials being considered as a Priority A project within the States Capital Investment Portfolio (SCIP).

- 4.17 In the meantime the Public Services Department has, through Guernsey Airport, implemented an intensive maintenance programme on the two grass runways at Alderney Airport which commenced in Spring 2014. With expert advice from a UK grass specialist and considerable work by the Alderney Airport Fire Service, both grass runways re-opened by mid-June 2014.
- 4.18 Subject to review and further works in Autumn 2014 and again next Spring, there remains a possibility that some of the reconstructive works planned for the grass runway(s) through the SCIP capital project could be reduced in complexity and/or cost without compromising the longer term position. The drivers as to whether further capital works will be required to the grass runways are largely two-fold. The first issue relates to planned maintenance this autumn and again next spring (the work is seasonal around when grass grows and when it is wet enough to work on). The second matter is whether rainfall is successfully dissipated without waterlogging. Until there has been significant rainfall this winter the Public Services Department will be unable to assess how effective its maintenance regime has been to date.
- 4.19 Furthermore, there is also a possibility that the works on the grass runways may not need to be undertaken at all, or that they could be delayed. There is no doubt however that works on and around the asphalt runway will be required to be undertaken within the current capital allocation. Indeed the most recent runway survey results are indicating that the works on the asphalt runway may be more substantive than originally considered necessary in the 2012 Mott Macdonald survey and a full overlay of the asphalt runway now looks likely.
- 4.20 Alderney Airport is essential to the local community and this is recognised by both States. The remote geographical nature of the island and its position in the English Channel create real issues for alternative travel by ferry. It is also widely recognised that the island is more exposed to weather and that generally speaking wind speeds in Alderney are a minimum of five knots higher than in Guernsey. This makes the impact of weather delays more pronounced. In addition, the aircraft servicing Alderney are smaller (not least as the runways are shorter) and these aircraft types have lower cross wind limits than larger aircraft types. This makes the availability of cross wind runways in Alderney more important than in either Guernsey or Jersey.
- 4.21 There is a separate but related project in hand in relation to replacing the existing Trislander fleet with Dornier aircraft in the near future. This does not alter any of the arguments presented in this paper.
- 4.22 Alderney has a high dependency on air travel for emergency specialist treatment including medevac flights, given the more limited medical facilities on the Island. The availability of an airport for this community (irrespective of the Public Service Department's 1948 obligations) is essential. Within that general service provision the Department is convinced there is a requirement for a cross-wind runway, although having reviewed the options the Board is of the view that

the shorter grass runway currently provides greater strategic benefit with the current aircraft types.

- 4.23 The scope for any works on the Alderney Runways will have to balance a number of often competing demands. Clearly the existing Airport configuration has provided three runways for most of the post-war period and since the island was re-populated following the second-world war. To this end, the scope of the initial studies undertaken by Mott Macdonald (in 2012) was left fairly open and the company was asked to provide a range of solutions to the identified issues with all three runways and to indicate the degree to which each of those solutions would or would not achieve regulatory compliance.
- 4.24 The May 2012 Mott Macdonald report identified six options for refurbishment of the main asphalt runway ranging from a cost (as at May 2012) of £3k to £1.8m; and seven options for the grass runways ranging from a cost of £189k to £1.1m. These options as well as varying in cost also varied in the degree to which each option either did (or did not) achieve regulatory compliance.
- 4.25 This report was considered by the Board of the Public Services Department in July 2012 and immediately following this review the Board set out a process for a formal consultation exercise with Alderney Airport users – including airlines, private aircraft operators and the States of Alderney.
- 4.26 The Board's consultation letter made it clear that it favoured a set of options which whilst achieving an acceptable level of regulatory compliance, would not necessarily see all three runways being refurbished and retained. Options for the refurbishment of the runways have continued to be discussed with the States of Alderney and culminated in a formal debate on Alderney Airport refurbishment at the January 2014 Meeting of the States of Deliberation. This debate raised, for the first time, a view that an extension to the main runway could be considered to permit operation of larger (42-seater) aircraft.
- 4.27 In order to establish the viability of an extension to the main runway and to assess a number of additional options identified in the Gateway Review of the Alderney Airport Runways Project (undertaken in February 2014 as part of the SCIP process) PSD appointed TPS Consult to undertake a Stage 3 study to provide practical advice and input in order that it could fulfil the requirements of the resolution of the States dated 29th January 2014.
- 4.28 TPS Consult was commissioned by PSD in May 2014, to carry out a feasibility study of specific options for the development of the runways at Alderney Airport (known as Stage 3 studies). The feasibility study supplemented previous studies (Stage 1 and 2 studies undertaken by Mott Macdonald) of the maintenance and development of the runways at Alderney and was required to address five particular questions:
- (a) Can the short grass runway (03/21) be extended to circa 600m in its current location?

- (b) As an alternative to (a) can runway 03/21 be relocated to maintain that orientation and achieve 600m or longer?
- (c) Having taken advice from Aurigny Air Services in respect of operational performance of the Dornier 228, do the previous proposals to retain the longer grass runway 14/32 need to be revisited? This may indicate a stronger preference to retain that runway, rather than undertake any further research into lengthening or repositioning runway 03/21 (as defined in (a), (b) above).
- (d) Using 3D modelling data available from the States of Guernsey, can the feasibility of extending the existing asphalt runway (08/26) to around 1100m¹ be assessed, to provide an indication of likely cost and feasibility?
- (e) Assuming (d) is achievable at a not-unreasonable cost, can the costs of upgrades to the runway and taxiway widths be taken into account with a view to establishing the viability of operating a 42-seater aircraft into Alderney Airport?

4.29 TPS Consult examined the feasibility of the scope and this included two visits to Alderney to inspect the existing infrastructure. Meetings were held with personnel at the Airport, and at Guernsey Airport, including meetings with Aurigny Air Services. Outline design of possible runway configurations was carried out by computer modelling based on 2D and 3D survey data provided by the States of Guernsey. The key conclusions of the study are that:

- It is technically feasible to extend Runway 03/21 to provide a 600m long crosswind runway on its existing alignment. No suitable alternative location for a runway on the 03/21 alignment has been identified.
- The 14/32 Runway orientation is not suitable for duty as a crosswind runway. However, the grass runway is usable (in good weather conditions) for use by Trislander operations at present and Dornier 228 operations in the future.
- It is technically feasible to extend Runway 08/26 to provide an 1100m long runway. For operations using typical 42-seater aircraft, it would be necessary to provide a 30m wide runway ('Code C' criteria). This would also require widening of the taxiway, but the existing apron appears large enough to accommodate one aircraft of this size.
- The preferred option for achieving this extension to the runway would be to extend Runway 08/26 to the east, since a westward extension would generate significant operational and maintenance constraints.

¹ 1100m being the typical length of runway required to operate an ATR-42 aircraft without significant operational constraints.

- Adequacy of aviation lighting will be a key factor in the effective operation of air services in the event of runway development. Development of Runway 08/26 must include approach light systems at least equivalent to the existing 420m approach. The addition of runway centreline lighting as recommended by TPS is an option that should be considered in any future development. This would potentially extend operations in low visibility conditions.
- 4.30 TPS Consult has identified in its report that it is highly unusual to be pricing for an Airport development in anticipation of a favourable economic case. All airport planning undertaken by the company over the past 20 years has been demand led; in other words, there are underlying economic growth forecasts that identify increasing passenger numbers and / or cargo tonnages, which necessitate infrastructure development if they are to be realised. In the best of developments the infrastructure investment plan is then tested against the economic case to ensure that there is a return on investment. The merit of such an approach is that the investment in infrastructure is then planned to provide the functionality just ahead of predicted demand, thereby ensuring that the best business outcomes are achieved.
- 4.31 In considering the feasibility of this project and in discussions primarily with Aurigny, **TPS is satisfied that its considerations have taken into account the likely and predicted fleet requirements for Alderney Airport for the medium term. Furthermore the conclusions in relation to extending runway 08/26 are future-proofed in the long term and could be undertaken at some stage in the future should the business case be proven.**
- 4.32 Whilst the company has identified an operational benefit in paving and lighting runway 03-21, to achieve a length of 600m, and reducing the number of delays, cancellations and diversions of Dornier 228 flights; TPS Consult notes that the potential for lengthening the existing paved runway **does not as yet appear to be supported by a persuasive and accepted economic case.**
- 4.33 The aspiration that extending the existing asphalt runway to accommodate a 40 seat aircraft will be the trigger needed for an aircraft of this size to commence operations and bring with it the passenger numbers that will generate much needed economic growth is **a highly unusual premise in the experience of the company.** This resonates with the earlier points in this paper.
- 4.34 **PSD is of the view that without a persuasive economic case and a funded market strategy, then any investment at this time in extending the runway is unlikely in isolation to deliver any economic growth.**
- 4.35 Costs of extending Runway 08/26 to provide an 1100m Code C runway were developed, based on the option an extension from 877m (current length) to 1100m, with works taking place at the eastern end of the existing runway. In addition, the operability of the existing taxiway and apron were examined.

- 4.36 A tentative provision has been made for widening and realigning the taxiway from Runway 08/26 to the Terminal Apron, but this would need to be refined by more detailed design study. The indicative costs for this development at Alderney would be £17.6 – £24.3m. Approximately 50% of this sum relates to construction of the paved areas (runway and taxiways), 25% relates to earthworks and the balance relates to drainage, Airport ground lighting and other ancillary costs. The comparative cost of this work at UK prices is £ 8.8m.
- 4.37 The cost of extending and paving Runway 03/21 for service as a crosswind runway, for operations by Dornier 228 and similar aircraft, has also been assessed. The indicative costs for this option at Alderney would be between £6.1m - £8.4 m. approximately 66% of this sum relates to construction of paved areas (runway and taxiway), 10% relating to earthworks and the balance relates to drainage, Airport ground lighting and other ancillary costs. The comparative cost of this work at UK prices is £3.1m.
- 4.38 These are preliminary high level cost estimates and do not include professional/design fees.
- 4.40 The range of prices included within these estimates reflect some significant uncertainty over the weighting that needs to be applied to reflect the additional costs of transportation and logistics associated with working on Alderney. Initial consultation on these weightings suggested that the uplift factor would be around 2.5 – 3.5 times mainland rates. However, taking into account the size of the project and some elements that were high cost single items (such as Airport ground lighting) whose price would be less dependent on location, a range of between 2.0 – 2.75 times has been used for the purpose of high level estimating at this feasibility stage.
- 4.41 A procurement process based on early selection and involvement of a suitable contractor would help to optimise the technical and cost solution, indeed this process was evidenced as part of the recently completed Guernsey Airport Pavements Project, where early contractor involvement proved crucial to optimising the construction and costs of that project.

Airfield Recommendations

- 4.42 The final scope of the SCIP business case will need to reflect the outcome of this States Report, however the Public Services Department is cognisant of a number of practical realities including:-
- That work on the asphalt runway (at whatever length) is necessary to ensure continued regulatory approval. That work will also need to consider the current condition of the existing paved areas which may require some rebuild and overlaying;
 - That heavy maintenance works on the grass runways has proven highly successful in improving their condition and subject to further reviews in September 2014, the planned capital investments in the grass runways may

be able to be postponed, reduced or removed provided that this does not compromise the operational viability into the medium term;

- That there are differing views but no persuasive economic case at this time for 42-seater aircraft operating into Alderney Airport in any sustainable manner; and
- The excessive cost of providing the infrastructure to suit such an aircraft type would be excessive and at the present time, highly speculative.

4.43 PSD would therefore recommend to the States that its preferred scope for inclusion in the SCIP will be as follows:

- To advance proposals within the SCIP for full refurbishment of the existing asphalt runway at its existing length (877m), to hard surface to the existing width of 23m and to include an overlay of the whole runway and ancillary taxiway and aprons;
- To commit to investment in capital works on the grass runways but revisit this subject to the seasonal evaluation on the success of heavy maintenance improvements on the grass runways to be completed by the end of 2014;
- To not include any proposals to extend the existing asphalt runway to 1100m nor to widen or strengthen the existing taxiways to accommodate an 40-seater aircraft, on the basis of indicative cost and an absence of direct evidence to link a significant investment in the runway to economic growth;
- To retain the potential lengthening of the asphalt runway as an issue to be reviewed in the future dependent on economic development and subject to a persuasive case in future; and
- To retain in its proposals the costs and operational benefits of hard surfacing and extending the existing short grass runway (03/21) to 600m and to provide Airport ground lighting to that runway to improve cross wind capability particularly for the Dornier 228 aircraft. This to be subject to a robust business case as part of the SCIP process. However, at this stage the indicative costs of this element are unlikely to be proven in the financial case for the project.

5. Alderney Economic Studies

5.1 In response to the Requête, the Commerce and Employment Department was also requested by the Policy Council to facilitate an independent economic study of the Alderney Economy. The section that follows provides background information on the commissioning of the study, the methodology followed and the conclusions and recommendations of the study.

5.2 Three points in the Requête were especially relevant to the economic development study, which, in summary were:

- There are strong links that exist between Alderney and Guernsey including the fiscal union between the two islands. However, Alderney is facing significant challenges, especially economic decline and depopulation and therefore in such circumstances the States of Guernsey should, wherever possible, contribute to stimulating Alderney's economy and reversing depopulation;
- That the Policy Council should lay before the States of Guernsey recommendations which once implemented will likely contribute to stimulating Alderney's economy and reversing depopulation; and
- That the Airport proposals may in some way contribute to stimulating the Alderney Economy and reversing depopulation and the link between the proposed capital works and the Alderney Economy needed to be considered, particularly if more significant investment than that planned had a wider measurable economic benefit.

5.3 The purpose of the economic development study was therefore twofold:

- i. To assess the economic drivers for the Alderney economy, assess the potential for economic development of the Alderney Economy, provide an assessment of possible economic development opportunities for Alderney and identify, scope and detail policy (or other) actions that could be pursued to exploit such opportunities.
- ii. To consider the prominent role of the airfield to the Alderney Economy and having due regard to proposals for improvements to that airfield to then determine the impact of those proposals on contributing to the stimulation of the Alderney Economy and reversing depopulation.

5.4 Two economic consultancies that have experience in working in Guernsey were approached and asked to provide written quotations for the study. A quotation from Frontier Economics was received and accepted. Frontier Economics have worked in Guernsey on a number of projects, including development of the Island's Skills Strategy and working with the Policy Council on the Tax and Benefits Review.

5.5 In developing their findings for the study, Frontier Economics drew upon the following:

- a. They reviewed available literature and public evidence, including (but not limited to):
 - i. The States of Alderney Strategic Plan 2014
 - ii. Guernsey's Economic Development Framework; and
 - iii. The Strategic Outline Business Case for Alderney Airport Runway

- b. This was complemented by face to face meetings with key stakeholders, including policy advisers, politicians and businesses in Alderney and Guernsey.
 - c. Frontier Economics also analysed economic data on Alderney, particularly that collected by the States of Guernsey.
- 5.6 Frontier was able to present a review of the economic drivers on Alderney based on a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis of a number of sectors with the most important cross-cutting issues emerging from this reported upon.
- 5.7 A copy of the full study conducted by Frontier Economics is shown in Appendix D.
- 5.8 The conclusions from the study were that:

Alderney's Economy

- There is clear evidence of economic and population decline. Population decline is forecast to continue, and policy action is required to try to reverse this. In particular, there is an urgent need to attract more young people to live and work in the Island.
- Key economic drivers in Alderney have been public administration, business services, finance, tourism and energy.
- There are signs of recovery in a number of sectors (though not universally), driven in part by resumed economic growth in the UK and in part by a number of initiatives already underway. A lack of concrete, timely data makes a robust assessment difficult.
- Alderney should not rely on what may be cyclical change to indicate structural change in the direction of economic travel.
- There is scope for change. There are a number of economic opportunities, particularly around tourism, business services, renewable energy and drawing on Alderney's recognised global strengths in regulation.
- Given its size, only one or two opportunities need to land to engender real change on Alderney.

The role of Alderney's airfield in unlocking economic development potentials

- There is a clear case to improve current airfield facilities so that they are in line with regulatory standards and to reduce risks around weather and infrastructure related reliability.
- Frontier Economics were not persuaded, on the basis of the evidence gathered to date, that an extended runway at Alderney airfield was critical to unlocking economic potential in the sectors identified. However, this option

should not be ruled out in the future should conditions change. The reasoning for this argument is as follows:

- The Southampton route does not appear to be under threat even without extension.
- There is scope for passenger growth within the current arrangements but questionable demand for a larger aircraft.
- A longer runway allowing larger planes to land would, in the absence of significant new entry, reduce frequency of service. Frequency is clearly identified as important for business, tourist and residential travel to and from Alderney.
- There is no evidence to suggest that current plans to replace the Trislander fleet with Dornier aircraft will represent a significant threat to frequency. It is hoped that they would improve the quality and reliability of the service.
- Price is recognised as an issue for air travel. It is unclear that an extended runway would address this. Without a proven increase in demand, larger aircraft may suffer low load factors, such that the cost per served passenger is no lower.
- New entry by other competitors is also unlikely unless there is proof of significant demand increase.

Frontier Economics' recommendations

5.9 Frontier Economics' recommendations are as follows:

Economy

a. Sector Specific Recommendations

- Dedicate additional resources to market Alderney to tourists and improve tourism data as part of a dedicated tourism strategy.
- Continue to monitor opportunities to improve ICT connectivity (e.g. to enable eGaming servers on-island) besides the possible France Alderney Britain Link interconnector.
- Alderney Gambling Control Commission to work with Alderney and Guernsey authorities to monitor the impact of UK and EU regulatory reform on the eGaming sector and identify opportunities for new jobs on Alderney.

b. Recommendations on Governance

- Allow Alderney to use e-gaming licence fees to fund intangible capital investments.
- Establish economic development policy capacity and overarching economic strategy in Alderney, supported by and with close links to Guernsey. Consider role for cross-island secondments.

- Alderney and Guernsey politicians should develop a jointly-agreed position on future strategic policy developments setting out roles and responsibilities.
- Collect, analyse and share more robust economic data.

c. Cross-cutting issues

- Extend and integrate business mentoring roles of Alderney retirees, and co-ordinate with the Guernsey skills strategy as appropriate.
- Market ease of relocation to Alderney to businesses and individuals (e.g. to those seeking UK housing market equity release).
- Support improvements to the school as directed by the recent inspection.
- Explore scope for targeted tax incentives to attract business to Alderney (e.g. TRP, temporary holidays from Social Insurance Contributions for new businesses).
- Identify/evaluate options to interconnect Alderney with electricity supply from France before 2020, and explore options to improve ferry connections.

d. Alderney Airport

- Fund improvements to the airport required to secure its regulatory compliance.
- The Treasury and Resources department of States of Guernsey should consider implementing a Public Service Obligation (PSO) (or an equivalent mechanism) for the Alderney routes.
- Base details of the PSO (fare, frequency) on evidence about economic impact. Review terms of the PSO regularly to ensure they reflect changes in Alderney's economic conditions.
- Data on use of and demand for Alderney airport should be provided and analysed, including more robust evidence on unmet demand on existing and new routes, with a view to re-examining the case for extending the runway in the future.
- No changes should be made which preclude future extension.

Commerce and Employment Department Comments

- 5.10 The Commerce and Employment Department considers that that the Frontier Economics study is an objective piece of work which will contribute towards formulating policies and initiatives which will serve to help develop Alderney's economy in the future. There are some very useful sector studies which will provide pointers to where effort should be focussed to achieve maximum benefit.
- 5.11 Whilst the Framework for Economic Development, published by the Department in February 2014 is primarily Guernsey focused, the Department recognise that in light of the fiscal union between the islands, that the economic development

opportunities that are good for Guernsey are also good for Alderney. These include focus on developing strategies for key sectors (such as Finance, Digital/Creative Industries, Tourism and Retail) as well as cross cutting initiatives aimed at improving business conditions in Guernsey. If these initiatives are diminished then it will have a negative impact on Alderney.

- 5.12 In recognition of this complex relationship, the Department would propose to work with Alderney in developing these strategies and initiatives where it is sensible and appropriate to do so and subject to the Department being able to provide sufficient staffing resources. This means that the Department is of the view that, for the islands' mutual benefit, it would only be appropriate to provide direct support where it will not compromise its own objectives and commitments in respect of Guernsey. Nor would the Department wish to become involved in economic development initiatives that are unique to Alderney. For these reasons it is the firm view of the Department that it will only be able to provide tangible and direct assistance where direct synergies exist between the work for Guernsey and for Alderney and there is minimal impact on resources.
- 5.13 However, if there are projects where these synergies do not exist then additional resources will need to be allocated to allow the requisite commitment to be made to the proposed project. This will require a return to the States of Deliberation to seek those resources or reliance on suitable alternative funding models. In proposing this, it is acknowledged that a number of the issues in the recommendations are already recognised by the States of Alderney and are subject of ongoing activity, albeit within the significant capacity constraints experienced in Alderney.
- 5.14 Turning to Frontier's specific recommendations, the Department would concur with the recommendations that Frontier Economics has put forward. However, the exact mechanism used to safeguard the air routes from Alderney to Guernsey and Southampton will need to be investigated and determined. They will need to be closely tied to economic development objectives.

The DRASS Economics Report

- 5.15 The States of Alderney separately commissioned DRASS Economics to "Review the strategic economic case of the potential for Airport development to contribute to economic growth for Alderney within a context of an outline of a proposed economic development strategy for Alderney." This report was not a formal part of the ALG review, but the detail has been made available and a summary is appended at Appendix E.
- 5.16 Some of the salient points of this report are as follows:-
- Alderney's economy is in secular decline with an aged, falling population and low income levels;
 - The Island has few genuine competitive advantages; it has telecoms and transport barriers;

- Opportunities for growth are limited in the main to tourism and adjacent growth building on perceived specialisms;
- This requires a collaborative approach and dedicated resources;
- The Island is dependent on air links, with improved air connectivity being key to successful growth;
- Maintaining the current runway length makes no net contribution to improving growth potential; and
- The strategic risks of the current runways restrict future operations to the current operator and preclude new commercial links.

5.17 DRASS had access to the same resources in Guernsey and Alderney as Frontier Economics, so much of the statistical data is similar in both reports. The conclusions reached between the two studies also broadly resonate. DRASS concluded:-

- Alderney is experiencing powerful economic secular decline;
- Reversing this trend is a very difficult task;
- The actual competitive position of Alderney is not strong;
- There is potential to boost some (not all) service sectors;
- There is potential to boost tourism by shifting demand curve;
- Alderney is totally dependent on air links;
- Connectivity increases, not lessens in importance over time;
- Airport development that restricts to maintenance of the status quo precludes new operators new capacity;
- Maintenance of current capability avoids worsening the decline but does nothing in itself to improve Alderney growth prospects; and
- There is a risk of reliance on the current operator's business model, proven by recent experience in Guernsey.

5.18 However, there is a very big difference in recommendations made, for whereas Frontier Economics (and separately TPS Consult) see no business case for a major investment in an extended main runway at present, on the basis of economic indicators and analysis, DRASS recommends:-

“There is a strategic case to support an extension of the runway supported by an economic case. The economic case is that such a development would boost economic activity by 1% per annum by support of a successful economic development strategy; potentially boost the tourist industry by 20%; and guard against the economic shock of a fall in 10% of domestic demand – an estimate of the economic impact of the potential loss of the Southampton route.”

5.19 The DRASS Economics report was an independent piece of analysis for Alderney outside of the ALG brief, it did not have the benefit of consultation with Aurigny or the Treasury and Resources Department (as the company's shareholder). Consequently, some of the assertions in relation to sustainability of the Southampton route and risk flight frequency in peak periods are not accepted

by the Treasury and Resources Department and its value is limited. The following clarification has been provided:

“It (*the DRASS Economics Report*) also ignores a further key shareholder objective which has been set for the airline (*Aurigny*) and to which no reference is made in the Report, which is to maintain a capability to operate to Alderney. Indeed, it was with this objective in mind and, specifically, the need to continue maintaining the existing levels of service between Alderney and both Guernsey and Southampton, that the Department presented proposals to the States for the acquisition of three Dornier aircraft to replace the existing Trislander fleet.”
And:-

“Contrary to the suggestion made in Section 9 of the Report, Aurigny has indicated to the Department that, at peak periods of the year, it will continue to maintain existing service frequencies to Alderney using its larger Dornier aircraft, which will effectively increase capacity on these services at busy times by around 20%.”

6. Conclusion

Airfield and Economic Stimulus

- 6.1 ALG considered all the research at meetings held in July and August, 2014. While the Alderney representatives would like to have seen further research on the possibility of extending the main runway along the lines of the original Requête, ALG unanimously agrees that the costs involved in such further research would not represent value for money at the present time when there is **no sound evidence-based business case to support such a large and risky capital investment.**
- 6.2 Investing in the region of £17.6 - £24.3 million on such a large capital development in Alderney, when there is no proven business case would not stand up to scrutiny in terms of governance in terms of best use of public money. This is even more the case given current and future fiscal positions in both islands. However, it is accepted that the matter should be revisited in the event that there is an evidence-based growth in demand that would justify such further work. Indeed TPS has confirmed that its proposals, which have been adopted in this report, do not preclude an extension of the main runway at some future time.
- 6.3 The DRASS Economics Report and its principal recommendation which have been included in this analysis, appear to be heavily premised on Aurigny behaving as an entirely independent commercial company, ignoring the fact that the States own the company, with T&R acting as the Shareholder. This gives the States the ability to heavily influence certain aspects of the company’s operations. This can include direction to the company to operate specific routes with minimum capacities and schedules. T&R is already in discussion with Aurigny in relation to setting out formally the Guernsey-Alderney route as a “life-line” route which the company is required to operate. This can be extended

to the Southampton route if there is a case so to do. This is adequately covered in the Frontier Economics Report, and is an alternative far less risky way to deliver certainty on the critical routes, than investing in several million pounds for the Airport extension and then relying on market forces to generate the required growth in demand. This view is further reinforced by Aurigny's conclusion that there is **“no market that would generate sufficient returns to justify operating 42-seater aircraft on regular services to and from Alderney”**.

- 6.4 Although less dramatic, the series of recommendations made in the Frontier Economics Report, build on pragmatic and deliverable initiatives which have been discussed and are being further researched by the appropriate authorities in Guernsey and Alderney. **This is a cumulative strategy, which relies on sustainable growth from realistic and proportionate investments by both governments.**
- 6.5 Both the TPS Consult and Frontier Economic studies can find no obvious demand for up to 42-seat aircraft operating into Alderney Airport in any sustainable manner, and the excessive development costs of providing the infrastructure to suit that aircraft type would be highly speculative and carry considerable risks.
- 6.6 The Policy Council has reviewed the report from ALG, along with the consultancy reports commissioned by ALG, and concluded that the approach recommended by Frontier Economics and supported by C&E, PSD and ALG is the correct route to follow. Members do, however, believe that it is essential to monitor and adapt the strategy in terms of Alderney's economic growth and population demographics.

Appraisal of the Present Financial Relationship between the Islands

- 6.7 Over the course of the past 18 months or so it has been apparent to ALG Members (both from Guernsey and Alderney) that there are weaknesses in the current financial relationship and arrangements between Guernsey and Alderney. This includes limited accountability by Alderney politicians who have restricted influence over the Transferred Services in Alderney, which are funded and managed by Guernsey (albeit with a common tax regime). Similarly, outside the annual audit and specific issues, there is limited scrutiny and challenge by the States of Deliberation in relation to the revenue allocation to Alderney.
- 6.8 Under current arrangements Alderney has very limited capacity for long-term financial (or economic, social and environmental) planning. This makes responding to the sort of challenges the island currently faces more difficult to address.
- 6.9 Modern international accounting practices that require more openness and transparency may also make it difficult and unhelpful to maintain the current arrangements which combine much of the accounting for Guernsey and Alderney. Present arrangements make it difficult (if not impossible) for both

islands to understand their true financial positions, and to demonstrate that value for money is being effectively pursued in both administrations.

- 6.10 Following discussion of these issues at a number of ALG meetings over several months, ALG formed a joint working group to explore opportunities that may arise from revisiting the present arrangements to establish whether they remain fit for purpose under modern economic, fiscal, social, environmental and political circumstances.
- 6.11 There have been further discussions in ALG, and the Deputy Chief Minister has also spent two days in Alderney exploring various aspects of the current arrangements between the islands and discussing this potential review in more depth with Alderney politicians. It is clear that the ALG, supported by the Policy Council in Guernsey, and the Alderney Policy & Finance Committee believe it is apposite to conduct such a review and appraisal of the operation of the current arrangements. These two bodies have agreed terms of reference for this study (which are appended to this report for information purposes).
- 6.12 The results will be reported back both to the States of Alderney Policy & Finance Committee and the Policy Council, before being referred (with any appropriate recommendations) to the respective States in each Island.

7. Resources, Legislation and Principles of Good Governance

- 7.1 The States are recommended to undertake support recommended in this report within existing resources and budget constraints and taking into account other priorities. However, it should be acknowledged that there are very limited staff resources and those resources are already fully committed. For example, any support such as the assistance on economic development by C&E that cannot be fulfilled without compromising its own objectives and commitments in respect of Guernsey will need specific funding. This funding will need to be obtained by returning to the Treasury and Resources Department and, if required, the States for further consideration or through any alternative funding mechanisms that are in place.
- 7.2 In the 2015 Budget report (Billet d'État XXII 2014) the matter of economic development in Alderney was considered (para 8.11-8.15) and it was recommended that:
- a States of Alderney Economic Development Fund is established and authority be delegated to the Treasury and Resources Department to approve transfers of a maximum of £900,000 from the Alderney Gambling Control Commission surpluses to the States of Alderney Economic Development Fund; and
 - the balance of the Alderney Gambling Control Commission surpluses continue to be transferred to the States of Alderney capital allocation up to the end of 2017.

- 7.3 There are no direct legislative changes required as a result of these recommendations.
- 7.4 The proposals in this report are intended to ensure that any change in the constitution will meet the six principles of good governance: in particular in terms of clearly defining functions, taking informed transparent decisions and making accountability real.

8. Recommendations

- 8.1 The Policy Council recommends the States to:-

Section A: General

1. Approve this States Report; and
2. Direct the Policy Council to report back to the States with the results of its current appraisal of the financial relationship between Guernsey and Alderney (as detailed in Appendix G), including appropriate recommendations, no later than **March 2016**. In addition, an action plan defining the extent of the appraisal will be published no later than March 2015. ;

Section B: Airport

3. Direct the Public Services Department to prepare its Alderney Airport SCIP submission based on the following:-
 - a) To include proposals for full refurbishment of the existing asphalt runway at its existing length (877m), to hard surface to the existing width of 23m and to include an overlay of the whole runway and ancillary taxiway and aprons;
 - b) To postpone capital works on the grass runways for a minimum of 12 months, and until a seasonal evaluation can be undertaken on the success of heavy maintenance improvements on the grass runways which will be completed by the end of Spring 2015;
 - c) At the present time, not to include any proposals to extend the existing asphalt runway to 1100m or to widen or strengthen the existing taxiways to accommodate an 40-seater aircraft, on the basis of indicative cost and an absence of direct evidence to link a significant investment in the runway to economic growth, provided that no works are carried out that would effectively prevent such an extension at a future date (if demand grows to a point where a sound evidence-based business case can be developed to justify such an extension);

- d) To retain the potential lengthening of the asphalt runway as an issue to be reviewed in the future dependent on economic development and subject to a persuasive case in future; and
- e) To retain in its proposals the costs and operational benefits of hard surfacing and extending the existing short grass runway (03/21) to 600m and to provide Airport ground lighting to that runway to improve cross wind capability particularly for the Dornier 228 aircraft.

Section C: Economic Development

4. Direct the Commerce and Employment Department, in co-operation with the States of Alderney Policy and Finance Committee, to consider the best mechanism(s) by which the existing Guernsey-Alderney and Alderney-Southampton routes might be safeguarded in terms of fares, frequencies and capacities on the basis of the best available evidence about the likely economic impacts, using the most appropriate legislative/administrative vehicle(s) to achieve these objectives. The Commerce and Employment Department in liaison with the Alderney Policy and Finance Committee, will regularly review the terms of the arrangements used in order to reflect changes in Alderney's economic conditions;
5. Direct the Policy Council, through the Alderney Liaison Group, to liaise with the States of Alderney Policy and Finance Committee to develop a jointly agreed position on future strategic policy developments setting out roles and responsibilities including the preparation of an action plan detailing measures to safeguard and develop the economy of Alderney, an initial draft of which to be considered by the Alderney Liaison Group by 31st March, 2015;
6. Direct the Commerce and Employment Department to provide assistance, as appropriate and where resources allow, to the States of Alderney Policy and Finance Committee to develop their existing economic strategy to include clear policy actions, timetables for delivery and an approach to evaluating the impact of the actions taken;
7. Direct the Commerce and Employment Department to work with the States of Alderney Policy and Finance Committee, as appropriate and where resources allow, to identify and evaluate opportunities for improved internet connectivity;
8. Direct the Commerce and Employment Department to work with the Alderney Policy and Finance Committee, as appropriate and where resources allow, to develop a co-ordinated marketing plan for Alderney drawing together and expanding existing initiatives, and where sensible to maximise opportunities and joint use of resources for co-marketing and promotion in areas such as Tourism and Finance;

9. Direct the Policy Council and the Commerce and Employment Department to work with the States of Alderney Policy and Finance Committee, as appropriate and where resources allow, to improve the collection and analysis of more robust economic data pertaining to Alderney. This data to include use of, and demand (met and unmet) for, all scheduled air routes to Alderney, so that an extension to the runway can be re-visited in future if a sound evidence-based economic case can be developed;
10. Direct the Policy Council to liaise with appropriate States Departments over the detailed recommendations in the Frontier Economics Report which are not specifically covered in the broader recommendations above, and which fall within Departmental mandates; and
11. Direct the Policy Council to liaise as necessary with other States Departments and the States of Alderney Policy and Finance Committee to monitor the effectiveness of these measures in helping to stimulate sustainable economic growth in Alderney, and in arresting de-population, and to report back to the States on these matters by the end of 2016.

J P Le Tocq
Chief Minister

14th October 2014

A H Langlois
Deputy Chief Minister

G A St Pier
Y Burford
R W Sillars

K A Stewart
D B Jones
P A Luxon

M G O'Hara
M H Dorey
P L Gillson

Appendices

A = The Requête dated 31st October, 2013, on The Airport in Alderney.

B = The States Resolutions of 29th January, 2014.

C = The TPS Alderney Airport Runway Option Study Report.

D = Frontier Economics Report – Alderney Economic Development Study.

E = DRASS Economics – Summary of the Alderney Economic Strategy & Development

F = Letter dated 28th August, 2014, addressed to the Chief Minister from the Minister, T&R re the DRASS Economics Report.

G = Terms of Reference and Modus Operandi for the 2014/15 appraisal of the Financial Relationship Between the Islands (for information only).

REQUÊTE

THE AIRFIELD IN ALDERNEY

THE HUMBLE PETITION of the undersigned members of the States of Deliberation SHEWETH THAT:

1. Your Petitioners believe that there is considerable risk of a spiral of decline in Alderney. The Census in April confirmed that the number of children in Alderney has reduced by 50% in the past 12 years and that the number of residents aged of 55 and over has now reached 50% of the total population. By comparison 30% of the population in Guernsey is aged 55 and over.

This exodus of economically-active, child-rearing families has combined with a deep and prolonged recession to create a potentially self-fulfilling spiral of decline.

It is evident to your Petitioners that Alderney is close to the point at which the demographics of the community become permanently distorted: how close no one can say. There is also an economic 'tipping point' beyond which revenue collapses while expenditure soars.

2. We are two Islands with one economy: one taxman and shared national and local expenditure. Like all Islands without mineral wealth the economy depends upon service industries, of various types, all of which depend in turn upon onnectivity.

No business or employee is immune from the loss of morale which accompanies a spiral of decline and this is evidenced by the changing demographics in the census results. Take for example the Alderney Gambling Control Commission: what would happen when, as would inevitably happen if the decline continues, connectivity and staff recruitment become issues which are no longer acceptable to them? They would not change islands, not least because the laws do not exist in Guernsey for the AGCC. They would go to a competitor jurisdiction and the single Guernsey-Alderney economy would lose more than £50m of GDP from the servers presently located in Guernsey. Worse this loss would be more than sufficient to destabilize the important 'techno data' sector to which the islands are increasingly looking for their future.

Your Petitioners are aware, from figures provided by the Income Tax Office, that tax collected from Alderney alone (resident individuals and companies, and non residents with taxable sources of income arising in Alderney) were about £1.3m less in 2012 than they were in 2008.

3. The case for Alderney airfield 2040 is identical to the case for Guernsey airport 2040, which is now nearing completion; in a word 'connectivity'. Like Guernsey

airport 2040 there is no crystal ball: no guarantee how much lost revenue will be recovered and how quickly, as a result of Alderney airfield 2040. However, your Petitioners submit that there can be no doubt that without this infrastructure investment the great risk of a spiral of decline will become a certainty. Rightly the upgrade in Guernsey was done proactively: in Alderney it is now urgent but happily a fraction of the cost. An investment of say £8m out of the Contingency Reserve to reverse a £1.3 m decline in tax receipts represents a return vastly in excess of anything currently being earned by the Contingency Reserve.

4. The work required to make the runways, taxiways and apron fit for purpose in Alderney for the next 25 years is not complex. Alderney is closed for business more by reason of crosswinds than fog and the size and the type of aircraft which can be accommodated on the main runway are too limited in this day and age. Your Petitioners are inclined to believe that a crosswind grass runway needs to be tarmacked and lit for use in wet weather and in darkness while the main runway needs to be enlarged and strengthened to accommodate and attract a greater variety of aircraft; including some aircraft with a greater capacity than 19 seats.

Like Guernsey airport 2040, Alderney airfield 2040 also has the advantage of reducing or 'pulling forward' future maintenance costs. Conversely the approx £1m of 'patch up' at the airfield already approved for category A expenditure in the Capital Prioritization Program could be saved and help toward the cost of the 'catch up' Alderney 2040 project.

The expression 'airfield' is used in order to exclude the terminal and other 'nice to have' facilities.

5. Your Petitioners hardly need advise that there is no idea, initiative or proposal for reversing the spiral of decline in Alderney which is not entirely dependent upon up to date transport links. For passenger traffic, Alderney's transport links are by air and they have been since the war. This has been due largely to Alderney's geographical location and now has everything to do with the sheer size of vessel required to meet today's expectations of travel. The necessary investment has been made at the quay and freight links are fit for the 21 century. The same job at the airfield is now paramount and urgent.

There is no shortage of enquiries from people and businesses interested in what is on offer in Alderney but the airfield is unable to meet their expectations in terms of seat availability and cost of travel and the airfield does not give them any confidence that passenger links can improve in the future. The main runway is only open for business to a very limited category of aircraft and this is stultifying: the world has moved on. There are for example aircraft with much higher crosswind limits but they cannot use the main runway in Alderney. Other commercial aircraft, with lower limits, would be able to use the prevailing wind runway if it was tarmaced for use in wet weather and lit for use after dark.

6. Your Petitioners note two recent precedents for essential investment in Alderney: the rebuilding of the Mignot Hospital commissioned by the States of Guernsey in 2005 at a cost of £6.2m (say £7.5 in today's money) and the quay commissioned in 2007 at a cost of £9.5m of which the States of Guernsey contributed £6m. Both are fit for purpose for the foreseeable future and neither is expected to generate a profit. The difference between the two projects is that unlike the hospital (and the airfield) the quay is not a transferred service.

The hospital and the quay convey confidence in the future to those who might bring their businesses and/or families to Alderney while the airfield has the opposite effect.

7. Your Petitioners consider that the risk of a spiral of decline in Alderney is the type of emergency for which the Contingency Reserve exists. One consequence of utilising this reserve would be that Alderney airfield 2040 would not consume money available for other projects in the Capital Prioritisation Programme, but nevertheless your Petitioners would envisage that any such project in Alderney should still be subject to proper scrutiny and due process from the States of Guernsey.
8. The prayer of this requete engages rule 15(2) of the Rules of Procedure of the States of Deliberation. There is an estimated additional sum of expenditure to the States of less than £100,000 in preparing and estimating the likely cost of proposals for upgrading the airfield in order to address the economic decline in Alderney, which expenditure could be made from the Budget reserve without any detrimental effect to the Fiscal and Economic Policy Plan of the States.

THESE PREMISES CONSIDERED, YOUR PETITIONERS humbly pray that the States may be pleased to resolve:

9. To direct that by no later than October 2014 the Public Services Department shall lay before the States a report setting out the measures which they consider necessary for Alderney airfield to accommodate aircraft with capacity of up to forty seats and to upgrade a crosswind runway so that it is suitable for use by twenty seater aircraft in wet weather and in darkness together with any other measures they consider necessary to ensure the suitability of the airfield for the next 25 years; and to direct that such report shall include proposals outlining how such measures should be implemented and an estimate of the likely costs; and to which report shall be appended a letter of comment from the Treasury and Resources Department which shall include advice regarding the most appropriate means of funding the measures considered necessary by the Public Services Department; and to direct the Treasury & Resources Department to transfer to the revenue budget of the Public Services Department a sum not exceeding £100,000 in order to undertake the investigation work necessary for them to report to the States as directed.

AND YOUR PETITIONERS WILL EVER PRAY

GUERNSEY

This 31st day of October 2013

Alderney Representative Paul Arditti

Alderney Representative Louis Jean

Deputy Lyndon Trott

Deputy Matt Fallaize

Deputy Richard Conder

Deputy Sandra James MBE

Deputy Andy Le Lievre

APPENDIX B

REQUÊTE

THE AIRFIELD IN ALDERNEY

- IX:- After consideration of the Requête dated 31st October, 2013, signed by Alderney Representative E P Arditti and six other Members of the States, they are of the opinion:-
1. To recognise that since 1948 Alderney and Guernsey have been inextricably linked and today there is fiscal union between the islands; to recognise that Alderney is facing significant challenges, especially economic decline and depopulation; and to agree that in such circumstances the States of Guernsey should wherever possible contribute to stimulating Alderney's economy and reversing depopulation.
 2. To direct that during 2014 the Policy Council, after consideration of the challenges facing Alderney and after consultation with other interested parties and in accordance with its responsibility "to advise the States on matters relating to...the coordination of the work of the States", shall lay before the States recommendations which once implemented will likely contribute to stimulating Alderney's economy and reversing depopulation.
 3. To recognise the prominent role of the airfield in the economic and social life of Alderney; and to direct that in undertaking the work referred to in 2 above, and after consultation in particular with the Public Services Department, the Council shall have particular regard to the case for any work at the airfield which may be necessary to make it suitable for the next 25 years or will likely contribute to stimulating Alderney's economy and reversing depopulation, such as, but not limited to, those works suggested in paragraph four of that Requête.
 4. To reaffirm their Resolutions on Billet d'État XIX of 2013 which, inter alia, directed the Public Services Department and the Treasury and Resources Department to advance preparations for the rehabilitation of Alderney runway as a Category A pipeline project in their capital investment programme; and to direct that as far as possible that project should be advanced in a manner which would not prejudice any further work at the airfield which may in future be considered necessary or desirable either to make it suitable for the next 25 years or to contribute to stimulating Alderney's economy and reversing depopulation.
 5. To authorise the Treasury and Resources Department, if required, to fund the work above from the General Revenue Budget Reserve up to a limit of £100,000; and to note that doing so would be expected to have no effect on the policy objective of the States to constrain increases in aggregate revenue expenditure to RPIX or less.



Proud to be sustainable designers

Report

Alderney Airport

Runway Options Study

Final Report

Alderney Airport

Runway Options Study

Final Report
August 2014

Prepared by

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Approved by

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Prepared for

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Executive Summary

Alderney Airport - Runway Options Study

TPS were commissioned in May 2014, by the Public Services Department of the States of Guernsey, to carry out a feasibility study of specific options for the development of the runways at Alderney Airport.

The feasibility study supplements previous studies (by others), of the maintenance and development of the runways at Alderney, and addresses five particular questions:

- (a) Can Runway 03/21 be extended to circa 600m in its current location?
- (b) As an alternative to (a) can Runway 03/21 be relocated to maintain that orientation and achieve 600m or longer?
- (c) Having taken advice from Aurigny Air Services in respect of operational performance of the Dornier 228, do the previous proposals to retain in grass runway 14/32 need to be revisited? This may indicate a stronger preference to retain that runway, rather than undertake any further research into lengthening or repositioning Runway 03/21 (as defined in (a), (b) above).
- (d) Using 3D modelling data available from States Property Services, can the feasibility of extending 08/26 to around 1100m be assessed, to provide an indication of likely cost and feasibility?
- (e) Assuming (d) is achievable at a not-unreasonable cost, can the costs of upgrades to the runway and taxiway widths be taken into account with a view to establishing the viability of operating a 42-seater aircraft into Alderney Airport?

TPS have examined the feasibility of these options, including two visits to Alderney to inspect the existing infrastructure. Meetings were held with personnel at the Airport, and at Guernsey airport, including meetings with Aurigny Air Services. Outline design of possible runway configurations has been carried out by computer modelling based on 2D and 3D survey data provided by PSD.

This report sets out the findings of the feasibility study, and interim conclusions for these questions, for review by the Client.

The key conclusions of this report are that:

- It is technically feasible to extend Runway 03/21 to provide a 600m long crosswind runway on its existing alignment. No suitable alternative location for a runway on the 03/21 alignment has been identified.
- The 14/32 Runway orientation is not suitable for providing a meaningful crosswind runway. However, the grass runway is usable (in good weather conditions) for use by Trislander operations at present and Dornier 228 operations in the future.
- It is technically feasible to extend Runway 08/26 to provide an 1100m long runway. For operations using typical 42-seater aircraft, it would be necessary to provide a 30m wide runway ('Code C' criteria). This would also require widening of the taxiway, but the existing apron appears large enough to accommodate one aircraft of this size.
- The preferred option would be to extend Runway 08/26 to the east, since a westward extension would generate significant operational and maintenance constraints.
- Adequacy of aviation lighting will be a key factor in the effective operation of air services in the event of runway development. Development of Runway 08/26 must include approach light systems at least equivalent to the existing 420m Approach. The addition of runway centreline lighting is an option that should be considered in any future development.

(a) Extension of Runway 03/21 to 600m

Examination of the available 2D and 3D survey data indicates that it should be feasible to increase the length of Runway 03/21 to 600m length by extending the existing runway at both north and south ends.

Wind records, and discussion with Aurigny, have confirmed that the 03/21 orientation could provide an effective crosswind runway on the limited number of occasions that Runway 08/26 (the preferred runway) is unusable due to excessive crosswind. However, a grass runway would not be suitable because of uncertain braking friction in wet weather. The proposed solution is therefore a paved runway 600m long x 18m wide (Category 1B), minimum strength PCN 6 for Dornier 228 use, with new runway lighting.

Space constraints at either end would preclude the installation of sufficient approach lighting for instrument approach use, but it should be feasible for an aircraft to approach the airport using the 08/26 approach procedures and lighting before circling to land on the crosswind runway.

The new runway would require edge, threshold and runway end lights to meet regulatory criteria. Aurigny advise that in dark/wet conditions the visibility of the runway centreline markings is limited during landing; it is therefore suggested that the addition of runway centreline lighting be considered.

A paved runway would require some form of edge drainage. A solution based on fin or filter drains discharging to an existing watercourse (probably Val L'Enauve), without the need for water storage and attenuation, is proposed.

Certain issues would require more detailed investigation to develop and confirm this preliminary feasibility design:

- Obstruction survey to confirm the compliance of the take-off and climb surface (Obstacle Limitation Surface) for the repositioned 21 Threshold.
- Survey of WWII buried structures adjacent to 03 Threshold.

(b) Alternative location for Runway 03/21

Several options for realigning or relocating Runway 03/21 were examined. A location at the west side of the airport appeared promising, and was examined in more detail. However, discussion with Aurigny established that turbulence above the cliffs south of the airport would compromise safe operations from this location. Other potential issues would include the necessity for traffic controls on Le Grand Val, the road to the north. It was concluded that a suitable alternative to the existing 03/21 location could not be found.

(c) Retention of Runway 14/32

Discussions with Aurigny established that, like the current Trislander aircraft, the Dornier 228 can use a grass runway when conditions are suitable. All-weather use would be limited, by reduced braking action in wet surface conditions.

Available records indicate that Runway 14/32 was used by 14% of aircraft movements in the past, and it was observed (when visiting Alderney Airport in the course of this study) that some Trislander services used this runway. Aurigny confirmed that the 14/32 Runway does provide pilots with a direct visual approach to the airport from the south when weather conditions (very light winds and dry surface state) are favourable, but that their preference is to use the paved prevailing wind runway 08/26

Wind data for Alderney Airport from January 2012 to May 2014 was examined. This indicated that the prevailing directions of stronger winds are aligned with the main 08/26 Runway and the 03/21 runway alignment. The 14/32 direction is thus not suited to development for circumstances where the 08/26 Runway has excessive crosswind.

It was concluded that maintaining Runway 14/32 as a grass runway would retain a useful asset, but that improvement of the 08/26 and possibly 03/21 runways would be preferable to development of the 14/32 runway orientation (e.g. as a paved runway).

(d) Extension of Runway 08/26 to 1100m for 42-seat services

A desk study of likely twin turboprop aircraft in the order of 42 seat capacity identified several possible aircraft for this role. It was considered that the wingspan and strength criteria of ATR 42 or certain, smaller, aircraft types would be appropriate for assessing feasibility of the runway development, giving a requirement for a runway 1100m long x 30m wide (Category 2C) with strength PCN 11.

In each case, it was anticipated that space for a full RESA (Runway End Safety Area) would be needed at each end of the runway. Widening of the taxiway to meet 'Code C' criteria would also be needed. Computer tracking of aircraft paths indicated that the existing apron should be of adequate for manoeuvring an aircraft of the anticipated size.

The existing runway has a pattern of approach lights 420m long at each end of the runway. This is classified as the minimum necessary for an 'Intermediate' standard approach for the purposes of determining aircraft operating minima. Discussion with Aurigny established that it would be essential to re-provide at least this standard of approach lighting at both ends to avoid reducing the availability of the airport.

The need to keep the existing runway operational for Dornier 228 operations during the extension works has been taken into account; this results in two potential options, for extending the runway by 223m at either the west end or the east end, which were examined in detail.

West extension:

Extension of the runway westwards would require some earthworks to reprofile the 08 end of the existing runway and the land forming the extended Runway Strip and RESA. New runway lights would be required for the extended runway.

Associated works would include re-routing existing roads around the new RESA, and design may need to consider protection of an ancient monument (La Hougue de la Taille tumulus) in the vicinity of the RESA. New drainage would also be required at the runway edges; a solution based on fin drains or land drains discharging to the watercourses located around the airport, without the need for water storage and attenuation, is proposed.

The existing 26 Approach lights would be retained, but a new 08 Approach light system would be necessary. Provision of the necessary 420m light system would extend across the Vallee des Trois Vaux requiring some lights to be supported at heights of up to 25m above ground. This would present major and potentially insurmountable difficulties in the maintenance and repair of the lights, including the provision of certificated climber resource from off-island.

Extension towards Trois Vaux would also increase the impact of turbulence from westerly or south-west winds on take off.

East extension:

Extension of the runway to the east would involve more extensive earthworks to reprofile the ground west of the intersection with Runway 03/21. This would include raising the ground levels at the head of the Vau du Sud to form the extended Runway Strip. It is anticipated that the footprint of the embankment would be controlled by use of reinforced earth slopes, subject to confirmation by geotechnical investigation.

A new 26 Approach light system would be necessary; in this case, the height of the light poles would be similar to the existing lights and accessible for maintenance. The 26 approach would move closer to the existing Non Directional Beacon (NDB), and it would be necessary to relocate this to remove a potential obstruction.

Associated works would involve re-routing existing roads around the runway extension and RESA. New runway drainage would discharge to the watercourses around the airport, as described above.

The studies to date thus indicate that it would be technically feasible to extend and widen Runway 08/26 for operations by 42-seater aircraft types. Because of the operational and maintenance issues associated with an extension to the west, it is recommended that the preferred option would be to extend the runway by 223m to the east.

It would be necessary to widen and realign the taxiway from Runway 08/26 to the Terminal Apron to meet Code C regulatory criteria. The gradient of the existing taxiway would be too steep to comply with regulatory criteria for Code C aircraft, so it would be necessary to realign the taxiway over a greater length

(e) Cost of runway/taxiway upgrades for 42-seater aircraft operations

Costs of extending Runway 08/26 to provide an 1100m Code C runway were developed, based on the option described in (d) above. In addition, the operability of the existing taxiway and apron were examined.

A tentative provision has been made for widening and realigning the taxiway from Runway 08/26 to the Terminal Apron, but this would need to be refined by more detailed design study.

The cost of extending and paving Runway 03/21 for service as a crosswind runway, for operations by Dornier 228 and similar aircraft, has also been assessed as follows:

<i>Runway 08/26</i>	Extension and widening to 1100m x 30m (Code 2C)	£ 17,660,000 to £ 24,283,000
<i>Runway 03/21</i>	Paving to form 600m x 18m (Code 1B) crosswind runway	£ 6,158,000 to £ 8,467,000
	Total Project Cost	£ 23,818,000 to £ 32,750,000

These are preliminary high level cost estimates, and include a significant premium to cover the costs of mobilising plant and materials to the island. A procurement process based on early selection and involvement of a suitable contractor may help to optimise the technical and cost solution.

Pavement strength is indicated above in accordance with the ICAO ACN/PCN (Aircraft/Pavement Classification Number) system. Pavement works are based on:

- 100mm bituminous overlay of existing runway pavement, or
- 275mm bituminous materials on 225mm granular sub-base for new construction including widening.

For the types of aircraft considered, the strengths required are close to the minimum indicated in the design charts, which may lead to conservative design thicknesses. More detailed project design will need to consider Value Engineering of the construction materials.

Assumptions and Caveats

This report relates to the technical feasibility of the options for the runway/taxiway infrastructure only. The following caveats should be noted:

- Development of any of the options identified in this study would require detailed design works, including appropriate topographic and geotechnical surveys.
- Considerations of land acquisition and / or wayleaves etc have not been taken into account in the development and assessment of the options.
- Although the dimensions of the apron have been reviewed to assess the feasibility of access by a 42-seater aircraft type, further study and operational planning would be necessary to confirm its suitability for particular operational scenarios.
- The suitability of the other airport infrastructure (Terminal building, parking, fire cover etc), for 42-seater operations, is outside the remit of this study.

This TPS commission is somewhat unusual in that the feasibility study is being undertaken in anticipation of a favourable economic case. All airport planning undertaken by our company over the past 20 years has been demand led; in other words, there are underlying economic growth forecasts that identify increasing passenger numbers and / or cargo tonnages, which necessitate infrastructure development if they are to be realised. In the best of developments the infrastructure investment plan is then tested against the economic case to ensure that there is a return on investment. The merit of such an approach is that the investment in infrastructure is then planned to provide the functionality just ahead of predicted demand, thereby ensuring that the best business outcomes are achieved.

There is an unquestionable benefit that by investing in paving and lighting runway 03-21, to achieve a length of 600m, this will reduce the number of delayed, cancelled and diverted Dornier 228 flights.

However, the planning TPS has been asked to undertake on lengthening the existing paved runway does not as yet appear to be supported by any economic case. The aspiration is along the lines that by extending runway 08-26 to accommodate a 40 seat aircraft, this will be the trigger needed for an aircraft of this size to commence operations and bring with it the passenger numbers that will generate much needed economic growth. Having consulted with the only commercial carrier currently operating into Alderney, it is evident that their studies have concluded there is no future demand that would make a 42-seater aircraft service economically viable.

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1. Introduction

TPS were commissioned in May 2014, by the Public Services Department (PSD) of the States of Guernsey, to carry out a feasibility study of specific options for the development of the runways at Alderney Airport.

The feasibility study supplements previous studies (by others), of the maintenance and development of the runways at Alderney, and addresses questions arising from a Requete approved by the States of Deliberation.

1.1. Background

Alderney Airport is located on the island of Alderney, in the Channel Islands. The aerodrome has one paved runway 08/26 (877m) and two grass runways 14/32 (732m) and 03/21 (497m). In recent years the two grass runways suffered from waterlogging, and have been out of use for extended periods, but during the past year the Airport has instituted changes to the grass maintenance regime to address this problem, and both have now returned to service.

During 2012 – 2013, consultants to the States of Guernsey Public Services Department (PSD) carried out studies of the Airport and provided engineering advice in respect of issues originally noted by the Civil Aviation Authority (CAA) during an aerodrome audit in March 2010. A project board was established and further development of the preferred options was progressed:

- Repairs to Runway 08/26 pavements, and widening the paved runway to 23m (Option 4).
- Sub-surface improvement, and additional drainage, of grass runways 03/21 and 14/32 [Option E].

Representatives from Alderney subsequently presented a Requete to the States of Deliberation which included reference to proposals that had not been previously considered, and this was approved by the States in January 2014.

This feasibility study supplements the previous studies (by others), of the maintenance and development of the runways at Alderney, and addresses questions arising from the Requete.

1.2. Scope of Report

This report addresses the following five questions:

- (a) Can Runway 03/21 be extended to circa 600m in its current location?
- (b) As an alternative to (a) can Runway 03/21 be relocated to maintain that orientation and achieve 600m or longer?
- (c) Having taken advice from Aurigny Air Services in respect of operational performance of the Dornier 228, do the proposals to retain in grass 14/32 need to be revisited? This may indicate a stronger preference to retain that runway, rather than undertake any further research into lengthening or repositioning Runway 03/21 (as defined in (a), (b) above).
- (d) Using 3d modelling data available from States Property Services, can the feasibility of extending 08/26 to around 1100m be assessed, to provide an indication of likely cost and feasibility?
- (e) Assuming (d) is achievable at a not-unreasonable cost, can the costs of upgrades to the runway and taxiway widths be taken into account with a view to establishing the viability of operating a 42-seater aircraft into Alderney Airport?

TPS have examined the feasibility of the options identified by these questions, including two visits to Alderney to inspect the existing infrastructure. Meetings were held with personnel at the Airport, and at Guernsey airport, including meetings with Aurigny Air Services to establish the future needs and aspirations of the one commercial carrier operating into Alderney Airport.

Outline design of possible runway configurations has been carried out by computer modelling based on 2D and 3D survey data provided by the PSD. The requirements affecting Aviation Ground Lighting (AGL), both for runway lighting and Approach lighting, have been taken into account in assessing the feasibility of the options.

This report sets out the findings of the feasibility study, in terms of responses to the questions posed, for review by the Client.

2. Existing Airport Data

Alderney Airport is located on the island of Alderney, in the Channel Islands. The aerodrome has one paved runway 08/26 (877m) and two grass crosswind runways 14/32 (732m) and 03/21 (497m).

2.1. Infrastructure

The existing layout of the airport is shown in Drawing C-SK-001 (see Appendix A). This drawing is based on 2D survey data provided by PSD, with the addition of the location of the AGL equipment cabin and standby generator from air photo data. Contours developed from the 3D data received from PSD are also indicated for validation against the survey levels.

2.1.1. Runways

The history of the airport was summarised in the Mott MacDonald (MMD) 2012 report. Three grass runways were established in 1935.

The paved prevailing wind runway 08/26 was originally laid as a hardcore surface in 1967 then subsequently paved, initially 8m wide then widened to 12m. The runway was further widened to 18m in 1991. Turning areas approximately 30m wide are provided at each end. It is thought that the runway may have been resurfaced with a bitumen macadam surfacing in 2001. A pavement investigation was carried out by TPS in 2004; cores in Runway 08/26 found between 70mm – 125mm of bitumen macadam in layers, with a top layer approximately 30mm thick, overlying a poor quality granular material.

A Pavement Condition Index (PCI) assessment of the runway in July 2013 identified limited structural defects within the majority of the pavement, but noted deterioration of the edges of the asphalt which are breaking away and ravelling.

A subsequent visual inspection by TPS in May 2014 noted that (although there is limited extent of cracking, and no evidence of significant rutting) the runway surfacing is heavily weathered with stone loss throughout the pavement in addition to the ravelling at the edges. The full report is appended as Appendix C; the principal recommendation is to undertake resurfacing of the runway within the next 5 years, ideally coordinated with any future project to widen the paved runway to 23m.

In recent years the two grass runways suffered from waterlogging, and have been out of use for extended periods, but during the past year the Airport has instituted changes to the grass maintenance regime to address this problem. It is understood that initial results from this change are encouraging, although the weather was generally dry during the visits within this study so no direct observations could be made.

The interfaces of the grass runways with the edge of the paved runway have been reinforced with a proprietary grass reinforcement system ('Perfo'). Although a previous report commented on its "limited success" during waterlogged conditions, the material appeared satisfactorily embedded in the ground and (in dry conditions) there was no discernible jolt within an aircraft landing on Runway 14/32 when it passed over the runway intersection.

2.1.2. Taxiways and Apron

The main apron is located at the north side of the airport, adjacent to the Passenger Terminal, Fire Station and Hangar. This provides space for scheduled aircraft operations, and there is an area paved with cementitious grouted macadam for aircraft refuelling.

Taxiway A (Alpha) is a grass taxiway connecting the Apron with 03 runway threshold. Additional grass parking for light aircraft is located either side of Taxiway A.

Taxiway B (Bravo) is a paved taxiway connecting the Apron to the middle of Runway 08/26. The main length of the taxiway is 11 m wide, widening to 23 m between Hold B and the runway.

2.2. Runway Use

2.2.1. Air Traffic

The predominant user aircraft at Alderney Airport is the Britten-Norman Trislander which is used by Aurigny Air Services for their scheduled commercial services to the island. It is planned that in the near future the Trislander will be replaced by Dornier 228 aircraft, providing a similar frequency of service.

PSD provided Other movements are accounted for by a range of light aircraft used for General Aviation and other private services (e.g. air taxi).

2.2.2. Runway Use & Distribution

The most recent available data on the relative use of the runways was contained in the 2012 MMD report. The pattern of use was:

Runway 08	Runway 26	Runway 14	Runway 32
54%	32%	5%	9%

No data on the relative use of Runway directions 03 and 21 was available, due largely to the period during which this runway was decommissioned due to waterlogging.

PSD provided records of wind strength and direction for the period January 2012 – May 2014. These indicate that the majority of the stronger winds recorded over the annual periods correspond to alignments which are more favourable to use of Runway 08/26 or 03/21:

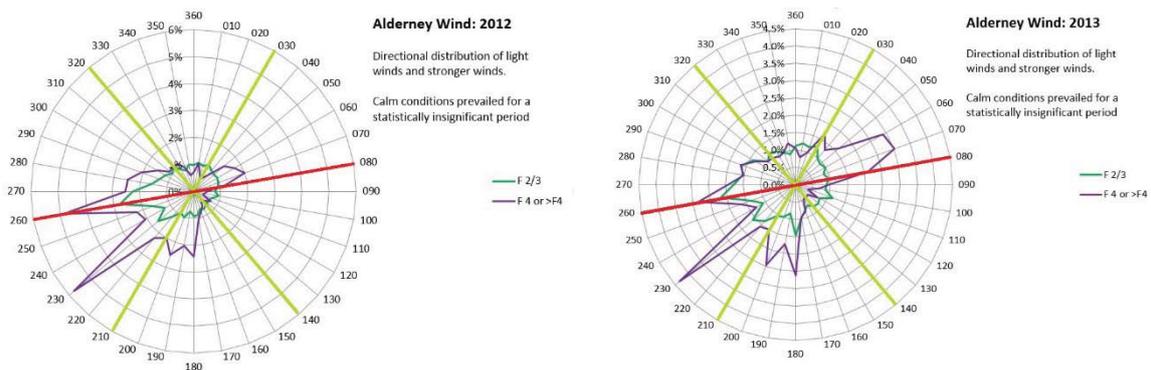


Figure 1 - Wind Records 2012 / 2013

Qualitative examination of the month-by-month wind rose diagrams indicated some months where there was an appreciable frequency of wind corresponding to a 14-32 orientation, but the peaks of the stronger winds were more evident on the other runway orientations (confirming the indications of the annual summary diagrams).

2.3. Ground Conditions for Pavements and Earthworks

Testing of the subgrade strength of Runway 08/26 during a 2004 investigation by TPS found CBR values between 7% - 12%.

The 2012 MMD study included four shallow trial pits to assess ground conditions, including CBR testing to assess the strength of the subgrade for new pavement construction. Two pits at the eastern side of the aerodrome indicated CBR 12% - 15%. Two pits at the western side were excavated in waterlogged areas, and CBR values of 4% - 6% were recorded in the upper layer of the soil.

Thirty-two boreholes approximately 20m deep were undertaken throughout Alderney Airport in September-November 2010, in the course of a hydrogeological study by Arcadis UK Ltd. The ground conditions in these boreholes were described as:

- Loess: Wind blown natural deposits, predominantly comprising orange brown, fine to medium sands and silts.
- Weathered bedrock: Weak weathered bedrock, predominantly clayey sandy gravel of fine pink or blue gneiss fragments.

A number of the borehole locations fall close to or within the anticipated works area for an eastern extension of Runway 08/26 or the southern half of Runway 03/21. Bedrock (weak-strong fractured, weathered gneiss) was found at depths between 4.5m – 23.3m below ground level (bgl) in other parts of the airfield, but not in these boreholes.

Borehole Ref.	114	115	116	117	118
Location	NW of 03 THR	NE of 03 THR	NW of 26 THR	S of 26 THR	E of 26 THR
Topsoil (m)	0.20	0.20	0.05	0.10	0.10
Silty SAND [Loess] (depth bgl)	13.50	18.00	7.50	5.00	7.50
Sandy GRAVEL [weathered bedrock] (limit of bh)	20.00	20.00	20.20	20.60	20.30

The engineering properties of the soil were not tested during the Arcadis investigation, since its objectives related to a study of groundwater. However, the borehole logs suggest consistent natural ground conditions which would not require 'hard dig' techniques in the anticipated works areas for extension of Runway 08/26.

3. Methodology

It was anticipated that observation of the existing aerodrome and surroundings would be necessary to develop viable solutions for the options posed by the Brief. Some initial data was collected during an initial visit to assess the condition of the pavements. PSD provided 3D topographical data and the 2D survey plan in digital format, together with copies of previous studies of the Airport and meteorological and operational data as described above.

Prior to the second visit to Alderney Airport, the survey data was used to examine and develop outline solutions for discussion with relevant stakeholders.

3.1. Initial Options

Sketches of three selected outline solutions were prepared as a basis for on-site appraisal.

3.1.1. Runway 03/21- Extension

Examination of the available 2D and 3D survey data indicated that it should be feasible to increase the length of Runway 03/21 to 600m length by extending the existing runway at both north and south ends.

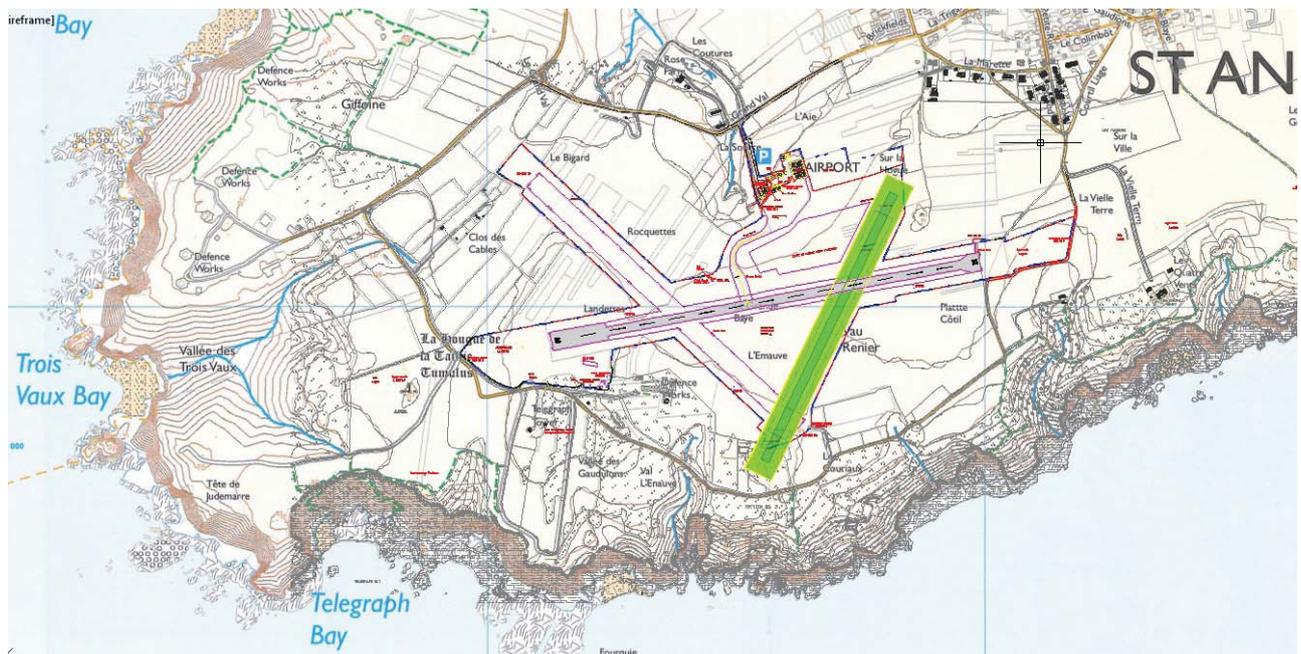


Figure 2 – Discussion option – Runway 03/21 600m long on existing alignment

Wind records (2.2.2) suggested that the 03/21 orientation could provide an effective crosswind runway when Runway 08/26 crosswind is excessive. The proposal would be a 600m long x 18m wide (Code 1B) paved runway with new runway lighting.

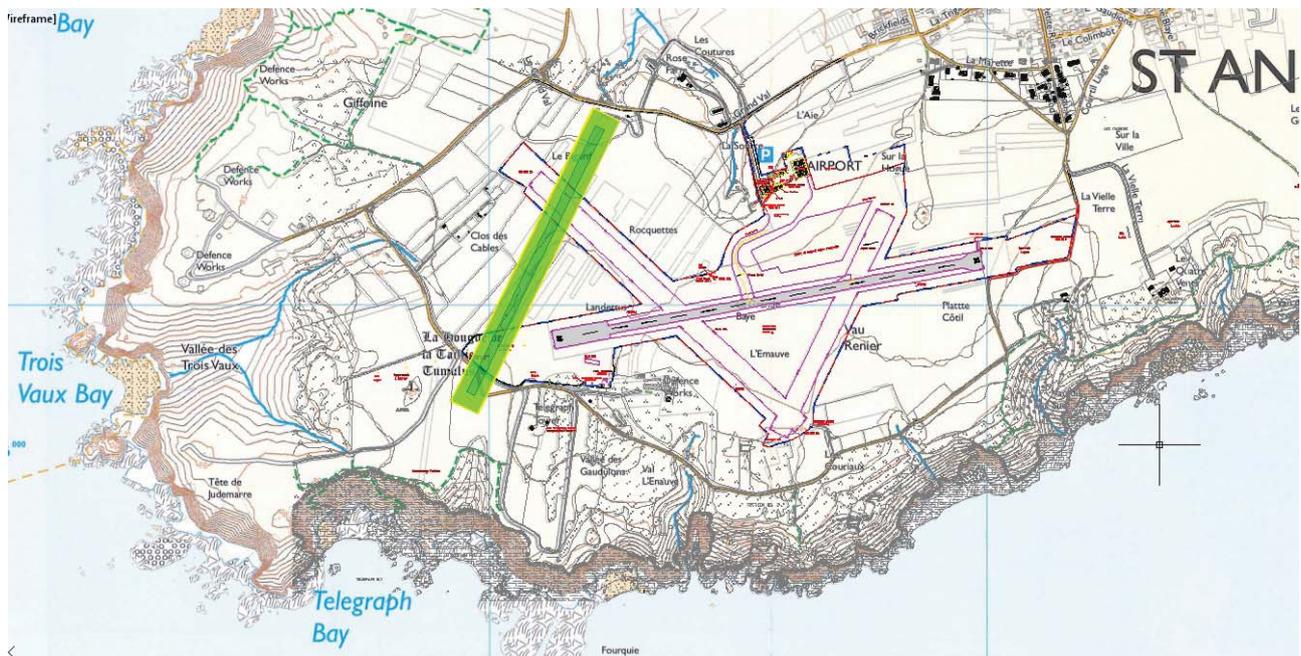
The new runway would require edge, threshold and runway end lights to meet regulatory criteria. Space constraints at either end - the cliffs to the south-west and the town to the north-east - would prevent the installation of a 'Simple' approach pattern (420m long) as used on Runway 08/26.

A paved runway would require some form of edge drainage. A solution based on fin or filter drains discharging to an existing watercourse (e.g. Val L'Enauve, west of 03 threshold), without the need for water storage and attenuation, appeared suitable from examination of the topographical data.

3.1.2. Runway 03/21 – Relocation

Several options for realigning or relocating Runway 03/21 were examined. Most locations appeared unsuitable due to the surrounding topography or the proximity of the airport buildings to a realigned direction.

Figure 3 – Discussion option – Runway 03/21 600m long on alternative alignment, west of aerodrome



A location at the west side of the airport was examined in more detail. The space available and general topography appeared promising. There were potential issues with the alignment, notably the necessity for traffic controls on Le Grand Val (the road to the north) and potential noise impacts on a nearby farm.

However, subsequent consultation with Aurigny (3.3 below) established that turbulence above the cliffs south of the airport would compromise safe operations from this location. It was concluded that a suitable alternative to the existing 03/21 location could not be found.

3.1.3. Runway 08/26 – Extension (Westward)

Examination of the topographic data, and observations from the pavement inspection visit, suggested that the levels of the ground west of the existing 08 threshold was suited to extension, but the ground east of the 26 threshold sloped appreciably away from the pavement. This suggested that there would be no advantage in extending simultaneously at both ends.

Extending westwards, to create an 1100m long runway but maintaining the existing 26 threshold, was examined.

The space available appeared adequate for construction of an extended runway strip and a new RESA, subject to local earthworks to reprofile the ground (including reprofiling the existing runway at the existing 08 threshold where an appreciable change of slope, outside regulatory criteria, would otherwise occur).

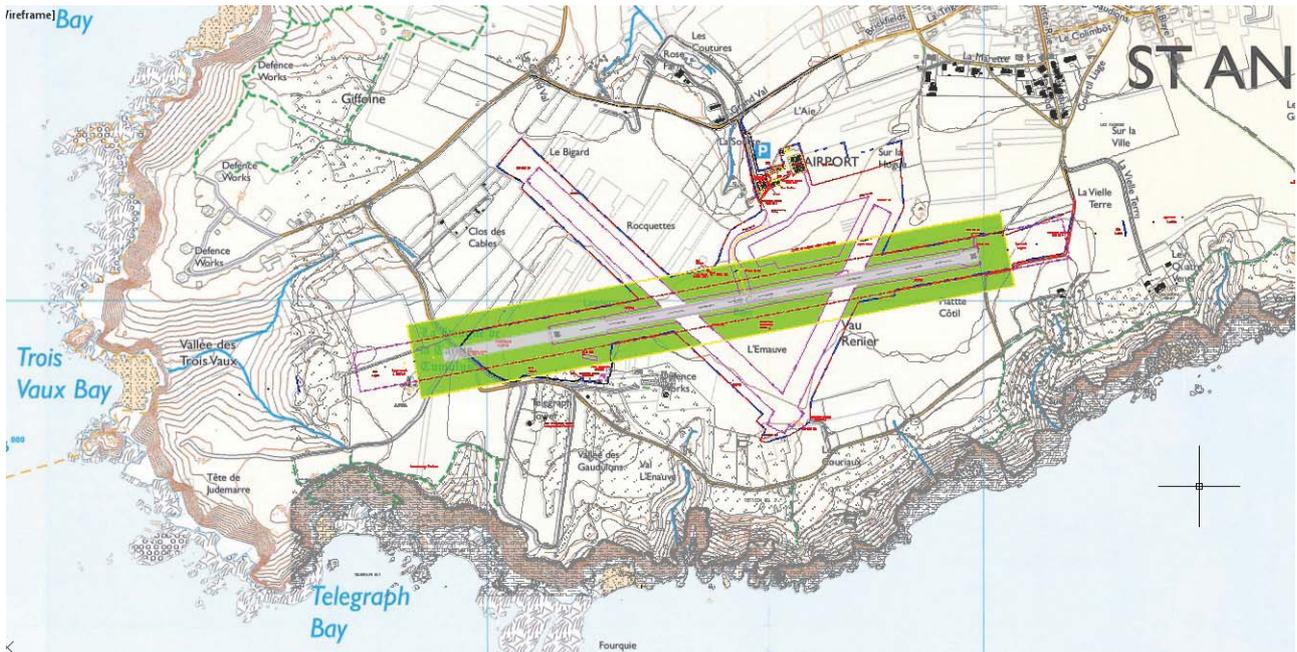


Figure 4 – Discussion option – Runway 08/26 1100m long, on existing alignment extended westward

However, it was evident that re-provision of the 420m long approach light pattern would extend beyond the aerodrome plateau into the Vallee des Trois Vaux beyond. Examination of the survey contours to the west of the extended runway indicated that supporting structures in the order of 25m high might be required. This was subsequently confirmed by more detailed design of the longitudinal section (see drawing C-SK-022 at Appendix A).

It subsequently became apparent that present issues associated with turbulence above the cliffs in strong winds, identified in the consultation with Aurigny (see 3.3) would be exacerbated by moving the take-off path closer to Trois Vaux Bay.

3.1.4. Runway 08/26 – Extension (Eastward)

Prior to visiting the Airport, the option to extend Runway 08/26 eastwards was examined only at high level. Initial examination of the 3D topographic data suggested that there would be a need for significant earthworks using imported materials, with a consequent high cost.

Because of the problems identified with re-providing approach lights at the west end, particular attention was paid during the visit to the topography of the eastern extension area.

3.2. Site Observations

During a visit to Alderney on 8 - 9 July 2014 the airport infrastructure and the surrounding topography were inspected to assess any issues or obstacles relating to potential runway extensions.

Runway 08/26

West of 08 Threshold, there is a change of gradient as the RESA slopes away from the pavement. A steady downgrade continues to the limit of the existing approach lights, after which the ground slopes steeply into the Vallee des Trois Vaux and details of the ground are obscured by undergrowth.

The map identifies a tumulus 'La Hougue de la Taillie, located south of the approach crossbar. This takes the form of a low mound covered with scrub. Antiquity records indicate that it is a round barrow. (monument ID MGU4264) which has previously been excavated and recorded. It is not known what level of protection might be necessary in the event of earthworks in the vicinity.

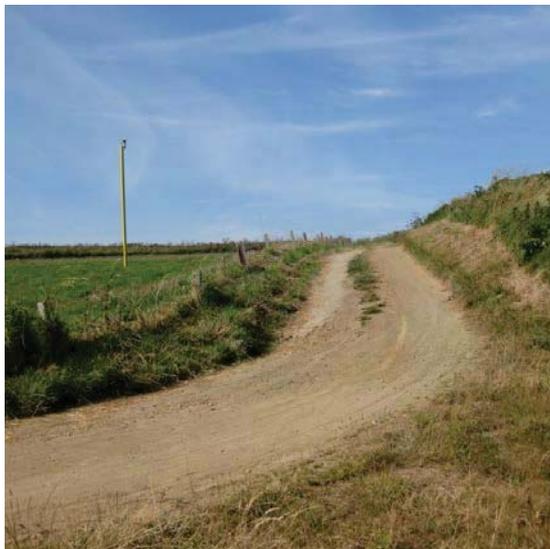


West limit of 08 Approach lights at the edge of the vallee des Trois vaux



Runway 08/26 – view east from 08 Threshold accentuates undulation of existing surface

East of 26 Threshold the ground slopes more steeply into a shallow valley at the head of the Val du Sud. The area east of this valley is generally grassland, part of which appears to be in use for grazing.



Low ground east of 26 Threshold, above Vau du Sud; existing approach light mast indicates level of runway



NDB located east of existing runway may need to be relocated for Runway 08/26 eastward extension

Runway 03/21

At the south boundary of the aerodrome, close to 03 Threshold, an underground structure dating from WW2 is located just west of the extended centreline. There a small opening in the ground allows limited

inspection with a camera, indicating a concrete structure below ground level. Map data suggests an above ground structure further west, but this could not be examined due to thick vegetation. It would be necessary to strip vegetation and carry out a more detailed survey to assess the extent of work that might be needed to reduce and infill the structures.



Roof of WW2 underground structure at ground level beyond 03 boundary fence



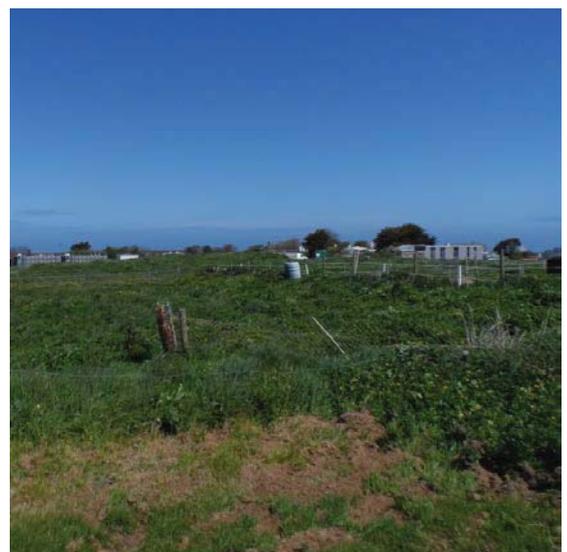
Internal view of buried WW2 structure

The ground further south slopes away from the aerodrome to the perimeter track. The watercourse in Val l'Enauve (to the west of the runway) runs in a steep ravine which is culverted below the track.

To the north, there is open ground (some in agricultural use) for approximately 200m from the boundary before the buildings on La Marette at the edge of St Anne town. The AIP does not identify particular obstructions on the 21 approach; although the height of the buildings does not appear to present a particular issue, it would be prudent to confirm potential obstacle heights prior to detailed design of a 03/21 extension.



Runway 03/21 – Existing runway (view from south)



Runway 03/21 – Extended centreline (approximate) north of existing 21 boundary fence

3.3. Discussion with Aurigny

A meeting was held on 10 July 2014 with the Fleet Manager Aurigny Air Services, the Airport Director and Operations Manager of Guernsey Airport and the Manager Air Traffic Services. The objectives were to consult Aurigny on the initial options considered by this study, and obtain Aurigny's advice on operational requirements needed to accommodate the Dornier 228 aircraft (and possibly other future aircraft).

Notes of the meeting are attached at Appendix D. The key outcomes may be summarised as follows:

- Typically about 9 days of service per annum are prevented by very strong crosswinds.
- It was confirmed that the Dornier 228 can operate from a dry grass runway if necessary. However, Dornier 228 crosswind limit (30kt) is better than that of the Trislander and use of the paved Runway 08/26 would be preferred [to use of a grass crosswind runway].
- The existing grass Runway 03/21 is unsuitable for all-weather use by Dornier 228 due to reduced braking action, but a 600m paved runway would remove these limitations.
- Runway 14/32 may be used for convenience in light winds, but offers no significant operational benefit over RW 08/26.
- The alternative western location for Runway 03/21 (see 3.1.2 above) would not be useable. Strong winds create turbulence above the cliffs – this can make it necessary for aircraft departing from Runway 26 to make an early turn before Vallee des Trois Vaux. South-westerly winds would create severe and unacceptable turbulence for this runway alignment.
- If runway 03/21 is paved, paving of the grass taxiway from the apron (Taxiway Alpha) should also be considered.
- High intensity runway lights (edge, threshold and runway end) will be a regulatory requirement. Aurigny recommend that addition of runway centreline lights would be a significant operational benefit due to particular visibility issues of operating at Alderney.
- A paved crosswind runway would require at least 'Basic' approach lighting (210m or more) for landing minima, although it could in any event be used as a take-off runway. [Maintenance of the existing 420m approach light systems on 08 and 26 is essential to provide 'Intermediate' approach capability]. In principle, it should be possible to make an approach to the 08 or 26 alignment then circle visually to land on the crosswind runway.
- Aurigny have considered the economics of operation at Alderney with a 42-seater aircraft, and consider that there is no business case for this in the foreseeable future.

3.4. Aircraft Types

A desk study of passenger transport aircraft, in the order of 42 seat capacity and suitable to operate from an 1100m long runway, was carried out to confirm the requirements for design of such a runway. The review identified several potential aircraft types.

All the aircraft identified are twin engine turboprop types.

Relevant geometric and operational data was, where possible, extracted from manufacturers' literature. Public domain sources (EUROCONTROL online information sources, and web searches) were consulted to obtain or validate missing data.

Key data is summarised in the table below (data for Dornier 228 is also shown for comparison). It was considered that the ATR-42, with a capability to carry 42 passengers, would be a representative design aircraft. The Dash-8 and its derivatives may also be appropriate, but the ATR-42 has a higher pavement loading (ACN) so represents a conservative design choice.

It was concluded that a runway for use by 42-seater aircraft, and any associated taxiway, should be designed to Code C geometric and operational criteria.

Manufacturer / Type		Aerospaiale ATR 42	DeHavilland Dash8-100	Bombardier Q200	Fokker 50	Dornier 228
Passengers	No	42-48	39	39	50 #	19
Wingspan	m	24.6	25.9	25.9	29.0	17.0
Length	m	22.7	22.3	22.3	25.2	16.6
Wheel span	m	4.1 *	8.52	assume 8.52	7.2 *	3.3 *
ICAO Code		C	C	C	C	B
Field Length (TakeOff)	m	1090	990	1000	1100	793
Field Length (Landing)	m	1033	790	780	1120 #	558
MTOW	kg	16700	16465	16466	20020	6400
Pavement Loading	ACN	11	9	9	13	6
		* Value is wheel track not outer gear span				
		# Assume could use 1100m with reduced payload inc. 42pax				

3.5. Aircraft Pavement Design

Pavement design is based on the Aircraft Classification Number (ACN) which represents the wheel loading applied by the aircraft. The ATR-42, the proposed representative design aircraft, has an ACN of 11.

Aircraft movements data supplied by PSD indicates that the number of aircraft movements has varied in recent years. 6513 commercial movements were recorded in 2013, representing 58% of the total 11172; the remainder of the recorded movements are understood to have been made by smaller charter or General Aviation aircraft.

The figure of 6513 per annum represents an average of approximately 18 commercial movements per day. Examination of Aurigny schedules suggests that a figure in the order of 6500 – 7000 movements per annum would be a reasonable representation of a continuation of the existing pattern of service. For design purposes, this represents Low Frequency Trafficking in accordance with DIO Design and Maintenance Guide DMG27. For flexible (i.e. asphalt) pavements a design life of 20 years is recommended by DMG27.

It has been assumed that a 225mm layer of granular sub-base would be used as a construction layer for the new pavement. Taking account of the subgrade strengths (CBR) identified by past investigations, DMG27 indicates a total design thickness of 255 mm of aircraft quality asphalt surfacing + bound base material for pavement strength Pavement Classification Number (PCN) 11.

A paved crosswind runway would be used by the smaller (Code B) aircraft such as the Dornier 228. This has an ACN value of 6, so a thinner pavement would be adequate. However,

- Detailing considerations (e.g. installation of centreline AGL) might constrain any reduction in thickness of the pavement.
- Strengths in the order of PCN 6-11 are at the lower limit of the usual aircraft pavement design charts. Alternative design methods might be necessary to make significant savings.
- Consistency with other paved areas (e.g. the Apron which has been assessed at strength PCN 10) may be considered to maximise operational flexibility.

4. Developed Options

Following the site visit and consultations, further development of three options was carried out by 3D surface modelling to assess the key elements of the high-level design. In addition, computer aided tracking was used to assess the taxiways and apron. Drawings are attached at Appendix A.

Quantities of materials and works were derived from the modelling as a basis for assessing the cost of the proposed development – see section 5 below, and Appendix B.

4.1. Runway 08/26 – 1100m (Westward extension)

The original discussion option to extend westwards was modelled and examined further. A plan of this option is shown in drawing no C-SK-011, including an indication of the extent of earthworks and other construction necessary..

Any development of the runway would need to be planned in such a way that construction could proceed while providing a suitable paved runway for continued operation of the Airport. Based on the results of consultation, and performance data on the Dornier 228, the outline design was examined to check that a serviceable runway 600m long, plus a minimum RESA length of 90m, could be maintained while constructing the remainder of the works. It was concluded that construction on 2 phases should be feasible, subject to the possibility of a short (e.g. 2 day) closure to finalise works at the phase boundary which would restrict the RESA length.

Provision was included for earthworks to improve the existing RESA at the east end of the runway.

Although the modelling validated the potential for constructing the runway earthworks and pavements, the longitudinal section (drawing C-SK-012) confirmed that abnormally high supporting structures would be necessary to re-provide the full 420m 08 Approach light pattern. Structures in excess of the normal maximum height of 15m would be necessary. Maintenance of lights in these positions (e.g. in the event of lamp failure) would therefore require specialist climbers who would probably have to be hired from off-island.

The section drawing also made clear the proximity of the 08 approach / 28 take-off paths to the steep topography of the Vallee des Trois Vaux, and the likelihood of turbulence in strong westerly winds as identified in the discussion with Aurigny.

It was concluded that a westward extension of Runway 08/26 would generate significant operational and maintenance constraints for the Airport.

4.2. Runway 08/26 – 1100m (Eastward extension)

The option to extend eastwards from the existing 26 Threshold was also modelled. A plan of this option is shown in drawing no C-SK-021, and a longitudinal section of the proposed runway in drawing C-SK-022.

Because of the early concern about the cost implications of imported filling material, several iterations were carried out until an approximate cut-fill balance could be established. As indicated in drawing no C-SK-021, the proposed works would involve excavation east of the intersection with Runway 03/21 to fill and reprofile the depression to the east. From the available borehole information (see 2.3), it appears that the soils should be suitable for excavation to the depth. However a more focussed geotechnical investigation, including testing of the engineering properties of the soils, would be needed before further design work. A tentative provision for stabilising the face of the embankment at the edge of the new Runway Strip (e.g. by reinforced earth techniques) was assumed in cost estimates.

As for the western option, this outline design was examined to check that a serviceable runway 600m long, plus a minimum RESA length of 90m, could be maintained while constructing the remainder of the works. It was again concluded that construction in 2 phases should be feasible, subject to the possibility of a short (e.g. 2 day) closure to finalise works at the phase boundary which would restrict the RESA length. Taking account of the need for phased construction, and the nature of the works, it is suggested that early contractor involvement be considered. The contractor would then work in conjunction with the final project design, to help to optimise the technical and phasing solution and associated costs.

The widened runway would overlie any existing drainage trenches, believed to be located at the edges of the current 23m wide blacktop/grass runway. Although it is understood that surface drainage generally is improved by the new grass maintenance regime, provision to assist removal of water draining from the new paved surfaces will be necessary. Previous studies identified significant costs associated with purely soakaway systems to retain the volumes of water anticipated. A solution based on fin or filter drains discharging to existing watercourses radiating from the perimeter of the aerodrome plateau (see drawing C-SK-001), without the need for water storage and attenuation, is proposed. Further development of this option would be necessary in the course of any detailed design.

The topography east of the relocated 26 threshold is similar to the aerodrome plateau, so presents no obstacle to the reprovision of a 420m approach light system. One issue that will need further consideration is the location of the Airport's Non Directional Beacon (NDB). This is located close to the extended runway centreline east of the aerodrome, and may become a significant obstacle if the approach/take-off path is moved eastwards. This will require further study in conjunction with any project design.

It was concluded that an eastward extension of Runway 08/26 would be feasible, without the operational and maintenance issues presented by westward development. It should be noted that this technical study does not take account of land ownership questions, or any implications for nearby landowners or properties.

4.3. Runway 03/21 – 600m

The discussion option to extend Runway was also modelled. A plan of this option is shown in drawing no C-SK-031, and a longitudinal section of the proposed runway in drawing C-SK-032.

The works at the south end will encompass sections of the WW2 underground structures. There is insufficient information on these to assess the work needed in detail; survey and investigation of the structures will be necessary as a precursor to any design.

Space south of 03 is insufficient to install any significant approach lights. A notional 420m 'Simple Approach' pattern for 21 runway direction would impact on the houses to the north of the runway (see indicative positions on C-SK-031), but it should be possible to provide a minimum 210m approach path giving a 'Basic' level of approach lighting.

A paved runway would require some form of edge drainage. A solution based on fin or filter drains discharging to an existing watercourse (probably Val L'Enauve, to the west of 03 Threshold) is proposed.

It was concluded that extension of Runway 03/21 should be feasible, subject to resolution of the issues of the underground structures to the south. This technical study does not take account of land ownership questions, or any implications for nearby landowners or properties.

4.4. Taxiways and Apron

Longitudinal gradients of the existing taxiways Alpha (grass) and Bravo (paved) were assessed. Both existing taxiways exceed the 1.5% limit for a taxiway for Code C aircraft (i.e. 42-seater aircraft such as ATR-42).

In the case of Taxiway Bravo, it is proposed that construction of an extended route between the Apron and Runway 08-26 could reduce the gradient within the permitted limit. The taxiway would be widened to a minimum of 15m for Code C use.

No corresponding alternative was identified for Taxiway Alpha. However the 3% gradient is within permitted limits for Code B aircraft (e.g. Dornier 228), as well as lighter aircraft, so no need for reconfiguration appears necessary for its current operational role.

Aircraft tracking of the ATR-42 (and similar Code C aircraft) was carried out to confirm that the area of the existing apron would be suitable for use by a larger aircraft. See drawing C-SK-041.

4.5. AGL and Navigational Aids

Regulatory requirements specify the minimum prescribed scales of Aviation Ground Lighting (AGL) needed in order to satisfy the aerodrome licensing requirement in respect of low visibility and night operations.

New AGL light systems would be required for both runways if they are extended as described in this report. It is proposed that new lights would be LED types, since these would require less electrical power than conventional (tungsten) lights. It is anticipated – subject to confirmation at a subsequent design stage – that by using LED lights it should be possible to keep the power requirement within the capacity of the existing electrical supply and standby generator. Procurement of fittings should aim to provide commonality with the installations at Guernsey Airport, for economies in spares holdings and training.

Providing concrete pits to contain AGL transformers is unlikely to be cost effective, but it is suggested that buried ducts be installed between transformer positions. This would minimise programme dependencies between cable installation and civil engineering works, and also facilitate any future cable maintenance.

4.5.1. Runway Lighting:

Runway Edge lights consist of two parallel rows of lights equidistant from the runway centreline. They are located along the edges of the area declared for use as the runway.

Runway Threshold lights are green and indicate the start of the available landing distance. A minimum of six lights are installed, with the outer ones in line with the runway edge lights. They are uniformly and/or symmetrically disposed across the runway. The threshold lights may be supplemented by:

Threshold Wingbars, consisting of two groups of five lights with a minimum width of 10m (for each group) with the fitting equally spaced in the group. The wingbars are recommended to increase the visual prominence of the runway threshold.

Runway End lights are red and delineate the extremity of the runway that is available for manoeuvring – not the declared distances. A minimum of six lights are installed, with the outer ones in line with the runway edge lights.

Runway Centreline lights: White runway centreline lights are normally required for take-off in RVR below 400 m and for precision instrument approach runways Category II and III. They do not form part of the minimum licensing requirements for runways of the size envisaged at Alderney, but should be considered as an additional provision in view of Aurigny comments 3.3

4.5.2. Approach Lighting

Approach Lights provide visual guidance on the final approach. They consist of a row of high intensity lights along the extended centreline of the runway, leading to the runway threshold, usually with one or more crossbars of lights at right angles to the extended centreline.

The extent of the approach light system governs the landing minima (i.e. the minimum height that is permitted before either the pilot can land visually or he must abandon the approach and 'go around'). Regulatory minima are specified by EU OPS 1.430 in relation to different classes of approach lighting.

The 420m pattern of approach lights on Runway 08/26 is the minimum system classed as an Intermediate approach light system (IALS). A system extending 210m or greater may be classed as a Basic approach light system (BALS).

4.5.3. Other Landing Aids

An *APAPI* provides visual guidance to the pilot as to whether the aircraft is above or below the required descent slope. The unit consists of two sharp transition units located as a wingbar, preferably on the left side of the runway. Each directs a beam of light, red in the lower half and white in the upper, towards the approaching aircraft. The beams are set at different elevation angles so as to give a combination of one red and one white for an on-slope signal, two red if the aircraft is too low, and two white if it is too high.

Runway visual Range (RVR) measurement devices enable Air Traffic Control to inform the pilot of the measurement of the visible distance at runway level (e.g. in misty conditions). The existing installation consists of lights at known distances from the Tower and pointing towards it. Modern systems use local detector devices which report measurements electronically to the controller.

4.6. Summary of Main Characteristics

4.6.1. Runway 08/36

Main runway to be a Code 2C non-precision instrument runway, paved strength PCN 11.

Runway 08 / 26	Existing Runway	Proposed Runway
Length	877	1100
Paved Width	18	30
Total Width	18	30
Code (Length & Wingspan)	2B	2C
RESA	120 *	120
Runway Strip Width	150 *	150
Strip Length	1000	1220
PCN	<10	11
AGL RWY	Edge Hi + THR Hi+ End Hi	Edge Hi + THR Hi+ End Hi (+ consider Hi RWCL)
AGL Approach	420m Hi	minimum of 420m Hi
AGL / Navaid Other	APAPI	APAPI, RVR
Approach Type	instrument - non precision	instrument - non precision
Comments	* nominally, but with some localised reductions	

4.6.2. Runway 03/21

Crosswind runway to be a Code 1B non-instrument runway, paved strength PCN 6-10.

Runway 03 / 21	Existing Runway	Proposed Runway
Length	497	600
Paved Width	n/a	18
Total Width	37	18
Code (Length & Wingspan)	1B	1B
RESA	0	0
Runway Strip Width		60
Strip Length	527	660
PCN	n/a	Min. PCN 6 but propose PCN 10 as Apron
AGL RWY	None	Edge Hi + THR Hi+ End Hi (+ consider Hi RWCL)
AGL Approach	None	Min 210m approach lights for RWY 21
AGL / Navaid Other	None	APAPI, RVR
Approach Type	non-instrument	non-instrument #
Comments		# visual landing circling from 08/26 approach

5. Cost Estimates (Construction)

The costs of runway and taxiway works involved in extending Runway 08/26, to provide an 1100m Code C runway for use by 42-seater aircraft, were estimated.

High-level construction cost estimates were initially developed using typical unit rates for works carried out on the UK mainland. These were then enhanced by an 'Island Factor' multiplier to represent the estimated costs of a corresponding project carried out on Alderney. This was to take account of:

- Mobilisation of the necessary construction plant to Alderney.
- Setting-up and maintaining specialist plant (e.g. asphalt production and quality control laboratory).
- On-costs for transport of materials to the island.
- Size and productivity of construction plant suitable for use on island roads.
- The contractor's strategy for resourcing, transporting and accommodating the staff and workforce required for this project.

Initial consultation has indicated that an uplift factor between 2.5 - 3.5 times mainland rates would be normal for costs of works carried out on Alderney. However, taking account of the size of the project and some 'big-ticket' items (e.g. AGL equipment) whose price would be less dependant on location, a range between 2.0 to 2.75 is proposed for the purposes of high level estimating at Feasibility stage.

The range of the 'Island Factor' values used reflects uncertainty in the on-island values of particular elements as well as the lack of a comparable project on Alderney for benchmarking purposes. As this location factor is only an assessment, we have presented total estimated costs based at both upper and lower ends of this range.

As the project progresses it will be possible to refine this location factor and reduce its range.

5.1. Runway 08/26 – 1100m

The cost of extending and widening Runway 08/26 to provide an 1100m Code 2C runway, including reconfiguration and widening of Taxiway Bravo for Code C traffic, is estimated to be in the range:

£ 17,660,000 - £ 24,283,000

The comparative cost at UK prices is £ 8,830,000.

5.2. Runway 03/21 – 600m

The additional cost of extending and paving Runway 03/21 to provide a 600m Code 1B crosswind runway, is estimated to be in the range:

£ 6,158,000 - £ 8,467,000

The comparative cost at UK prices is £ 3,079,000.

This estimate includes a provision for paving Taxiway Alpha (existing grass taxiway) to provide a Code B all weather taxiway between the Apron and the 03 runway threshold for use by Dornier 228 sized aircraft.

It should be noted that this is costed as a joint project with the Runway 08/26 costs, which jointly share elements of cost associated with project mobilisation. If carried out separately, the cost estimate for the Runway 03/21 work would need to be increased accordingly.

5.3. Assumptions / Caveats

This report relates to the technical feasibility of the options for the runway/taxiway infrastructure only. The following caveats should be noted:

- Development of any of the options identified in this study would require detailed design works, including appropriate topographic and geotechnical surveys.
- Considerations of land acquisition and / or wayleaves etc have not been taken into account in the development and assessment of the options or costings.
- Although the dimensions of the apron have been reviewed to assess the feasibility of access by a 42-seater aircraft type, further study and operational planning would be necessary to confirm it's suitability for particular operational scenarios (e.g. the challenge of a 'technical' - i.e. non functional - aircraft
- The suitability of the other airport infrastructure (Terminal building, parking, fire cover etc), for 42-seater operations, is outside the remit of this study.
- Costs for the contingency of NDB relocation have not been included, as these would depend on more detailed study.

This TPS commission is somewhat unusual in that the feasibility study is being undertaken in anticipation of a favourable economic case. All airport planning undertaken by our company over the past 20 years has been demand led; in other words, there are underlying economic growth forecasts that identify increasing passenger numbers and / or cargo tonnages, which necessitate infrastructure development if they are to be realised. In the best of developments the infrastructure investment plan is then tested against the economic case to ensure that there is a return on investment. The merit of such an approach is that the investment in infrastructure is then planned to provide the functionality just ahead of predicted demand, thereby ensuring that the best business outcomes are achieved.

There is an unquestionable benefit that by investing in paving and lighting runway 03-21, to achieve a length of 600m, this will reduce the number of delayed, cancelled and diverted Dornier 228 flights.

However, the planning TPS has been asked to undertake on lengthening the existing paved runway does not as yet appear to be supported by any economic case. The aspiration is along the lines that by extending runway 08-26 to accommodate a 40 seat aircraft, this will be the trigger needed for an aircraft of this size to commence operations and bring with it the passenger numbers that will generate much needed economic growth. Having consulted with the only commercial carrier currently operating into Alderney, it is evident that their studies have concluded there is no future demand that would make a 42-seater aircraft service economically viable.

6. Conclusions

6.1. (a) Extension of Runway 03/21 to 600m

Can Runway 03/21 be extended to circa 600m in its current location?

Examination of the available 2D and 3D survey data indicates that it should be feasible to increase the length of Runway 03/21 to 600m length by extending the existing runway at both north and south ends.

Wind records, and discussion with Aurigny, have confirmed that the 03/21 orientation could provide an effective crosswind runway on the limited number of occasions that Runway 08/26 (the preferred runway) is unusable due to excessive crosswind. However, a grass runway would not be suitable because of uncertain braking friction in wet weather. The proposed solution is therefore a paved runway 600m long x 18m wide (Category 1B), minimum strength PCN 6 for Dornier 228 use, with new runway lighting.

If Runway 03./21 is paved, paving of the grass Taxiway Alpha between the apron and 21 Threshold is recommended to provide an all weather surface. The gradient of this taxiway would be acceptable for Code B aircraft such as Dornier 228, but not for larger aircraft.

Space constraints at either end would preclude the installation of sufficient approach lighting for instrument approach use, but it should be feasible for an aircraft to approach the airport using the 08/26 approach procedures and lighting before circling to land on the crosswind runway.

The new runway would require edge, threshold and runway end lights to meet regulatory criteria. Aurigny advise that in dark/wet conditions the visibility of the runway centreline markings is limited during landing; it is therefore suggested that the addition of runway centreline lighting be considered.

A paved runway would require some form of edge drainage. A solution based on fin or filter drains discharging to an existing watercourse (probably Val L'Enauve), without the need for water storage and attenuation, is proposed.

Certain issues would require more detailed investigation to develop and confirm this preliminary feasibility design:

- Obstruction survey to confirm the compliance of the take-off and climb surface (Obstacle Limitation Surface) for the repositioned 21 Threshold.
- Survey of WWII buried structures adjacent to 03 Threshold.

6.2. (b) Alternative location for Runway 03/21

As an alternative to (a) can Runway 03/21 be relocated to maintain that orientation and achieve 600m or longer?

Several options for realigning or relocating Runway 03/21 were examined. A location at the west side of the airport appeared promising, and was examined in more detail. However, discussion with Aurigny established that turbulence above the cliffs south of the airport would compromise safe operations from this location. Other potential issues would include the necessity for traffic controls on Le Grand Val, the road to the north. It was concluded that a suitable alternative to the existing 03/21 location could not be found.

6.3. (c) Retention of Runway 14/32

Having taken advice from Aurigny Air Services in respect of operational performance of the Dornier 228, do the previous proposals to retain in grass runway 14/32 need to be revisited? This may indicate a stronger preference to retain that runway, rather than undertake any further research into lengthening or repositioning Runway 03/21 (as defined in (a), (b) above).

Discussions with Aurigny established that, like the current Trislander aircraft, the Dornier 228 can use a grass runway when conditions are suitable. All-weather use would be limited, by reduced braking action in wet surface conditions.

Available records indicate that Runway 14/32 was used by 14% of aircraft movements in the past, and it was observed (when visiting Alderney Airport in the course of this study) that some Trislander services used this runway. Aurigny confirmed that the 14/32 Runway does provide pilots with a direct visual approach to the airport from the south when weather conditions (very light winds and dry surface state) are favourable, but that their preference is to use the paved prevailing wind runway 08/26

Wind data for Alderney Airport from January 2012 to May 2014 indicated that the prevailing directions of stronger winds are aligned with the main 08/26 Runway and the 03/21 runway alignment. The 14/32 direction is thus not suited to development for circumstances where the 08/26 Runway has excessive crosswind.

It was concluded that maintaining Runway 14/32 as a grass runway would retain a useful asset, but that improvement of the 08/26 and possibly 03/21 runways would be preferable to development of the 14/32 runway orientation (e.g. as a paved runway).

6.4. (d) Extension of Runway 08/26 to 1100m for 42-seat services

Using 3D modelling data available from States Property Services, can the feasibility of extending 08/26 to around 1100m be assessed, to provide an indication of likely cost and feasibility?

A desk study of likely twin turboprop aircraft in the order of 42 seat capacity identified several possible aircraft for this role. It was considered that the wingspan and strength criteria of ATR 42 or Dash 8 aircraft types would be appropriate for assessing feasibility of the runway development, giving a requirement for a runway 1100m long x 30m wide (Category 2C) with strength PCN 11.

In each case, it was anticipated that space for a full RESA (Runway End Safety Area) would be needed at each end of the runway. Widening of the taxiway to meet 'Code C' criteria would also be needed. Computer tracking of aircraft paths indicated that the existing apron should be of adequate for manoeuvring an aircraft of the anticipated size.

The existing runway has a pattern of approach lights 420m long at each end of the runway. This is classified as the minimum necessary for an 'Intermediate' standard approach for the purposes of determining aircraft operating minima. Discussion with Aurigny established that it would be essential to re-provide at least this standard of approach lighting at both ends to avoid reducing the availability of the airport.

The need to keep the existing runway operational for Dornier 228 operations during the extension works has been taken into account; this results in two potential options, for extending the runway by 223m at either the west end or the east end, which were examined in detail.

West extension:

Extension of the runway westwards would require some earthworks to reprofile the 08 end of the existing runway and the land forming the extended Runway Strip and RESA. New runway lights would be required for the extended runway.

Associated works would include re-routing existing roads around the new RESA, and design may need to consider protection of an ancient monument (La Hougue de la Taillie tumulus) in the vicinity of the RESA. New drainage would also be required at the runway edges; a solution based on fin drains or land drains discharging to the watercourses located around the airport, without the need for water storage and attenuation, is proposed.

The existing 26 Approach lights would be retained, but a new 08 Approach light system would be necessary. Provision of the necessary 420m light system would extend across the Vallee des Trois Vaux requiring some lights to be supported at heights of up to 25m above ground. This would present major and potentially insurmountable difficulties in the maintenance and repair of the lights, including the provision of certificated climber resource from off-island.

Extension towards Trois Vaux would also increase the impact of turbulence from westerly or south-west winds on take off.

East extension:

Extension of the runway to the east would involve more extensive earthworks to reprofile the ground east of the intersection with Runway 03/21. This would include raising the ground levels at the head of the Vau du Sud to form the extended Runway Strip. It is anticipated that the footprint of the embankment would be controlled by use of reinforced earth slopes, subject to confirmation by geotechnical investigation.

A new 26 Approach light system would be necessary; in this case, the height of the light poles would be similar to the existing lights and accessible for maintenance. The 26 approach would move closer to the existing Non Directional Beacon (NDB), and it may be necessary to relocate this to remove a potential obstruction.

Associated works would involve re-routing existing roads around the runway extension and RESA. New runway drainage would discharge to the watercourses around the airport, as described above.

The studies to date thus indicate that it would be technically feasible to extend and widen Runway 08/26 for operations by 42-seater aircraft types. Because of the operational and maintenance issues associated with an extension to the west, it is recommended that the preferred option would be to extend the runway by 223m to the east.

It would be necessary to widen and realign the taxiway from Runway 08/26 to the Terminal Apron to meet Code C regulatory criteria. The gradient of the existing taxiway would be too steep to comply with regulatory criteria for Code C aircraft, so it would be necessary to realign the taxiway over a greater length.

Certain issues would require more detailed investigation to develop and confirm this preliminary feasibility design:

- Project-specific geotechnical investigation.
- Detailed topographic survey of the anticipated works areas.
- Study of options and costs for the relocation of the existing NDB.

6.5. (e) Cost of runway/taxiway upgrades for 42-seat services

Assuming (d) is achievable at a not-unreasonable cost, can the costs of upgrades to the runway and taxiway widths be taken into account with a view to establishing the viability of operating a 42-seater aircraft into Alderney Airport?

Costs of extending Runway 08/26 to provide an 1100m Code C runway were developed, based on the East Extension option described in (d) above.

In addition, the operability of the existing taxiway and apron were examined. A provision has been included for widening and realigning the taxiway from Runway 08/26 to the Terminal Apron, but this would need to be refined by more detailed design study.

The cost of extending and paving Runway 03/21 for service as a crosswind runway, for operations by Dornier 228 and similar aircraft, has also been assessed. It has been suggested that a paved all-weather surface be provided on Taxiway Alpha in conjunction with paving the crosswind runway.

Estimated costs are described in section 5 above, and Appendix B, and may be summarised as follows:

<i>Runway 08/26</i>	Extension and widening to 1100m x 30m (Code 2C)	£ 17,660,000 to £ 24,283,000
<i>Runway 03/21</i>	Paving to form 600m x 18m (Code 1B) crosswind runway	£ 6,158,000 to £ 8,467,000
	Total Project Cost	£ 23,818,000 to £ 32,750,000

These are preliminary high level cost estimates, and include a significant premium to cover the costs of mobilising plant and materials to the island. A procurement process based on early selection and involvement of a suitable contractor may help to optimise the technical and cost solution.

Appendix A – Drawings

Drawing No	Title
C-SK-001	Alderney Airport Existing Runways
C-SK-011	RW 08/26 1100m (at west) General Arrangement
C-SK-012	RW 08/26 1100m (at west) Longitudinal Section
C-SK-021	RW 08/26 1100m (at east) General Arrangement
C-SK-022	RW 08/26 1100m (at east) Longitudinal Section
C-SK-031	RW 03/21 600m General Arrangement
C-SK-032	RW 03/21 600m Longitudinal Section
C-SK-041	Alderney Airport Apron / Taxiways

(PLEASE NOTE THESE DRAWINGS ARE AVAILABLE ON www.gov.gg/alderneyairportreport OR, FOR STATES MEMBERS, CAN ALSO BE VIEWED IN THE STATES MEMBERS' ROOM AT SIR CHARLES FROSSARD HOUSE)

Appendix B – Cost Estimates (Construction)

(PLEASE NOTE THESE COST ESTIMATES ARE AVAILABLE ON www.gov.gg/alderneyairportreport OR, FOR STATES MEMBERS, CAN ALSO BE VIEWED IN THE STATES MEMBERS' ROOM AT SIR CHARLES FROSSARD HOUSE)

Appendix C – TPS Report on Pavement Condition

Alderney Airport - Pavement Condition 2014

Draft Report - 7 July 2014

(PLEASE NOTE THIS REPORT IS AVAILABLE ON www.gov.gg/alderneyairportreport OR, FOR STATES MEMBERS, CAN ALSO BE VIEWED IN THE STATES MEMBERS' ROOM AT SIR CHARLES FROSSARD HOUSE)

Appendix D – Notes of meeting with Aurigny 10 July 2014

(PLEASE NOTE THESE NOTES ARE AVAILABLE ON www.gov.gg/alderneyairportreport OR, FOR STATES MEMBERS, CAN ALSO BE VIEWED IN THE STATES MEMBERS' ROOM AT SIR CHARLES FROSSARD HOUSE)

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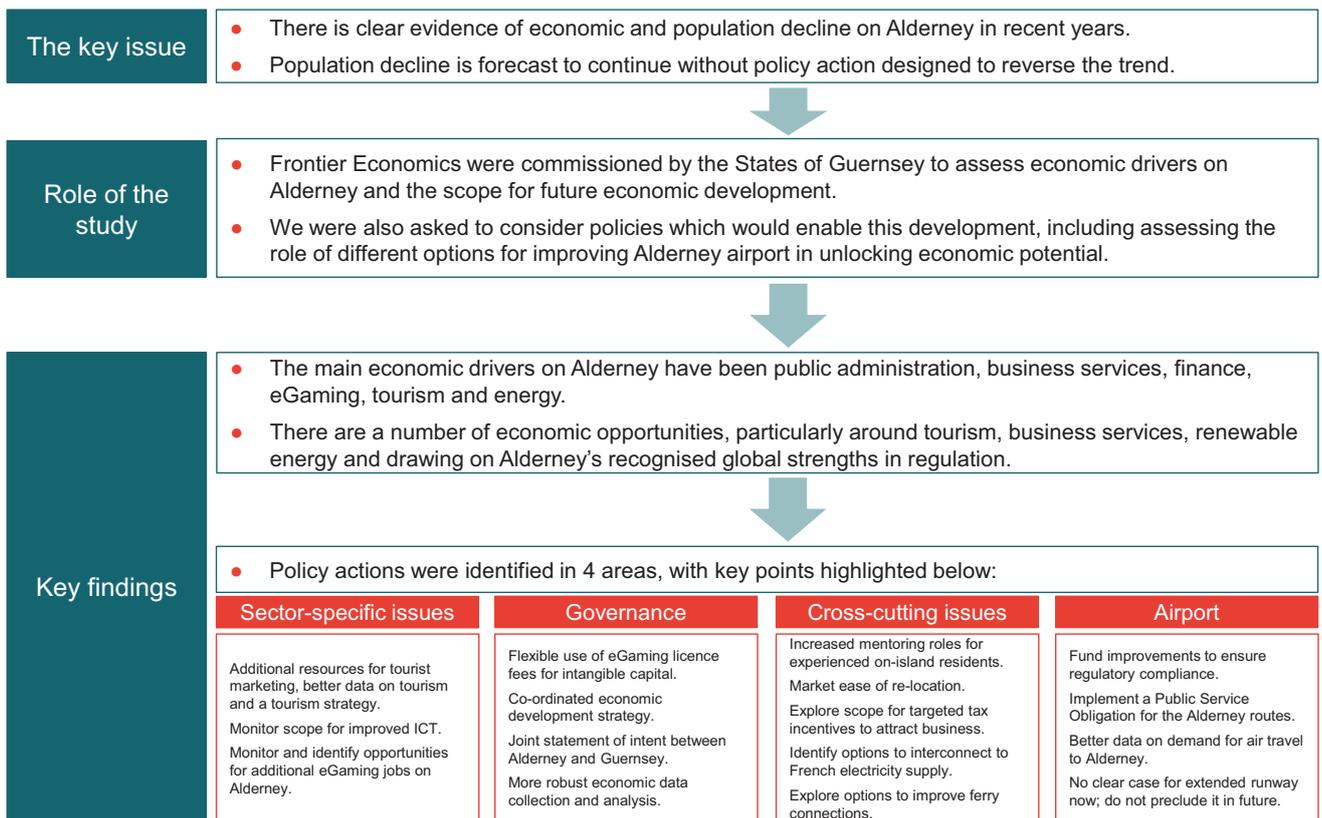
Alderney Economic Development Study

Draft final report

August 2014

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Summary



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Background and our approach to this study

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Analysis of Alderney's current economic situation

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Detailed findings and recommendations from our analysis relating to:

- Key sectors driving Alderney's economy
- Issues around governance (on Alderney and between Alderney and Guernsey)
- Other cross-cutting issues affecting multiple economic sectors
- Alderney airport

5

Annexe: key sources

- Background
- Main findings and recommendations
- Current economic situation
- Detailed findings
 - Sector-level
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 - Other cross-cutting issues
 - Alderney airport
- Annex: evidence base

Frontier Economics was commissioned by the States of Guernsey (Commerce & Employment) to assess Alderney’s economic development and the role of the airport

The purpose of the study is twofold:

1 Alderney’s economy

- To assess the economic drivers for Alderney’s economy.
- To assess the potential for economic development on Alderney.
- To identify specific economic opportunities for Alderney.
- To identify, scope and detail policy (or other) actions that could be pursued to exploit such opportunities.

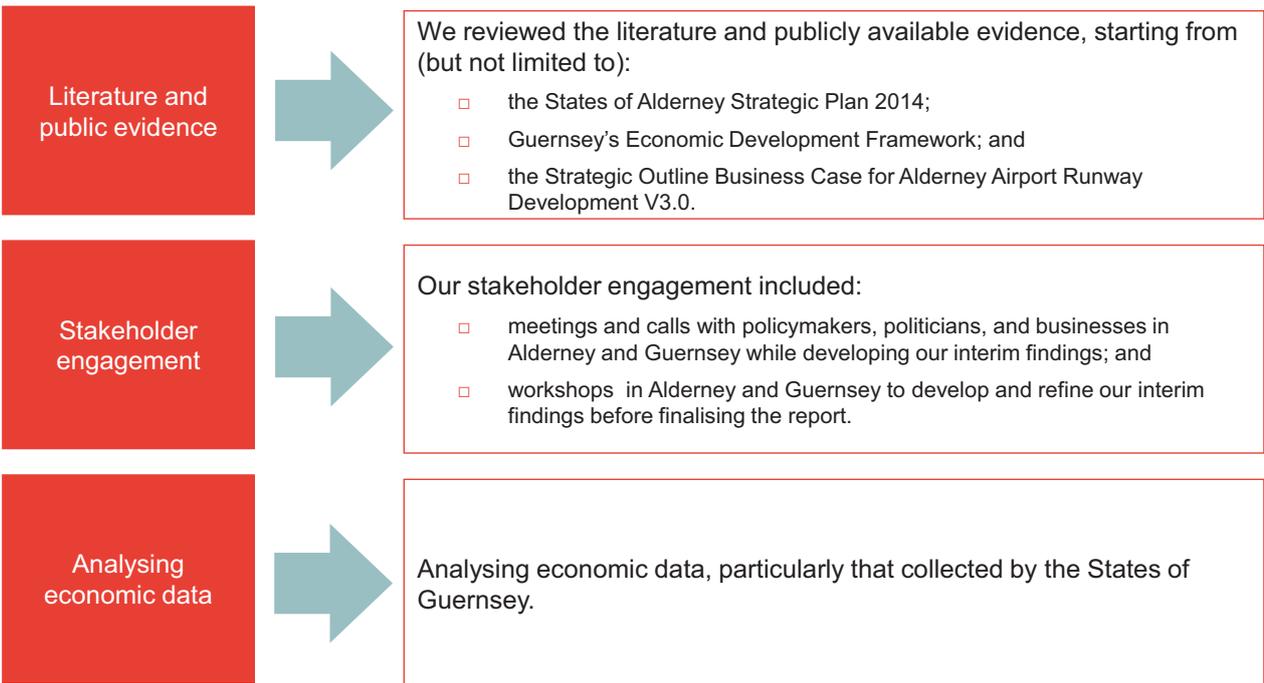
2 The airport

- To consider the role of the airport to the Alderney economy in shaping the opportunities and policy requirements, with due regard to proposals for improvements to the airport.

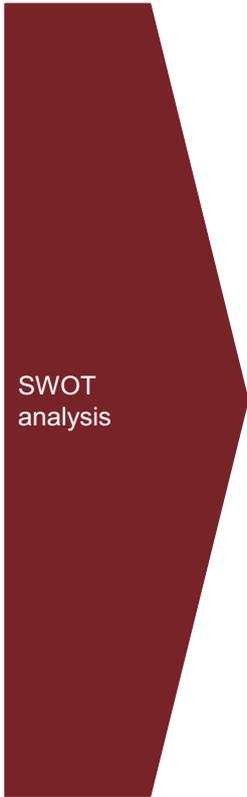
The study was motivated by the Requête submitted to and approved by the States of Guernsey in January 2014.

We drew on existing literature, stakeholder engagement, and economic data from the States of Guernsey in developing our recommendations

We have drawn on the following evidence in developing our findings:



Our main analytical approach was the use of a SWOT analysis



- To understand Alderney’s economic drivers, we undertook a ‘SWOT’ analysis.
- The framework explores ‘helpful’ and ‘harmful’ factors in reversing Alderney’s economic and population decline that are:
 - internal (i.e. based on Alderney’s characteristics); and
 - external (typically forward looking features of the external environment)
- This analysis is useful in developing policy actions or other strategies to:
 - build on strengths and overcome weaknesses; and
 - exploit opportunities and mitigate threats.

	Helpful	Harmful
Internal factors to Alderney	Strengths	Weaknesses
External factors	Opportunities	Threats

We began by analysing a number of key economic sectors, and then identified a set of cross-cutting issues affecting a number of sectors, including the airport

We used the following framework to develop our findings and recommendations:

Alderney's economy	Sectors	<ul style="list-style-type: none"> ● The sectors we looked into were renewable energy, tourism, eGaming, financial services, digital industries, and agriculture and fishing. ● We carried out a full SWOT analysis for each sector, excluding agriculture and fishing which is a very small sector on Alderney.*
	Governance	<ul style="list-style-type: none"> ● Governance issues we considered included Alderney’s autonomy with respect to spending, and policymaking capacity and co-ordination (both on Alderney and between Alderney and Guernsey). ● We also analysed the role of economic data pertaining to Alderney.
	Cross-cutting issues	<ul style="list-style-type: none"> ● Cross-cutting issues identified included those relating to attracting staff and requisite skills to Alderney. ● We also analysed electricity and ferry connectivity.
Air links	The airport	<ul style="list-style-type: none"> ● We considered the role of the airport in terms of Alderney being able to capitalise on its economic opportunities. ● We analysed this with regard to proposals to improve the existing runways, and to extend the long runway to accommodate larger planes.

- Background
- Main findings and recommendations
- Current economic situation
- Detailed findings
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 - Alderney airport
- Annex: evidence base

There is clear evidence of economic and population decline in Alderney, but there are a number of significant economic opportunities

Alderney's economy	
Economic and population decline	<ul style="list-style-type: none"> ● There is clear evidence of economic and population decline. Population decline is forecast to continue, and policy action is required to try to reverse this. In particular there is an urgent need to attract more younger people to live and work on the island.
Economic drivers	<ul style="list-style-type: none"> ● The main economic drivers on Alderney have been public administration, business services, finance, eGaming, tourism and energy.
Potential cyclical economic recovery	<ul style="list-style-type: none"> ● There are signs of recovery in a number of sectors (though not universally), driven in part by resumed economic growth in the UK and in part by a number of initiatives already underway. A lack of concrete, timely data makes a robust assessment difficult. ● Alderney should not rely on what may be a cyclical change to indicate structural change in the direction of economic travel.
Economic opportunities	<ul style="list-style-type: none"> ● There is scope for change. There are a number of economic opportunities, particularly around tourism, business services, renewable energy and drawing on Alderney's recognised global strengths in regulation. ● Given its size, only one or two opportunities need to land to engender real change on Alderney.

Alderney's economy	Sector-specific recommendations	<ul style="list-style-type: none"> • Dedicate additional resources to market Alderney to tourists and improve tourism data as part of a dedicated tourism strategy. • Continue to monitor opportunities to improve ICT connectivity (e.g. to enable eGaming servers on-island) besides the possible FAB interconnector. • AGCC to work with Alderney and Guernsey authorities to monitor the impact of UK and EU regulatory reform on the eGaming sector and identify opportunities for new jobs on Alderney.
	Governance	<ul style="list-style-type: none"> • Allow Alderney to use e-gaming licence fees to fund intangible capital investments. • Establish economic development policy capacity and overarching economic strategy in Alderney, supported by and with close links to Guernsey. Consider role for cross-island secondments. • Alderney and Guernsey politicians should develop a jointly-agreed position on future strategic policy developments setting out roles and responsibilities. • Collect, analyse and share more robust economic data.
	Cross-cutting issues	<ul style="list-style-type: none"> • Extend and integrate business mentoring roles of Alderney retirees, and co-ordinate with the Guernsey skills strategy as appropriate. • Market ease of relocation to Alderney to businesses and individuals (e.g. to those seeking UK housing market equity release). • Support improvements to the school as directed by the recent inspection. • Explore scope for targeted tax incentives to attract business to Alderney (e.g. TRP, temporary holidays from Social Insurance Contributions for new businesses). • Identify/evaluate options to interconnect Alderney with electricity supply from France before 2020, and explore options to improve ferry connections.

Many of our recommendations should be developed jointly as part of an integrated, targeted package focused on economic revival on Alderney

Interdependencies	<ul style="list-style-type: none"> • A clear economic development strategy is critical, and requires someone with the skills and expertise to oversee it, which may require a suitable individual to be recruited to the island. • The strategy needs to be forward-looking, setting out clear milestones and objectives against which progress can be reviewed. Better economic data are clearly needed to assess whether objectives are being met and the impact of particular initiatives taken forward as part of the strategy. • Given a lack of alternative revenue streams, funding for the strategy could come from diverted use of AGCC licence funds if agreed with Guernsey, though with clear recognition that this funding source is uncertain and not limitless. • Any PSO for the Alderney airport routes will clearly need to be developed alongside an economic strategy for Alderney, since future expected economic trends will be a key input into the terms of a PSO. • The need for collaboration between Alderney and Guernsey is central to a number of our recommendations. There appears to be a consensus on the need for action across islands, and there is an urgent need to increase co-operation between the islands and engender a greater sense of trust. Without buy-in from all parties the chance of success is greatly diminished. Opportunities for closer engagement could be identified building on e.g. the Alderney Liaison Group. • A joint policy statement between the islands setting out mutually agreed objectives, roles and responsibilities for delivery could help to provide buy-in, and include a framework for how future economic opportunities for Alderney can be acted upon swiftly whilst minimising reputational risk to the Bailiwick.
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There is a clear case to improve the current airport facilities, but the current evidence does not support an extended runway as critical to unlocking economic potential

The airport	
Case to improve current facilities	<ul style="list-style-type: none"> There is a clear case to improve current facilities so that they are in line with regulatory standards and to reduce risks around weather- and infrastructure-related reliability.
<p>We are not persuaded, on the basis of evidence gathered to date, that an extended runway at Alderney airport is critical to unlocking economic potential in the sectors identified. The option should not be ruled out in the future should conditions change.</p>	
Route security	<ul style="list-style-type: none"> The Southampton route does not appear to be under threat even without extension.
Passenger growth	<ul style="list-style-type: none"> There is scope for significant passenger growth within the current arrangements. A longer runway allowing larger planes to land would, in the absence of significant new entry, reduce frequency of service. Frequency is clearly identified as important for business, tourist and residential travel to and from Alderney.
Fleet replacement	<ul style="list-style-type: none"> Current plans to replace the Trislander fleet with Dornier aircraft do not appear to represent a significant threat to frequency, and would improve the quality and reliability of the service.
Price of air travel	<ul style="list-style-type: none"> Price is recognised as an issue for air travel. It is unclear that an extended runway would address this. Without a proven increase in demand, larger aircraft may suffer low load factors, such that the cost per served passenger is no lower. New entry by other operators (opening up possible new routes) is also unlikely unless there is proof of a significant demand increase.

Key recommendations: Alderney airport

Air links	<p>The airport</p> <ul style="list-style-type: none"> Fund improvements to the airport required to secure its regulatory compliance. The Treasury and Resources department of States of Guernsey should consider implementing a Public Service Obligation (PSO) for the Alderney routes. Base details of the PSO (fare, frequency) on evidence about economic impact. Review terms of the PSO regularly to ensure they reflect changes in Alderney's economic conditions. Data on use of and demand for Alderney airport should be provided and analysed, including more robust evidence on unmet demand on existing and new routes, with a view to re-examining the case for extending the runway in the future. No changes should be made which preclude future extension.
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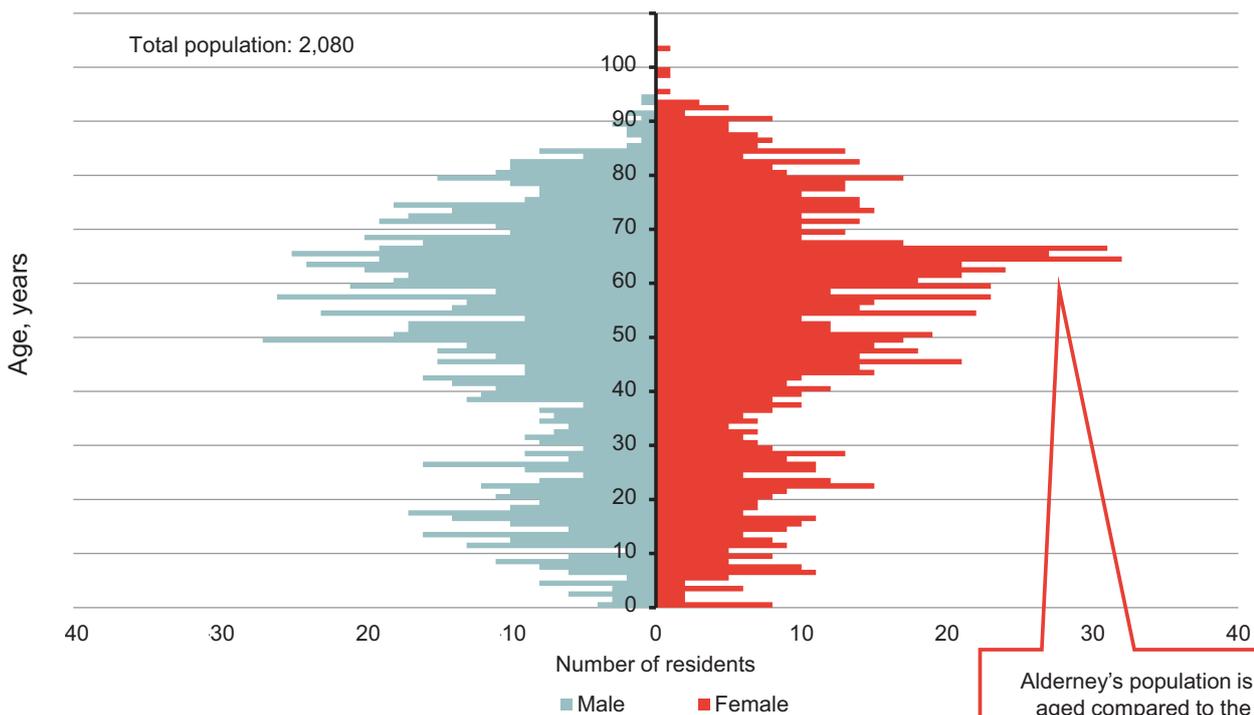
The rest of the report outlines the evidence supporting the recommendations for Alderney's economy and airport

- Background
- Main findings and recommendations
- Current economic situation
- Detailed findings
 - Sector-level
 - Governance
 - Other cross-cutting issues
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- Annex: evidence base

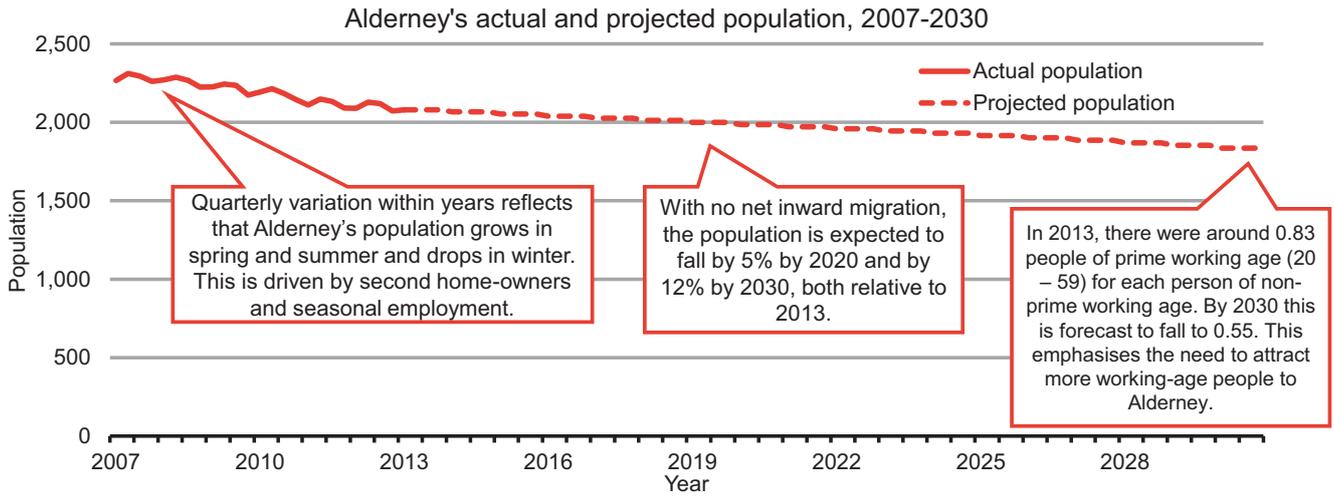
Alderney's population is both decreasing and ageing

The 2013 census found a 17% fall in the population since the 2001 census. The number of children aged 14 or below fell by 50%.

Alderney population pyramid, Q1 2013



Assuming zero net inward migration, Alderney's population is forecast to continue to decline over time

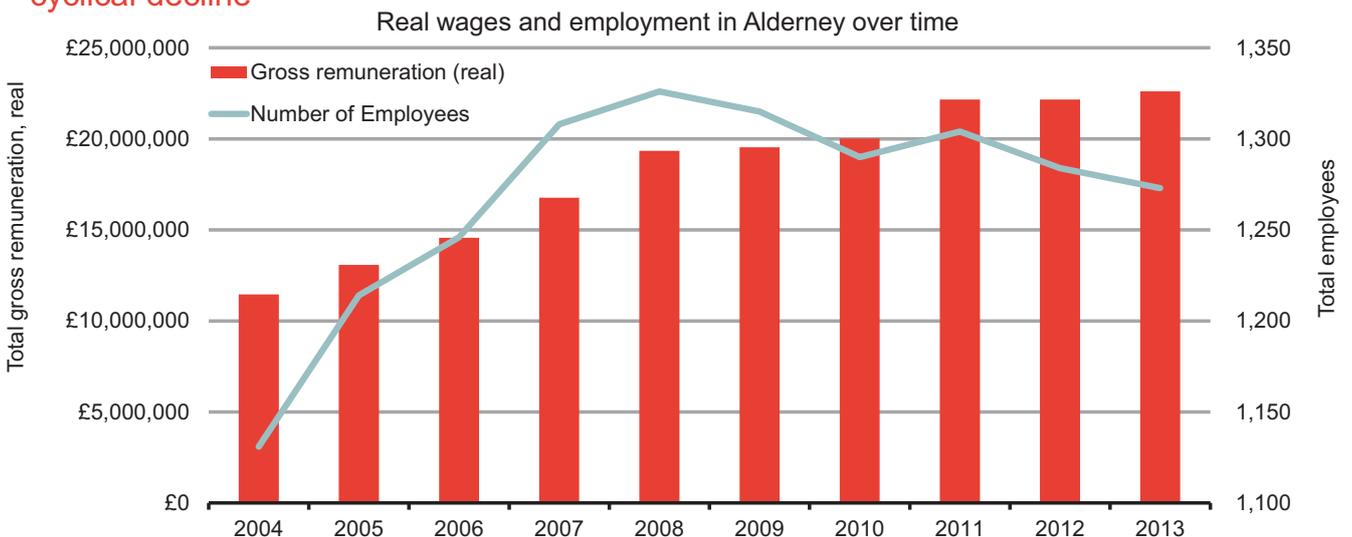


Source: Guernsey government population projections, assuming zero net inward migration

There are conflicting views on the island's actual population, which makes effective policy-making difficult and risks anecdotal evidence trumping facts. As we understand it, the population figures differ as follows:

- Guernsey government statistics are based on social security and education records, which may overstate the number of residents in Alderney year-round.
- The 2013 census estimated a population of 1,903, based on those resident as at midnight on April 28th 2013.
- Some residents view both as an overestimate of the permanent population (perceived figures closer to 1,500 are not uncommon).
- Regardless, the key issue is the trend in numbers and breakdown, where the Guernsey statistics paint a clear story.

Alderney's economy has declined over time, displaying signs of both structural and cyclical decline

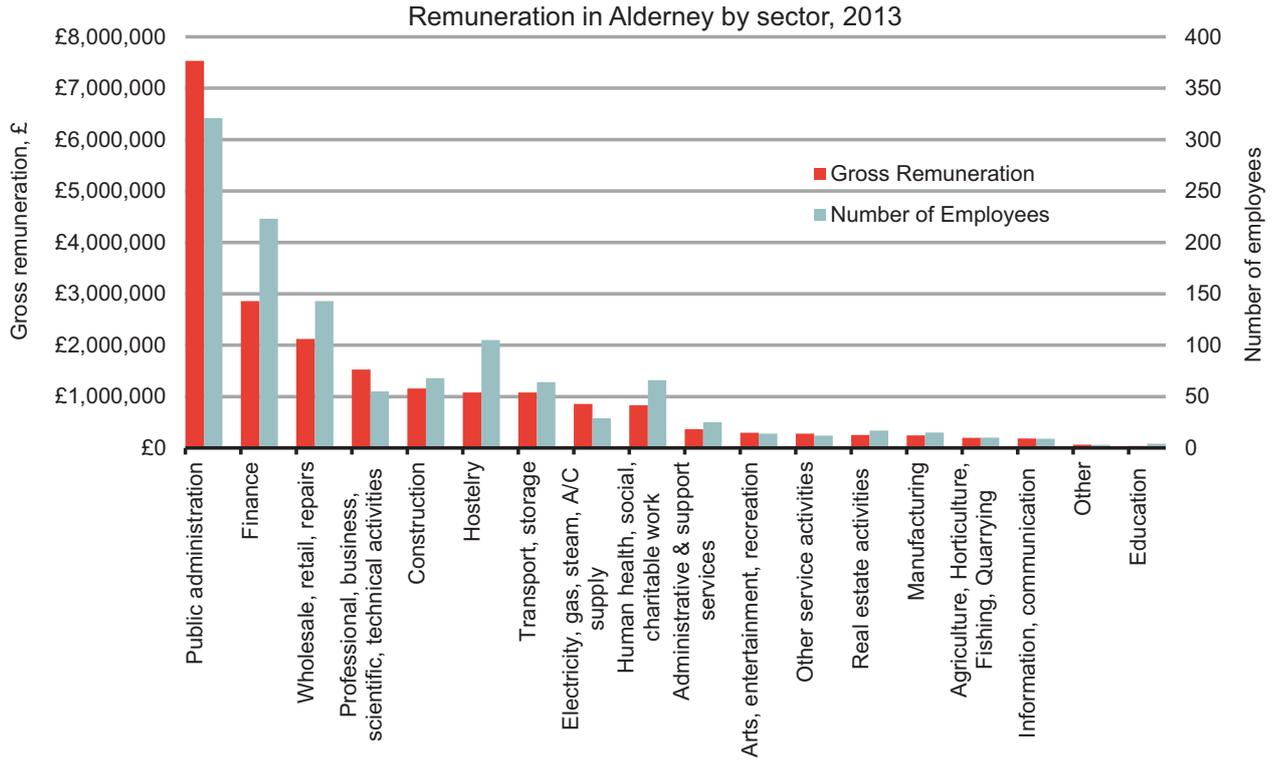


Employment on Alderney has fallen from a peak in 2008. Total remuneration has grown, though more slowly than in the mid-2000s, suggesting that employment has been falling among lower-wage professions in particular. In 2013, the average wage among employees (total wages divided by total employment) was around £17,760.

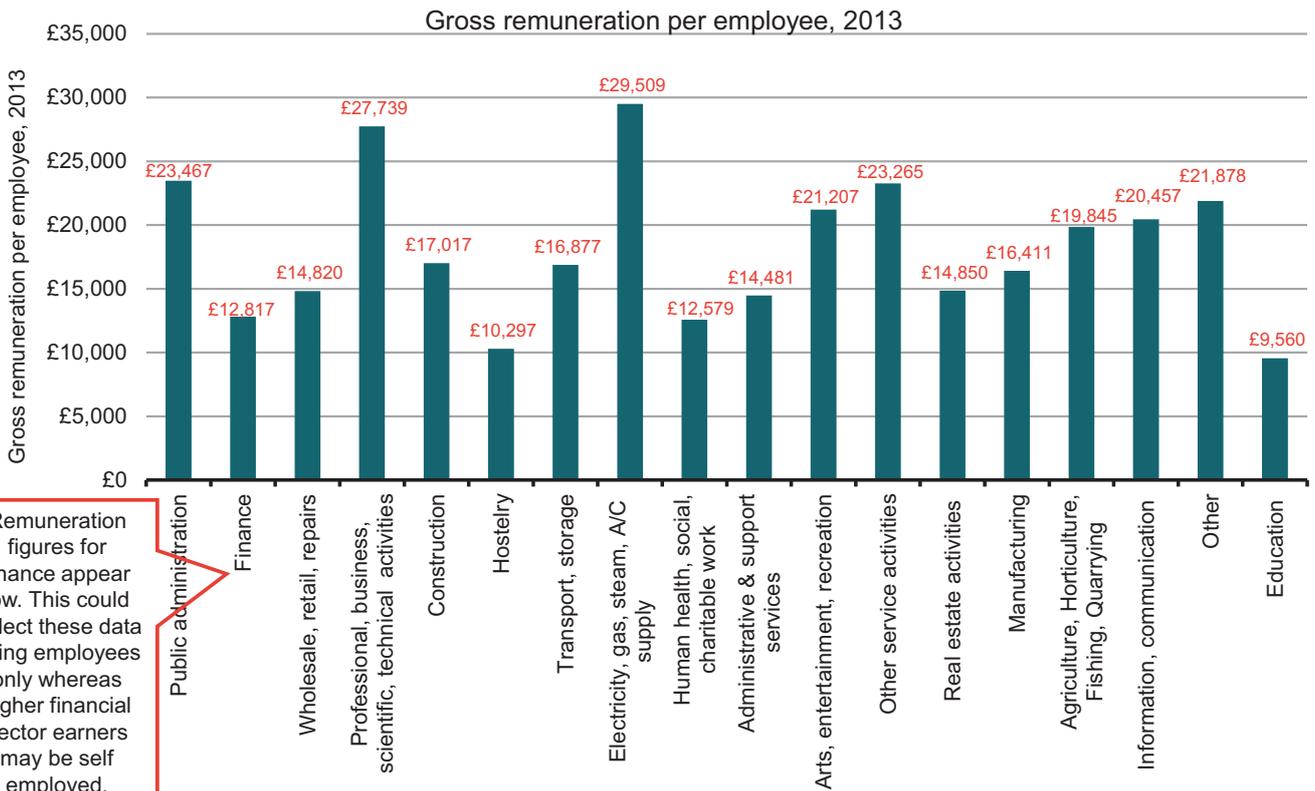
There is no measure of GDP for Alderney, and figures on other income sources (self-employment income, corporate profits and unearned income) are not reliably collected or are received only with a significant lag. Both self-employment income and corporate profits appear to have declined significantly in nominal terms since 2008 (from £10.8 million to £7.5 million for self-employment income, and from £21.9 million to £1.8 million for corporate profits), though it is not clear how far this represents measurement difficulties (for example the move to zero corporate tax for many businesses in 2008 and delays in receiving data). However it does suggest that the relative strength of gross remuneration does not imply there has been no significant economic decline.

Alderney's economy is predominantly service based

The largest sectors in 2013 by gross remuneration were public administration, finance, and wholesale, retail and repairs. Hostelry is also a significant employer.

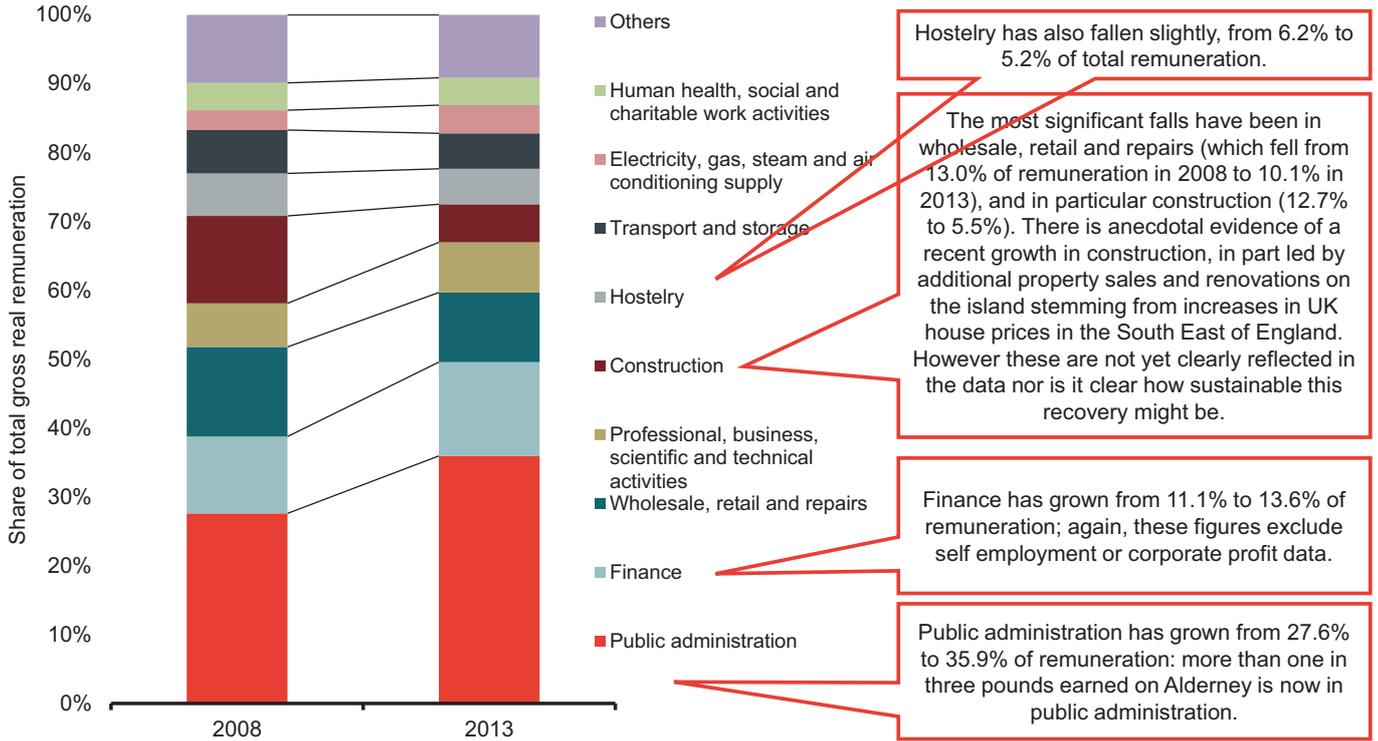


Gross remuneration per employee is highest in the energy sector and professional services, and lowest in education and hostelry



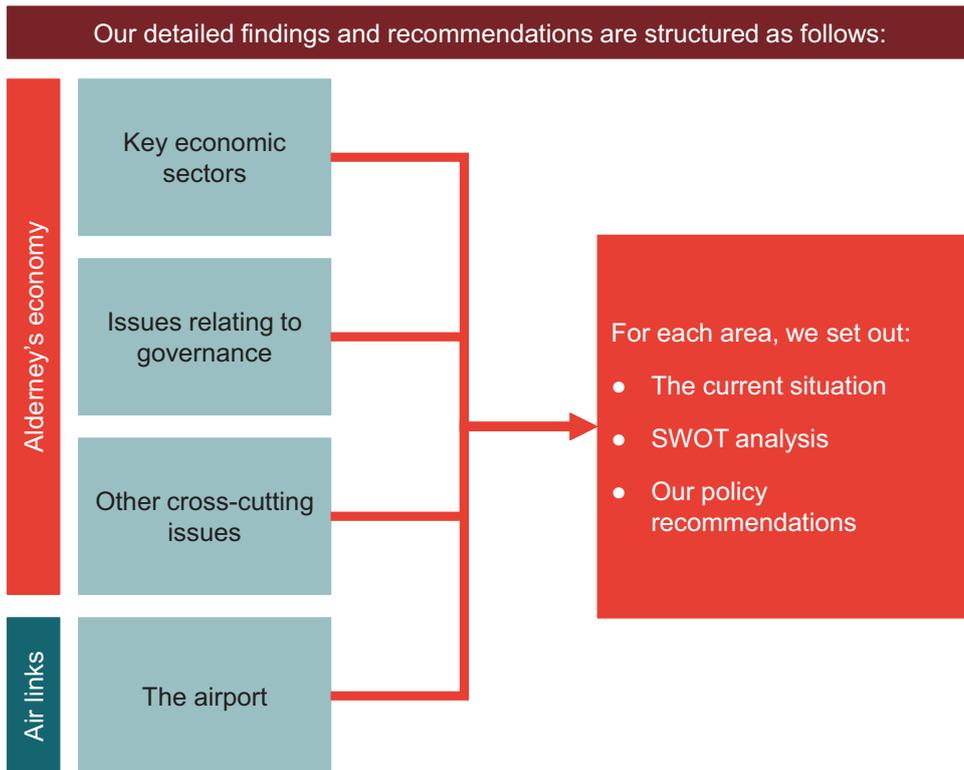
Remuneration figures for finance appear low. This could reflect these data being employees only whereas higher financial sector earners may be self employed.

The break down of gross real remuneration over time shows trends in the (employment) composition on Alderney since the 2008 peak in the economy



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In this section, we set out our detailed findings for governance, specific sectors, cross-cutting issues, and the airport



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Renewable energy

The current situation

Renewable energy is currently small, and Alderney has put in place regulation to enable available renewable resources to be developed

- While currently a small employer on Alderney (with the energy sector as a whole accounting for 3% of employment according to the 2013 census), Alderney’s economic strategy aims to grow the island’s renewable energy sector.
- The strategy aims to achieve the following:
 - self-sufficiency in renewable energy within five years; and
 - increased energy efficiency.
- The Alderney Renewable Energy Commission licences and regulates renewable energy in Alderney and its territorial waters.
- Alderney Renewable Energy Ltd (ARE) has been licensed to develop a 300MW tidal farm in Alderney’s waters.
- Licence fees from ARE also contribute to subsidising on-island energy costs, estimated at around 2-3p/kWh, approximately 6-10% of Alderney’s electricity price in 2013.
- ARE is also developing an interconnector (the FAB Link) which would enable Alderney to export tidal energy and import power from France and Britain.

SWOT analysis: renewable energy

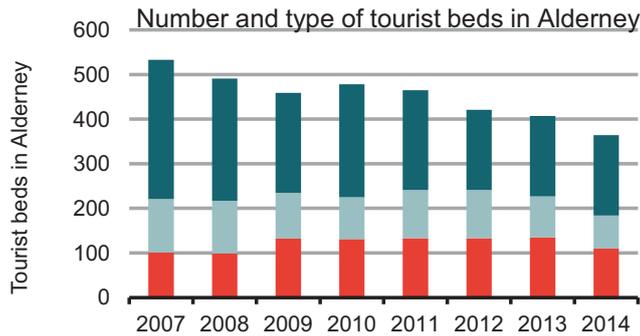
There is an opportunity for Alderney to develop a renewable energy sector based around tidal energy exported to the UK and France. However, the project is uncertain and the benefits would not be realised until after 2020.

	Helpful	Harmful
Internal factors to Alderney	<p>Strengths</p> <ul style="list-style-type: none"> • Alderney has substantial renewable energy resources available. • A regulatory regime is in place to enable resources to be developed and there is political support. • Developing this sector is consistent with strategic priorities of protecting and promoting the environment. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • The required skills base and scale is not available in Alderney - most of the employment benefits from the tidal power project are expected to be in France. • Policy capability is lacking, e.g. to deliver detailed impact assessments for the potential in terms of jobs and growth.
External factors	<p>Opportunities</p> <ul style="list-style-type: none"> • Developing tidal power and the FAB interconnector offers economic and job opportunities in Alderney (e.g. research opportunities and administration). • Alderney is only likely to capture a small part of the economic return, but the potential rewards are large, including the potential for licensing revenues. • Working with France on the project could develop new tourism markets. • By reducing electricity prices and improving ICT connectivity, FAB could increase Alderney’s competitiveness as a business location. 	<p>Threats</p> <ul style="list-style-type: none"> • Timescales are long and uncertain (with deployment and interconnection not before 2020). Previous estimates of when results would be delivered have been missed, leading to some scepticism among businesses on Alderney. • Risks include technology and regulatory risk, as the tidal and interconnector projects are reliant on successful piloting of the technology, and regulatory approval from France and Britain (e.g. market access).

The current situation

Tourism in Alderney has declined, and a programme is in place to develop the sector

- Alderney’s tourism sector has declined in recent years. The decline is likely to reflect both cyclical (UK recession) and long-term drivers.
- Living Islands aims to contribute to the island’s economic growth, while supporting and protecting Alderney’s natural environment and historic heritage. It is targeting a set of groups/niches that Alderney appeals to. However, funding runs out soon. The project is funded for two years by the States of Alderney and the Royal Society of Wildlife Trusts.
- Tourism is partly an enabling sector: it contributes to maintaining the high street and facilities on-island which also attract residents and workers in other sectors.
- The majority of tourists travel from the UK (72% in 2011), over half arriving by air from Southampton (Island Analysis, 2011).



Capacity fell by 32% between 2007 and 2014. This is similar to the decline seen in Guernsey.

SWOT analysis: tourism

There are substantial opportunities to develop Alderney’s tourism sector and increase visitor numbers. This could build on the success of the Living Islands programme.

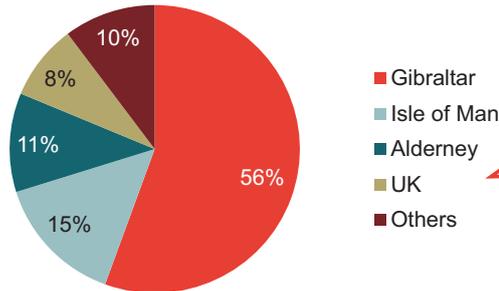
	Helpful	Harmful
Internal factors to Alderney	<p>Strengths</p> <ul style="list-style-type: none"> • Alderney appeals to visitors, offering safety, quiet, history/heritage, wildlife, natural beauty, and being ‘off the beaten track’. • Living Islands is rebuilding tourism to Alderney. There is anecdotal evidence this is having an effect. • Amenities associated with tourism help to attract other business and residents. • Closed tourist infrastructure could be brought back into service. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • The price of air travel is cited as a barrier, as is the need to arrive by Trislander which may put off some tourists. • Passenger ferry services to Alderney are very limited, in part because of the nature of tides around the island. Demand may be insufficient to sustain ferry services without subsidy. • The number of tourist beds has fallen. In the short-term, this limits the capacity to meet greater demand. However there is limited tourism data available, e.g. origin airport of visitors, occupancy data, unmet demand for travel. • Although a number of initiatives to boost tourism are being taken forward there is some sense of them not being as well co-ordinated as they could be.
External factors	<p>Opportunities</p> <ul style="list-style-type: none"> • Global tourism is expected to grow by 4.2% p.a. from 2014-2024 (WTTTC, 2014). • There is anecdotal evidence of pent-up demand to visit Alderney (e.g. from France, Jersey) though this is contested and there is a lack of analysis about the scale and what new transport connections this could sustain in the long-term. • There are substantial opportunities to grow tourism: increasing awareness of Alderney, developing/renovating tourist attractions, extending the season (particularly around wildlife), developing new niches (e.g. charter angling, eco-tourism around renewables); and broadening transport options. 	<p>Threats</p> <ul style="list-style-type: none"> • Awareness of Alderney is low, which can result in reliance on repeat visits. • A lack of data on tourism demand may inhibit a supply side response (re-opening hotels/ developing new tourism capacity) to increasing visitor numbers since investors may not be confident about the opportunities. • Funding for Living Islands runs out in a year, raising a risk for continuity and momentum (including e.g. baseline data collected not being followed up).

The current situation

Alderney was a world leader in developing regulation for eGaming, and continues to earn substantial licensing revenues

- 52 companies were licensed by the AGCC in 2013, a small fall from 56 in 2012. Revenue from licensing eGaming is paid by the AGCC to Alderney (minus AGCC's costs), and is typically £1-2million per annum.
- In 2011, gross eGaming revenue in the UK was £1.71bn.
- Alderney-based companies serving the UK market include Rank and NetPlay.

UK derived revenue (gross gaming yield) by domicile



£190m of revenue for UK online gambling was from Alderney based companies, 11% of receipts in 2011 (the latest year for which data are available).

Source: Gambling Data Report, 2012

SWOT analysis: eGaming

There is uncertainty over future growth in the eGaming industry, in part due to regulatory and tax changes. Current licensing revenues provide a valuable resource for Alderney.

	Helpful	Harmful
Internal factors to Alderney	<p>Strengths</p> <ul style="list-style-type: none"> • Alderney has built a strong regulatory brand through the AGCC in the eGaming sector. The AGCC is seen as world-leading. • eGaming businesses are able to be licensed in Alderney, though servers and jobs are typically found on Guernsey. • AGCC licence revenues are a valuable revenue resource for Alderney. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Jobs in Alderney associated with eGaming are limited, due to the size of Alderney's economy and associated infrastructure (e.g. ICT connectivity). eGaming jobs on Alderney mostly revolve around licensing and company formation services. • There are fears that future licence fees could fall significantly.
External factors	<p>Opportunities</p> <ul style="list-style-type: none"> • There is an opportunity to attract additional licensees and additional eGaming jobs to Alderney. • This is particularly true for EU countries who may follow a UK model of allowing regulation in Alderney to stand in place of national-based regulation. • Alderney could expand its regulatory activities into additional areas where 'gold-plated' regulation is perceived as an advantage (e.g. virtual currencies, financial spread betting, online payment systems). 	<p>Threats</p> <ul style="list-style-type: none"> • There is uncertainty over the likely impact of tax and regulatory reforms on the eGaming sector in Alderney. • Increased regulation and taxation of eGaming in the country where gambling occurs could drive activity back onshore. • However if companies wish to try and recover additional tax advantages of being regulated in Alderney (zero VAT and corporate tax) to offset increased payment of gambling duties in the UK, they may have to carry out more real activity associated with eGaming in the Bailiwick, with some potential for Alderney to benefit. • Given the size of Alderney's economy, a decline in the sector could have a major economic impact. This increases the need to diversify Alderney's economy.

The current situation

Financial services are an important sector in Alderney, benefiting from the low tax regime

- Financial services is the second largest sector of Alderney’s economy (in employment terms) after public administration.
- However, remuneration per employee in financial services is comparatively low (using Guernsey government data). This is unexpected, given that the sector is typically associated with comparatively high remuneration.
- The low remuneration could reflect a large number of administrative jobs within the sector, and/or a high degree of self-employment amongst those with higher earnings working in financial services.
- Financial services sector activity in Alderney is not concentrated within a single niche, though Alderney is seen as relatively more active in trust management.

SWOT analysis: financial services

There is an opportunity to attract additional financial services sector activity to Alderney. This could focus on emerging financial services where innovative, high quality, regulation is required.

	Helpful	Harmful
Internal factors to Alderney	<p>Strengths</p> <ul style="list-style-type: none"> • Financial services is currently one of Alderney’s main employers. • Alderney’s low tax regime and ease of relocation is attractive to financial services businesses. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • The cost of dedicated ICT connectivity (i.e. a private connection) in Alderney is high. • A lack of ancillary/business support services in Alderney raises the costs of doing business. • Attracting businesses with limited presence on or commitment to the island could bring only revenue benefits, rather than new jobs.
External factors	<p>Opportunities</p> <ul style="list-style-type: none"> • There are opportunities to attract additional financial services sector activity to Alderney, including recent interest from PWC in developing an Anti Money Laundering/Know Your Customer centre on the island (focused on financial security services). • Alderney could build on its reputation for innovative, high quality, regulation by developing a regulatory framework around other emerging financial services (e.g. virtual currencies, financial spread betting). This could attract new financial services business. 	<p>Threats</p> <ul style="list-style-type: none"> • There are reputational risks associated with attracting businesses in emerging financial services markets without established governance.

The current situation

While the digital sector is not currently a large part of Alderney's economy, there are opportunities for growth

- The digital sector is not currently a large part of Alderney's economy.
- In the past, the island hosted a data centre while the eGaming sector was emerging. Currently there is not demand to reopen this.
- Guernsey's economic development framework defined the digital sector as including:
 - IT support services;
 - software developers;
 - web developers;
 - data centres; and
 - telecoms operators.

SWOT analysis: digital industries

There is an opportunity for Alderney to build on success in eGaming and financial services by expanding into digital industries.

	Helpful	Harmful
Internal factors to Alderney	<p>Strengths</p> <ul style="list-style-type: none"> ● Alderney benefits from a strong regulatory reputation in the eGaming sector. This could benefit it in attracting businesses in digital industries and being able to develop appropriate regulation. ● Basic ICT infrastructure is good: household and basic business internet speeds are on average higher than those on Guernsey at the same cost. ● There is a (now defunct) data centre on Alderney which could be brought back to service quickly, though it was previously not well-utilised. 	<p>Weaknesses</p> <ul style="list-style-type: none"> ● These are as for the financial services sector, in particular around dedicated ICT connectivity which, if required, comes at a much higher cost than on Guernsey. Options to develop ICT capacity beyond the FAB interconnector have been explored but appear prohibitively expensive. ● The skills required to develop this sector may not currently be available in Alderney. ● High electricity prices are a barrier to developing businesses with high power consumption.
External factors	<p>Opportunities</p> <ul style="list-style-type: none"> ● Guernsey's economic strategy identifies an opportunity to leverage success in eGaming and financial services by expanding into digital industries. ● This could also apply to Alderney, e.g. hosting data centres/ ICT support services. ● Developing this sector would help to diversify Alderney's economy. 	<p>Threats</p> <ul style="list-style-type: none"> ● As for a number of sectors, there are risks around longevity of new sectors attracted to Alderney, e.g. pending future regulatory reforms outside of the control of Alderney or the wider Bailiwick.

Recommendations: sector-specific issues

Issue	Objective	Policy recommendations
Opportunity to develop tidal power and an interconnector to France and Britain	Support renewable potential being realised (reduce prices and develop ICT capability)	<ul style="list-style-type: none"> • Monitor economic impact to Alderney of planned development, including the number of potential jobs. • Work to ensure realistic timeframe for delivery and measurable goals/objectives. Ensure communication with business community on progress and expected impact.
There are opportunities to boost tourism	Increase tourism to Alderney by raising awareness, extending the season, bringing unused facilities back into use, and potentially developing attractions	<ul style="list-style-type: none"> • Given the sector's importance, a dedicated tourism strategy may be needed. This could be separate to or part of a wider economic development strategy, but should be taken forward by an identified individual with the requisite skills and experience. • Dedicate additional marketing resources to tourism, with a key focus on raising awareness in SE England. • Explore opportunities for corporate sponsorship to re-develop on-island tourist attractions, and identify low-cost investments which could have largest impact on tourist demand (e.g. developing existing harbour). • Build on success of Living Islands, e.g. in fostering co-ordinated approach, data collection and marketing. • Improve data on tourism (e.g. data sharing from Aurigny, entry/exit surveys at airport, measures of potential unmet demand, use of tourist facilities and beds) and provide information for potential investors in unused facilities.
Potential to expand financial and knowledge-based services but costly dedicated high-speed ICT connections	Facilitate growth of these sectors in Alderney and explore options to improve ICT connectivity	<ul style="list-style-type: none"> • Actions identified around marketing, connectivity, and improving policy coordination and support (see cross-cutting issues). • Continue to monitor opportunities to improve ICT connectivity other than through the FAB interconnector, and ensure that plans are in place to provide connectivity through the interconnector should it go ahead.
Regulatory reforms in eGaming could offer job potential, though very uncertain	Draw on AGCC reputation, identify scope for jobs on Alderney	<ul style="list-style-type: none"> • AGCC, Alderney and Guernsey should ensure impact of regulatory/tax reform in the EU in terms of location of activity is understood and steps put in place to mitigate any threats or exploit opportunities for Alderney and wider Bailiwick.

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The current situation

Alderney has its own government, but strong policy links to Guernsey based on the 1948 agreement

- Public administration is the largest employer on Alderney, but the “civil service” is small.
- The States of Alderney has 10 members, with two representatives also sent to the States of Guernsey. The Alderney Liaison Group was recently formed as a bridge in policy-making between the islands.
- Under the 1948 Agreement, the States of Alderney has law-making powers other than law and order and transferred services from Guernsey (health, police services and education being the most significant). Alderney pays taxes at the same rate as Guernsey into the general Bailiwick fund.
- For the last decade or so, an arrangement has been in place under which Alderney is able to use revenues from AGCC licence fees to pay for capital infrastructure investments, replacing a previous grant-based scheme. Projects still need to meet approval from Guernsey and be supported by a clear case for investment. Only capital infrastructure is in general allowed, and Bailiwick-wide procurement procedures need to be followed.

S W O T

Speed of decision making and willingness to take risks are strengths of Alderney's governance

Issues

- The small size of Alderney's government means it is able to make decisions quickly, which is a benefit for businesses looking to locate in Alderney.
- Alderney is willing and able to take risks in new, unestablished, sectors, enabling the Bailiwick to benefit from new opportunities while protecting Guernsey's reputation.
- However, decisions still need buy-in and approval from Guernsey in most cases to be taken forward (including States approval) which can slow down processes. There is also some concern about possible Bailiwick-wide reputational risks from taking forward risky ideas (e.g. around new areas of financial regulation, building on the AGCC/eGaming experience).

Our assessment

- Putting systems in place to safeguard the Bailiwick's reputation with respect to new opportunities while retaining quick movement in Alderney could increase the attractiveness of doing business in Alderney across sectors.
- This safeguarding is already in place for e-gaming where there is an agreement between the Alderney and Guernsey governments allowing for speedy adoption of new regulations. The AGCC is widely regarded as world-leading.
- However, the longevity of new sectors attracted to Alderney can be highly uncertain (e.g. depending on external regulation such as LVCR).¹

38 1. Low Value Consignment Relief (LVCR) enabled low value items to be exported from the Channel Islands to the UK without paying VAT. Frontier Economics It resulted in a 'fulfilment' industry in the Channel Islands (e.g. AceParts in Alderney). LVCR was removed by HMRC in 2012, resulting in the industry leaving.

Lack of capacity to implement an economic strategy is a weakness, along with a lack of autonomy on use of eGaming licence fees

Issues	Our assessment
<ul style="list-style-type: none"> ● Some stakeholders have found a lack of policy coordination a barrier to potential economic development. This relates to co-ordination both between Guernsey and Alderney, and within Alderney itself. <ul style="list-style-type: none"> □ Schemes to market Alderney as a destination to live, for example, had been taken forward by the Alderney Enterprise Group (AEG) without any awareness of what was being pursued by the Chamber of Commerce or the Alderney Liaison Group. ● The small scale of Alderney's civil service means there is a lack of strategic policy-making capacity around economic development (including tourism). There is a lack of a single figure who can co-ordinate and implement an economic strategy and take responsibility for delivery. This is seen as a barrier to effecting genuine change and innovation. ● Alderney has a lack of autonomy in how it spends revenue from e-gambling license fees. A restrictive definition of capital investment (allowing tangible capital only), prevents potentially valuable investment in intangible assets. 	<ul style="list-style-type: none"> ● Developing an economic capacity to capitalise on new opportunities in Alderney could have a high impact, ensuring follow-up of enquiries and better co-ordination on Alderney and between Alderney and Guernsey. ● Developing an overarching strategy will require funding and increased autonomy over finances. ● With AGCC license fees currently £1-2m per annum, there is a high potential value to Alderney's economy of allowing it to invest in innovation and intangible assets (including an economic development capacity). Alderney struggles to use the existing revenues to pay for capital investments because of a lack of capacity to deliver programmes of that scale. There is also a lack of alternative funding sources (e.g. EU, Lottery). <ul style="list-style-type: none"> □ Our understanding is that there is already a process in place through the States of Guernsey Budget process to allow Alderney to use some of the license fees over three years to develop an economic development capability. □ Agreement in principle that Alderney should be able to use licence fees for intangible capital investments could be sought to reduce the procurement and other processes that need to be followed to allow investments to occur, though a clear business case would still need to be made. Alderney needs the capacity to be able to make a better economic case for investments and could work with Guernsey to be able to do this. ● There is a perception of a lack of trust between Alderney and Guernsey, though stakeholder engagement on both islands found a very high level of common agreement on the issues and opportunities. ● Closer working between the islands would help to increase trust and make more effective, co-ordinated policy.

A lack of economic data also acts as a barrier to effective policy making

Issues	Our assessment
<ul style="list-style-type: none"> ● There is a lack of good economic data on Alderney on which to base policy and measure the impact of any development or other strategy. <ul style="list-style-type: none"> □ There is no separate GDP data, meaning it is hard to accurately measure trends in economic activity and its composition over time. A move to European standards of GDP accounting could address this going forward but there will be a need for a reliable baseline measure against which to evaluate the impact of policy measures. □ There is no separate price and inflation measure for Alderney, and Alderney data are not part of the Guernsey RPI. Differences in the cost of living and doing business on Alderney and Guernsey are therefore anecdotal, and it is hard to evaluate how effective policy interventions might be. □ There is no formal registration of residents leading to uncertainty over population. We understand that Guernsey is moving to a rolling census programme but it is not clear whether this will cover Alderney. □ As discussed in the sector-level analysis, there is a lack of good data on tourism, a critical industry. □ Job vacancies are not routinely known about and the skills required to fill them are not advertised to see whether there is capacity to fill posts on-island. 	<ul style="list-style-type: none"> ● Improving the accuracy and availability of data is central to setting and monitoring appropriate policy. ● A lack of a clear economic baseline will make it hard to know whether any policy strategies designed to improve the economic situation on Alderney are effective. ● Data are required on a regular basis, so that trends can be identified. Timely data are vital. ● Opportunities for additional data collection include routine data sharing from Aurigny on demand for passenger services, from the Chamber of Commerce regarding vacancies and from land registry or estate agents on house sales. ● Vacancy information could be shared with those already trying to recruit workers to the island (e.g. the AEG). ● There is a keenness on Alderney for more transparent data on tax revenue flows from Alderney to Guernsey and the value of service provision from Guernsey to Alderney. Economically, it is not clear that whether Alderney is a net contributor or not to the wider Bailiwick matters – regional redistribution is a normal feature of areas sharing fiscal union. However as a way to engender trust more transparent information on these flows could be useful. ● Better data on transferred services could also help those on Alderney identify opportunities for efficiency savings in their delivery on Alderney.

Recommendations: governance

Issue	Objective	Policy recommendation
Lack of autonomy over Alderney's use of eGaming revenue	Enable Alderney's government to invest eGaming revenue to maximise economic opportunities	<ul style="list-style-type: none"> • Agreement should be reached that some portion of AGCC revenues can be used for intangible investments with different procurement and economic/business case rules put in place to do so. This should not need primary legislation. • Rules over what is in scope and not could be agreed between Alderney and Guernsey along with a set of criteria for approval and monitoring of the impacts of any investments through a clear economic framework.
Lack of capacity to prepare/implement a coordinated economic strategy in Alderney	Build policy capacity in Alderney, based around an underlying economic strategy	<ul style="list-style-type: none"> • Establish an economic development policy capacity and coordinator in Alderney, supported by and with close links to Guernsey. • An economic development strategy, building on the existing Strategic Plan, should be implemented with the identified coordinator responsible for delivery. Funding could come from AGCC revenues if agreed, though options such as the Guernsey Strategic Investment Fund should also be explored. • The strategy should be forward looking, including clear policy actions, objectives, timetables for delivery and an approach to evaluating the impact of the actions taken. It should include a clear focus on jobs potential as well as revenue potential. • The potential for secondment between Alderney and Guernsey civil servants should be explored.
Lack of good economic data on Alderney	Improve economic data available to policymakers by collecting new data and sharing existing data	<ul style="list-style-type: none"> • Collect and analyse more robust economic data pertaining to Alderney; and routinely share data between Guernsey and Alderney. • Identify opportunities to obtain data from corporate and other sources and ensure it is shared as necessary (with appropriate safeguarding in place) with policymakers on Guernsey and Alderney.
Alderney's government able to move quickly and willing to take risks	Enable Alderney to capitalise on new opportunities while safeguarding reputation of wider Bailiwick	<ul style="list-style-type: none"> • A Memorandum of Understanding or joint policy statement between Alderney and Guernsey should be agreed, drawing the experience of the AGCC. This would set out a framework for how strategic policy opportunities will be followed-up, including a clear set of roles and responsibilities across islands. • The ALG is already established as a joint forum; consideration should be given to its role in co-ordinating policy responses across islands.

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The current situation

Alderney is a small-island economy and relatively isolated which poses challenges, though the island has a number of advantages

- Alderney is a small island economy reliant on another small island and with limited connectivity.
- Lack of scale increases the cost of serving Alderney's economy, increasing the cost of transporting people and goods to the island and limiting the extent to which businesses can grow (at least while remaining on the island).
- Relative isolation can also reduce the attraction of living or working on Alderney, though of course this can be a benefit to some groups who value the quiet and safety of the island in particular.
- However the low-tax regime on Alderney (shared with Guernsey) and the relatively free ability to live and work there (compared to Guernsey) are strengths which could appeal to a number of potential businesses and residents.

S W O T

Alderney benefits from a skilled, retired workforce that is able to nurture new businesses, as well as low restrictions on relocation...

Issues

- Alderney has a number of retired, experienced business people who are willing and able to help nurture new businesses, provide advice. This is a valuable resource.
- There are low restrictions on the ability to live and work in Alderney, and there is high availability of homes on the market, making it easy to relocate. House prices are lower than on Guernsey (though incomes are also lower, on average).

Our assessment

- There is scope to extend mentoring roles of Alderney retirees to those starting up or moving businesses to Alderney, and current programmes offering support to entrepreneurs.
- This could be integrated:
 - into programmes to attract new businesses/residents including a wider economic development strategy;
 - with existing institutions (e.g. Chambers of Commerce); and
 - with the Guernsey skills strategy.
- There is a need to ensure that the experiences and skills of those on the island are pertinent to the current issues facing Alderney.
- This could increase the attractiveness of doing business in Alderney across sectors, contributing to reversing population decline.
- Linking in the ease of relocating to Alderney to awareness-building about Alderney amongst businesses and people that could relocate to Alderney could also address barriers.

...however it also has limited on-island amenities and services, a limited skills base, and difficulties attracting staff to relocate

Issues	Our assessment
<ul style="list-style-type: none"> • Due to its small size, on-island amenities (e.g. leisure or cultural facilities) are limited. In addition, services such as the school are small, there is no further education opportunity and a limited amount of emergency healthcare provision. • The school was recently found to require management and learning improvements by the Guernsey Education Department. The inspection directed the school to improve its management/ leadership and the consistency of teaching and learning. • There are difficulties attracting people to relocate to work in Alderney, and some difficulties filling professional roles on-island. • Ferry services to Alderney are currently very limited, effectively limiting transport to air-only. • Electricity costs are relatively high due to a lack of interconnection and a reliance on fossil fuels. • Costs of living are thought to be higher on Alderney, driven by extra shipping costs. This can also raise the cost of doing business (though wages and rents are typically lower). 	<ul style="list-style-type: none"> • Limited amenities and services act as a significant barrier to recruitment, and therefore to reversing depopulation. This could in part be addressed by supporting programmes designed to increase number and range of cultural activities/events on Alderney. • Improving services such as the school may reduce recruitment barriers, particularly for younger people and families. Engaging with the Guernsey skills strategy could help address skills shortages in Alderney. • Improving ferry services could have a high impact on tourism, particularly by diversifying the places from which tourists can travel directly to Alderney (e.g. meeting demand from Jersey). There is a risk around demand being insufficient for ferry operators to serve Alderney. • Interconnection (via FAB or otherwise) would significantly reduce energy costs. • A lack of data makes any assessment of relative costs of living and doing business difficult. • There may be options to reduce costs of living or doing business on Alderney relative to Guernsey, such as reduced rates of TRP, or short-term exemptions from Social Insurance Contributions for new business. <ul style="list-style-type: none"> □ Separating aspects of the tax regime may be feasible given the clear geographic distinction between Alderney and Guernsey. □ Reduced rates of TRP would likely increase house prices or rents, benefitting existing property owners but having limited impact on new movers. This is because the tax incidence is likely to fall on owners given relatively inelastic supply. □ Other options may give stronger incentives to locate on Alderney but would need to be assessed carefully in terms of impact (e.g. they could simply see some businesses relocate temporarily from Guernsey to take advantage of short-term tax cuts).

Recommendations: cross-cutting issues

Issue	Objective	Policy recommendation
Businesses in Alderney have difficulties attracting staff or filling posts on-island with suitably-skilled workers	Increase the mentoring support available to those relocating to work in Alderney, and support improved skills within the island's existing workforce	<ul style="list-style-type: none"> • Extend business mentoring roles of Alderney retirees. • Integrate mentoring with existing programmes and institutions. • Engage with the Guernsey skills strategy.
Lack of attractiveness of relocation to Alderney, perceptions of high cost of living and doing business in general	Market Alderney's comparative advantage and address limitations of amenities and services	<ul style="list-style-type: none"> • Market ease of relocation to businesses/people that may relocate. Target those seeking to use UK housing market equity (particularly in the South East close to Southampton). • Explore scope for reducing TRP or other taxes on Alderney but ensure a proper assessment of options is made. • Support improvements to the school as directed by the recent inspection, and programmes to increase number and range of cultural activities in Alderney.
High electricity prices and high costs of non-FAB interconnection options	Explore options to reduce electricity prices	<ul style="list-style-type: none"> • We understand that previous estimates of alternative interconnection options (e.g. linking interconnection to Guernsey) have shown costs to be very high. • Continue to monitor options should costs fall in the future.
Passenger sea connectivity is limited	Secure ferry connection to Alderney to enable greater tourist connectivity	<ul style="list-style-type: none"> • Explore options (consistent with existing arrangements) to improve ferry connections. This could include changing structure of landing fees (placing a greater weight on marginal per-passenger costs than fixed landing costs).

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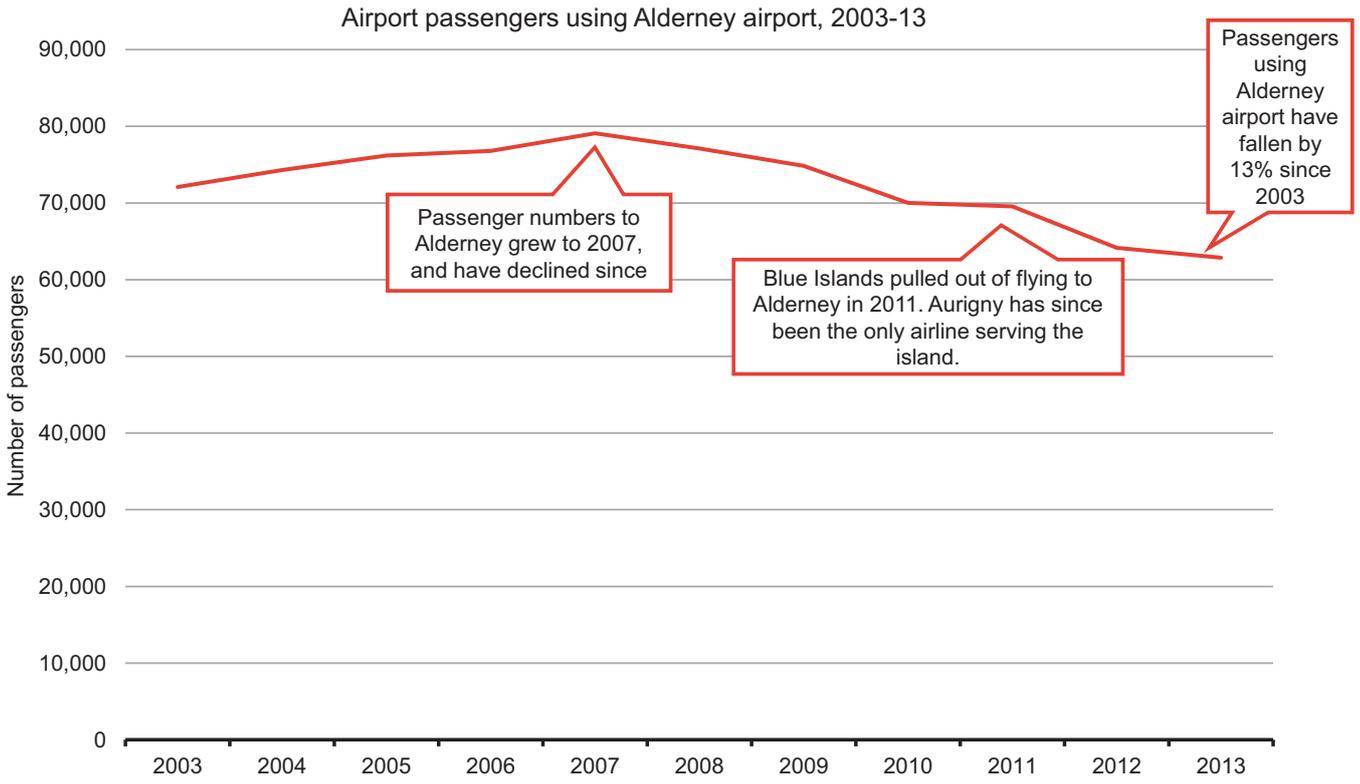
Air connectivity

The current situation

Alderney is
reliant on air
connectivity

- Air connectivity is central to transport to and from Alderney, and is therefore a critical driver of economic potential on the island, including transport of residents, tourists, temporary workers, goods and post.
- This is because the potential for alternative passenger services is low due to its island location and limited potential for ferry services.
- There is also reliance on air travel for medical emergencies given the limited health facilities in Alderney. This includes medevac flights.
- Since 2011, Alderney has been served only by Aurigny (other than general aviation and occasional charter flights). Aurigny suggest that the Alderney routes are currently loss-making (around £900,000 per year). There is an implicit subsidy of the Alderney routes coming from the profitable Gatwick-Guernsey route.
- Aurigny services connections between Alderney-Guernsey and Alderney-Southampton using a fleet of (currently) three Trislanders which seat 14 passengers. Services to both destinations are regular each day, but are subject to disruption (especially in winter), are seen to be expensive and can be fully booked well ahead of time for some key periods (weekends, summer). Aurigny is able to run additional services at peak times (e.g. around Alderney week).
- On Alderney, connectivity to both Guernsey and the UK is perceived as vital (“lifeline”), but at present only the service between Guernsey and Alderney is recognised as a “lifeline” route imposing a minimum service obligation on Aurigny.
- The need for a frequent, reliable service is often cited as a critical factor in Alderney’s air connectivity. The price of the service also clearly matters for demand.

Passengers using Alderney's airport grew between 2003 and 2007, and have since fallen

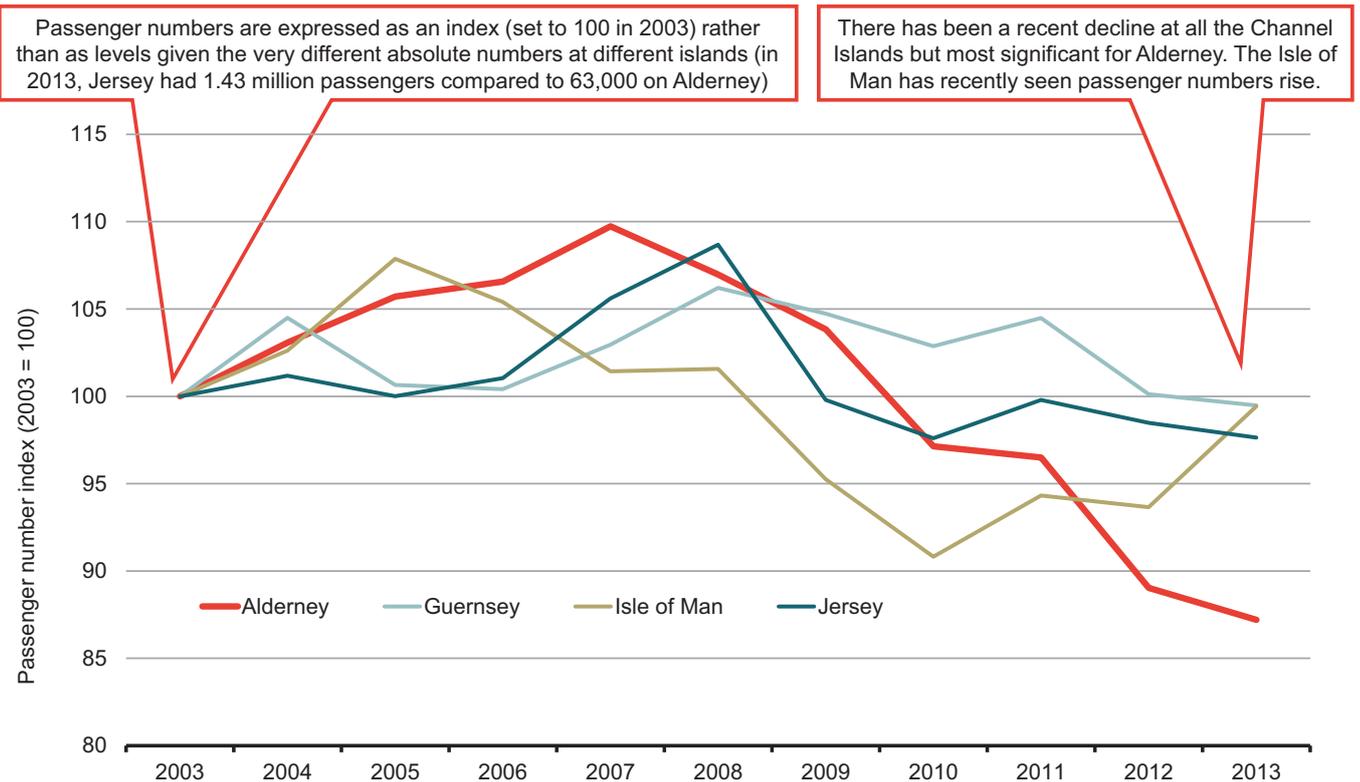


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Source: Gambling Data Report, 2012

Frontier Economics

By comparison, the number of passengers using Guernsey's airport have also fallen in recent years, but by a smaller percentage



50

Source: Gambling Data Report, 2012

Frontier Economics

The current state of the airport is a weakness, and improvements are required to ensure regulatory compliance

Issues	Our assessment
<ul style="list-style-type: none"> ● Options to improve the airport to ensure compliance are currently being explored by the States of Guernsey. ● Mott McDonald recommended (as at March 2014): <ul style="list-style-type: none"> □ Repairing the asphalt runway, improving drainage, widening a section, and paving part of the runway. □ Replacing the subsurface of the long grass runway and improving drainage. ● Aurigny is introducing new Dornier planes for the Alderney routes. The Trislanders will be scrapped. The Dornier planes are not planned to be spread across a larger number of routes on a regular basis than the current routes served by Trislanders. ● There is uncertainty about the precise timing of the introduction of Dorniers, partly driven by difficulties in sourcing the aircraft. Timetables have slipped, generating some uncertainties. 	<ul style="list-style-type: none"> ● Although popular with some visitors and residents, the Trislander planes do appear to be a barrier to getting some tourists and potential residents to Alderney with anecdotal evidence of passengers being unwilling to fly. ● Under current proposals, the service is set to improve due to investment in making the airport compliant, and new planes being introduced, with the following impacts: <ul style="list-style-type: none"> □ The frequency of the service is expected to remain the same. □ Safety, reliability, comfort, speed, and passenger and baggage capacity will increase. □ The scope for smaller private planes is expected to be maintained (though this may be affected by decisions regarding the 2nd grass runway). Flights from private aviation are down on previous peaks from the early 2000s and suffered a significant fall in 2012, though rebounded slightly in 2013. Private flights from wealthy individuals could attract additional income. ● Currently many flights are empty or near-empty one-way, especially in the case of extra capacity provided at peak such as Alderney Week. This makes load factors of ~50% the maximum available. ● Dorniers have slightly larger capacity (around 18-19 passengers compared to 14 on the Trislander). A fleet of three Dorniers will therefore be able to transport a slightly larger volume of passengers than at present. There would be scope to further increase frequency (and thus capacity) within the current airport arrangements. ● Reliability will increase owing to the Dornier being able to land in higher crosswinds than the Trislander.

Alderney's current air links lack transparency and certainty over their future

Issues	Our assessment
<ul style="list-style-type: none"> ● Aurigny is wholly owned by the States of Guernsey. It is currently obliged to maintain 'lifeline' services, and to move towards breakeven across its full operation. ● The current arrangements result in a lack of transparency and certainty over the future of the service, as: <ul style="list-style-type: none"> □ lifeline status does not impose any constraint on Aurigny other than a requirement to run the service; and □ there is also a lack of clarity around which Alderney routes are considered 'lifeline.' Aurigny and T&R consider only Alderney-Guernsey as a lifeline route. Alderney – Southampton is also considered lifeline by Alderney residents. ● Some peak flights can be booked well in advance, limiting the ability of people to travel at short notice. ● Price of travel was seen as an issue by tourists on Alderney. Given they have chosen to meet those costs, it is likely to be a larger issue for those who do not travel. However there is a lack of evidence on the latter point. Further it is unclear that any proposals will have a significant impact on price. 	<ul style="list-style-type: none"> ● Neither route to Alderney is currently at obvious risk of withdrawal. This would require Aurigny to seek approval from the States of Guernsey, which it is understood would not be provided. ● The financial savings to Aurigny from ending the Southampton route may not be very large, despite Alderney services operating at a loss (estimated at around £900k per year, with additional losses sustained at Alderney airport). ● However, the lack of transparency around lifeline routes and their status creates uncertainty, which could act as a barrier to businesses. ● In addition, the current arrangements prevent economic policy considerations from being explicitly incorporated into the requirements of the service. ● This is compounded by the lack of clarity around the implicit subsidy associated with the Alderney routes, leading to some scepticism about the size of the losses incurred. ● New planes will slightly increase capacity on each flight, but peak services are still likely to be booked well in advance. This could be an issue for businesses/individuals looking to move to Alderney.

There is an opportunity to extend the runway to accommodate larger planes, however there is not currently an economic case for this

Issues	Our assessment
<ul style="list-style-type: none"> • The Requête proposed a runway extension. • Extending the runway to enable ATR-42 planes to land in Alderney has been considered from an engineering perspective in TPS's work parallel to this study. The costs of this extension are not yet known. • Businesses we engaged with did not view a lack of larger planes serving Alderney as an important barrier to their business in Alderney. • Outside the Guernsey and Southampton routes, there is scope to charter services from other routes at peak periods, though the costs of this are high. • Previous trials of services to Jersey suggested high demand (high load factors), but may have been keenly priced and subject to a novelty appeal; whether there is a long-term demand for these routes is less clear. It is not clear what work has been done to scope serious potential for new routes by Aurigny or by Guernsey. 	<ul style="list-style-type: none"> • A longer runway would allow larger ATR-42 aircraft to land on Alderney and appears to be technically feasible. • This could open up opportunities for new operators to service Alderney. • However, an extended runway is not essential to reversing Alderney's economic and population decline: <ul style="list-style-type: none"> □ Moving to ATR-42 planes would reduce the frequency of the service to Alderney. Frequency is seen as of central importance to passengers. This could reduce demand, e.g. due to connecting flights from the UK to Guernsey becoming impractical. □ There is substantial spare capacity which could be used to increase flights in the event of higher demand (illustrated by a greater number of flights offered during Alderney Week and public holidays). Around 70% load factors are needed to cover costs. □ The barrier to increasing flights (either on existing routes or new routes) is a lack of demand (including the extent to which there is demand for a flight on its route in and out of Alderney). Currently there is not sufficient demand to necessitate larger planes. It is not clear that demand would increase in the event of an extended runway.

We assessed the impact of runway extension on price, quality and reliability, frequency, and routes, under three scenarios

- The **price** of flights to/from Alderney is unlikely to fall under current proposals, and may increase with ATR-42s at current demand due to higher costs and lower load factors (meaning the cost per seat sold is no lower, and may be higher, with larger aircraft).
- **Quality and reliability** of flights is set to increase under current proposals (Dornier are more 'traditional looking' aircraft than Trislanders and less subject to weather-related delays). This increase would be greater with use of ATR-42s.
- **Flight frequency** would not change under current proposals, and would fall with use of ATR-42s without a significant demand increase, as fewer flights would be required to meet demand.
- **Routes** are likely to remain unchanged without a large increase in demand. ATR-42 planes could increase the scope for additional routes, but current routes are making a loss with smaller planes, calling the feasibility of additional routes into question.

Scenario	Price	Quality and reliability	Frequency	Routes
Current proposals (Dornier introduction, improved runway)	Unlikely to fall	↑	No change	No change
Runway extension, demand static or increasing slightly, ATR-42s introduced	↑	↑ ↑	↓	No change
Runway extension, large increase in demand above levels previously seen	Unclear, would depend on possible entry	↑ ↑	Unclear, would depend on possible entry	Potential to increase, though profitability concerns

Recommendations: airport

Issue	Objective	Policy recommendations
Improvements are required to the airport to ensure regulatory compliance	Make the improvements required to secure compliance	<ul style="list-style-type: none"> • Fund improvements to the airport required to secure its regulatory compliance. • This is being explored in parallel to this study.
Uncertainty around future of air transport links, which Alderney's economy relies on	Secure air transport links in a transparent way consistent with economic objectives for Alderney; minimise risk that uncertainty acts as a barrier to businesses or residents being willing to move to Alderney	<ul style="list-style-type: none"> • The Treasury and Resources department of States of Guernsey should consider a Public Service Obligation (PSO) for the Alderney routes. This would commit Aurigny to running the service and allow for a more transparent process of subsidising the Alderney service. • Details of the PSO (fare, frequency, routes, data requirements, peak-time service obligations) should be agreed between the States of Guernsey and Alderney on the basis of clear evidence about the likely cost and economic impact of different policy options. Other stakeholders (e.g. airport operators) to be involved as well. • Agreement needs to be reached on how any additional subsidy would be funded. • Any legislative/regulatory requirements underpinning the PSO should be implemented as soon as possible. Likely timeframes for implementation need to be clearly articulated and mutually understood. • In the event of a lengthy timetable to implement a PSO, consideration should be given to an interim statement of intent between Alderney, Guernsey and Aurigny relating to the frequency of service in the immediate-term to improve confidence in the route security. The move to a PSO also needs to be properly articulated to the business and residential community on Alderney. • The terms of a PSO should be reviewed regularly to ensure they reflect any changes in Alderney's economic conditions. Details need to be developed alongside a wider economic development strategy for Alderney to ensure they are compatible and meet the same objectives.
Potential need for increased capacity in future on existing and alternative routes	Monitor future need for increased capacity, and don't take action that precludes extension	<ul style="list-style-type: none"> • Ensure action taken now doesn't prevent future extension in the event of a future economic case for this. • Key indicators which would highlight the need for increased capacity should be developed with Aurigny, and a process agreed by which data could be shared between Aurigny, Alderney and Guernsey. • This could include not only metrics on passengers, price and load factors, but also an approach to collect additional data on capacity constraints and unmet demand.

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We engaged with stakeholders including businesses, business groups, civil servants, regulators, politicians, and advisers working in parallel

During the project, we engaged with representatives of businesses in Alderney from the following sectors:

- Shipping
- Tourism
- Construction
- Aviation (airlines and airport management)
- eGaming
- Telecoms
- Property
- Energy

We also engaged with the Alderney Chamber of Commerce and the Alderney Enterprise Group.

We engaged with civil servants, regulators, and politicians in Alderney and Guernsey, including the following:

- Members of the Alderney Liaison Group
- Alderney politicians
- The AGCC
- Guernsey civil servants (both from Treasury and Resources, and Commerce and Employment)

We also engaged with advisers working in parallel to this study, including:

- TPS
- DRASS Economics

We reviewed the literature and public evidence

- Connell, John, 2014, Alderney: gambling, Bitcoin and the art of unorthodoxy, Island Studies Journal, Vol. 9, No. 1, pp. 69-78.
- Gambling Data, 2012, European Regulated Online Markets Data Report.
- Island Analysis, 2011, Alderney Economic Strategy Plan
- Library of the European Parliament, 2013, Library Briefing, Online gambling in the EU
- Manx e-gaming Association, 2014, MEGA Sector Review 2014, Summary of views received from key MEGA members
- Mott McDonald, 2013, Alderney Airport Runway Review, Stage 2 - Develop Options
- Oxford Economics, 2012, Towards An Economic Development Strategy for Guernsey: Review of Guernsey's Economic Profile and Assessment of Future Opportunities
- Requête: the airfield in Alderney
- Sharp, John, The Channel Islands Marine Renewable Energy Group – CIMREG, Opportunity Case Study – The Channel Islands.
- States of Alderney, 2012, Future Economic Planning for the Island Of Alderney: A Roadmap.
- States of Alderney, 2014, Strategic Plan
- States of Guernsey, 2014, A Strategic Framework for Guernsey's Economic Development
- The Guernsey Retail Strategy Group, 2013, A retail strategy for Guernsey, Proposals to enhance Guernsey's retail sector
- World Travel & Tourism Council, 2014, Travel & Tourism Economic Impact 2014

Economic data

We analysed economic data, particularly that collected by the States of Guernsey. Additional sources of data included:

- Alderney Economic Data Reports (2013 and 2014)
- Alderney Census Report (2001 and 2013)
- Civil Aviation Authority passenger and flight data
- Underlying tourism data for Alderney supplied by Living Islands

We are extremely grateful to all those who gave up their time to contribute so willingly to this study.



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Summary of Assessment of Importance of Airfield Improvements to Alderney Economic Development Strategy

Summary

- Alderney's economy in secular decline – aged, falling population, low income levels.
- Genuine competitive advantages few, telecoms and transport barriers
- Opportunities for growth limited: tourism and adjacent growth building on perceived specialisms - requires collaborative approach and dedicated resource
- Island dependent on air links, improved air connectivity is key to the successful growth
- Maintenance of current length makes no net contribution to improving growth potential
- Strategic risks of current runway restricts future operation to current operator and precludes new commercial links

Economic summary – low output

- Alderney ageing 'retired wealthy' society, shrinking population
- Economic output around £35m annually
- Alderney average (mean) wage £17,600 cf £30,500 Guernsey
- Alderney GDP per capita is less than UK average
- GDP around £32m in 2013, estimate of on island flow of income, excluding housing costs, £20-25m per annum

Economic summary - strong secular downward trend

- Over the course of the decade, no economic growth, output same as it was ten years ago, underlying trend is following population decline
- Absolute decline in private sector - private sector employment fallen by 5% over last decade
- Relative rise of public sector - public sector workers account for 1 in 4, unchecked in 30 years rises to 1 in 3
- ICT sector tiny, some finance and business services, but generally low value activities
- On current (ten year) trend economy projected to decline by 20% in 25 years in real terms
- Tourism (and retail) decline but still relative significant in economic activity – 9% of economic activity directly linked to tourism, indirectly (including multiplier effect) accounts for 14% of all economic
- **Competitiveness assessment - few sources of real competitive advantage - many factors poor**
- Poor telecoms, poor transport infrastructure
- High costs, small size
- Not particularly skilled workforce, declining population, schooling worsening
- Financial access worsening

Competitiveness assessment – but some sources of real or perceived competitive advantage

- Legal autonomy/regulatory flexibility
- Fiscal regime
- Reputation – renewables, egaming/regulation
- Closeness to finance service sectors of Guernsey and Jersey

Strategy required to focus efforts on development of areas where real or perceived strengths /appearance of specialism and expertise.

Sectoral assessment

- Renewables – real economic activity difficult to achieve, manufacturing and installation impossible, research difficult to leverage off Alderney Renewable Energy business strategy
- Digital – requires huge marketing effort and economics of QWERTY (ie random chance), telecoms links major barrier, economics of unilateral laying of cable does not work
- Egaming/regulation – real economic activity undertaken elsewhere but potential to leverage changing regulatory environment for permanent establishment to exploit reputation by collaborative marketing and open readily facilities plus opportunity to trade off regulatory reputation and expand regulatory scope to other financial business outside scope of investment services
- Professional and finance – lower cost base but closeness to Guernsey (and Jersey) provide opportunity to market and growth sector base, opportunity to provide feeder/incubator facility to Guernsey

Identified opportunities require strategy of attraction of inward investment and requires dedicated professional resources, budget and determined and collaborative marketing effort

Supported by development of tourism

- Tourism still major employer & accounts for 8-15% of economic activity directly/indirectly
- Estimated tourist numbers 12-15,000 per annum
- Southampton link key market to UK, capacity constraints in summer
- Constraints to growth – tourist product and connectivity - lack of investment in tourist product due to insufficient demand and inability to shift demand curve due to capacity constraints

Evidence of potential for and scale of latest demand- 2013 Jersey Pilot (85% load factor) demonstrates latent local demand

- Half yearly service potential to boost tourist numbers by at least 10-15%
- Additional weekly UK service similar potential, ie further 10% growth, to increase capacity
- Market requires professional research and testing to support development of business plans and marketing of investment opportunities in tourism.

Economic objective for Airfield development - catalyse economic growth by supporting economic development strategy ie improving capacity and connectivity and hence improving the potential for growth

“There is a statistically significant and positive link between connectivity, productivity and long-term economic growth.”

General importance of air links

- IMF – Transport and telecom investment greatest marginal return for modern economies
- CBI - £1bn in extra trade for UK through ONE daily flight to 8 emerging market economies
- According to Research for IATA, a 10% increase in connectivity relative to GDP, increases productivity (and hence GDP) by 0.07%.

Importance of air links to Alderney economy

- 50% of all economic activity or 75% of all private sector activity dependent on air links
- Tourism still accounts for 9% of all economic activity directly and 14% indirectly including multipliers

Market assessment of airlinks

- Current length restricts landing to small craft, restricts landing to current commercial operator
- Any other commercial operator in 250 mile radius requires 40 seater capability
- Current capability restrains connectivity to Aurigny, precludes operator route development ‘at the margins’
- Unless designated as lifeline link, Aurigny as a commercial operator implies Southampton route ‘at risk’, loss of Southampton link would halve tourism and lead to 10-15% fall in economic activity.

Strategic Economic Assessment

- Maintenance of current landing capacity makes no net contribution to growth potential, current current trends economy decline by 20% in 25 year in real terms
- Airport development that supports economic development strategy, by catalysing growth, boosts tourism and generates growth of 1% pa, results in a 20% increase in output in real terms over 20 years
- Net present value in terms of Alderney generated tax £19m

Summary

- Alderney experiencing powerful economic secular decline, reversing trend very difficult task
- Actual competitive position of Alderney not strong, potential to boost some (not all) service sectors through serious resources and focussed strategy and potential to boost tourism by shifting demand curve
- Alderney totally dependent on airlinks, connectivity increases, not lessens in economic importance over time

Airfield development that restricts maintenance that precludes new operators and new capacity, with risk of reliance of current operator business model (demonstrated by Guernsey experience), makes no net contribution to growth potential and offers little or no support to an economic development strategy

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port
GUERNSEY
GY1 1FH

28 August, 2014

Dear Jon,

Alderney Economic Strategy & Development – Report by DRASS Economics

The Department has been provided with a copy of the draft preliminary summary Report, dated July 2014, from DRASS Economics on Economic Strategy and Development for Alderney.

The Department has noted some of the references made therein to Aurigny's business plan/strategy and to the shareholder objectives set for the airline. It is unfortunate that these references have been made without any prior consultation with either the Department or Aurigny in preparing the Report. Given that some of the Report's conclusions rely heavily on these references, I thought it might be helpful to provide some comment on them.

Section 10 of the Report refers to public statements by the Chief Executive of Aurigny that "...have made clear that the airline has been given an objective to break even across its operations by 2015". It goes on to state that "...this would imply that the Southampton route is potentially at risk".

It is correct that Aurigny has been set an objective by the Treasury and Resources Department to break even, although the Department has not set the airline a specific timescale for doing so. The airline's current projection is that it will break even in 2015/16. In broad terms, this will largely be achieved as a result of improved economies of scale arising from its expansion of services on the Gatwick route, not through service reductions elsewhere.

What the Report does not acknowledge is that the break even target is a "cumulative" one and is not being applied on a route by route basis. In future, this would allow for losses on the Alderney routes to be offset by profits elsewhere in its operations. Therefore, the implication suggested in the report that the Southampton route is at risk as a result of this objective does not follow, provided the States continue to accept that it can be cross-subsidised by profits being made elsewhere or until an alternative funding model for the service is put in place.

The report states that “*It is understood that for Aurigny the Southampton route is loss making with some estimates placing the figure to be in the region of £1m (in addition to the publicly reported losses on the Alderney Guernsey route).*” These figures are incorrect. The figures previously released by the Department in its report to the States on the replacement of the Trislander fleet made it very clear that Aurigny’s Alderney services in total (to both Guernsey and Southampton) make losses in the region of £900,000 per annum.

Section 9 of the Report states that it is a “*...major strategic risk to be dependent on the business models of current operators (in this case a single operator)*”. Whilst the Department would share this concern if we were dealing with a privately owned company, this statement ignores the fact that Aurigny is owned by the States of Guernsey. It also ignores a further key shareholder objective which has been set for the airline and to which no reference is made in the Report, which is to maintain a capability to operate to Alderney. Indeed, it was with this objective in mind and, specifically, the need to continue maintaining the existing levels of service between Alderney and both Guernsey and Southampton, that the Department presented proposals to the States for the acquisition of three Dornier aircraft to replace the existing Trislander fleet.

Section 9 of the Report states that Aurigny has “*...insufficient capacity to service capacity growth or route development*”. The move towards a three aircraft Dornier fleet for Alderney will essentially see Aurigny “right size” the scale of the operation to the existing market given the current levels of financial support being made available by the States of Guernsey to subsidise their losses of around £900,000. If additional funds were available to meet the cost of additional services and it was deemed appropriate that Aurigny should provide these, then I have no doubt that the airline would be able to expand to support their operation.

Contrary to the suggestion made in section 9 of the Report, Aurigny has indicated to the Department that, at peak periods of the year, it will continue to maintain existing service frequencies to Alderney using its larger Dornier aircraft, which will effectively increase capacity on the services concerned at busy times by around 20%.

It is important to note that the recent decision to operate ATR aircraft, rather than the Dorniers, on the new London City route will mean that the latter will be dedicated to Alderney (and France), leaving greater flexibility to add rotations for the development of Alderney services, providing that these are financially viable or that the necessary funding is available to meet their costs. Extended airport opening hours would also provide a means of providing additional rotations without requiring extra aircraft. Whilst I acknowledge this would have financial consequences for the Airport, I make the point deliberately to highlight the alternative options that are available for consideration.

I note that section 8 of the report refers to the pilot of a Jersey route last year and that the results suggest that the market could sustain twice or thrice weekly services. Whilst the trial service last year was clearly encouraging, I would caution about using the results to draw too many conclusions about latent demand on the route. Aurigny has confirmed that, as a gesture of goodwill to assist with the pilot, seats on the route were priced on a marginal cost basis to keep fares as low as possible and did not take into account the overheads that one would normally expect to be attributed to such an

operation. Ten flights were operated over a six week period, carrying 137 passengers. I would suggest that this is a small passenger base upon which to determine whether the route was popular because of the novelty factor or if there is a more sustainable demand.

Clearly, there are many factors that need to be taken into consideration in determining whether or not the runway should be extended in Alderney. However, for the reasons set out above, I do not accept that one of these should be the strategic risks around Aurigny's current business model to which the report refers. Any such risks, perceived or otherwise, can be managed effectively through the States' ownership of Aurigny and the ongoing development and refinement of the objectives set for the airline.

I am increasingly of the view that the issues highlighted above reinforce the need to examine the introduction of a more open and transparent means of supporting air services to Alderney. This could involve the introduction of a Public Service Obligation system whereby the required service levels and prices would be set by the States of Alderney and the States of Guernsey and airlines would then be invited to tender for their provision in return, if necessary, for an open revenue subsidy. This would enable an informed debate to be had about what the appropriate levels of service would be, how much these would cost and who should meet those costs. The Department intends to consult with the States of Alderney on this possibility shortly.

Yours sincerely



Gavin St Pier
Minister



STATES OF ALDERNEY



STATES OF GUERNSEY

Joint Review of the Financial Relationship between the two Islands

Terms of Reference

Purpose

To review the current financial relationship between the States of Alderney and the States of Guernsey to ensure that it enables the provision of fit for purpose public services in Alderney and provides appropriate clarity and transparency.

Tasks

1. To undertake a detailed review of current resources (including financial – capital and revenue) to identify, as far as possible, the overall cost of all public services in Alderney;
2. To identify, as far as possible, all public revenues which are accrued either directly in Alderney or by Alderney resident individuals and any companies trading there.;
3. To review current financial management processes between the two States and identify any barriers to efficient governance; such review to include:
 - Roles and responsibilities;
 - Decision making processes;
 - Spending approvals;
 - Budgeting and Accounting policies and processes;
 - Procurement processes.
4. To liaise with States of Guernsey Departments to support specific service reviews, where appropriate, of transferred services in respect of the following:
 - Home Department ;
 - Public Services Department (Alderney Airport);
 - Education Department;
 - Health & Social Services Department; and
 - Social Security Department.

5. To make recommendations regarding an appropriate financial governance framework for the future including:

- Any requirement for formal service agreements;
- The appropriateness of an accounting officer framework;
- Any required legislative changes.

Personnel

The review will be managed by a working group comprising the following:

States of Guernsey	States of Alderney
Allister Langlois- Deputy Chief Minister	Robert McDowall - Chair Finance Committee
Gavin St. Pier – Minister for Treasury and Resources	Matt Birmingham – Chair, BDDC Committee
Michelle Herpe – Assistant States Treasurer - Corporate Accounting and Treasury, T&R	Kerry Hatcher-Gaudion – States Treasurer
Paul Veron – Project Director, Policy Council	Stephen Taylor – Interim Chief Executive (to 1/10/14). Further involvement to be confirmed post Oct 2014.

The Working Group to be chaired by the lead politician from each island on a rotating basis. Meetings will be as and when necessary to achieve the deadline reporting date back to both States no later than March 2016.

Detailed work will be undertaken by the civil service from both States as required with direction from the working group. Additional support will be engaged where considered appropriate and where resources allow.

Reporting and Governance

The working group will report findings to the Alderney Liaison Group and each States in accordance with local procedures. The Guernsey and Alderney representatives of ALG to liaise and agree on key communications to ensure appropriate timings for their respective briefings etc.

Timetable

The project will commence in October 2014 with an initial scoping exercise to more accurately assess the timetable for detailed work to continue through 2015. The final outcome to be reported to both States no later than March 2016.

(N.B. As set out in the 2015 Budget Report, the Treasury and Resources Department is fully supportive of the review of the financial relationship between Guernsey and Alderney and considers that, in light of the substantial progress in recent years in developing the financial control structure within the States of Guernsey including revisions to the States' Financial Procedures and the States' Rules for Finance and Resource Management, consideration should be given to the extent they should apply to the States of Alderney in order to achieve the correct level of corporate governance and assurance, but without being overly administrative or causing duplication of effort.

In respect of recommendation 4, the Treasury and Resources Department is of the view that whatever mechanism is put in place to safeguard air routes to and from Alderney, should be transparent and fully identify the costs of operating. Any proposals to reduce fares and / or increase flight frequencies and capacity which are not compensated for by additional revenues from an increase in passenger numbers will need to be funded.

The Treasury and Resources Department would be prepared to consider requests for funding from the Budget Reserve if additional resources are necessary to progress the review of the financial relationship between Guernsey and Alderney and from either the Budget Reserve or the States of Alderney Economic Development Fund for progressing the Section C recommendations.)

The States are asked to decide:-

VI.- Whether, after consideration of the Report dated 14th October, 2014, of the Policy Council, they are of the opinion:-

1. To approve that States Report.
2. To direct the Policy Council to report back to the States of Deliberation with the results of its current appraisal of the financial relationship between Guernsey and Alderney (as detailed in Appendix G in that Report), including appropriate recommendations, no later than March 2016.
3. To direct the Policy Council to publish an action plan defining the extent of the above appraisal no later than March 2015.
4. To direct the Public Services Department to prepare its Alderney Airport States Corporate Investment Portfolio submission based on the following:-
 - a) to include proposals for full refurbishment of the existing asphalt runway at its existing length (877m), to hard surface to the existing width of 23m

and to include an overlay of the whole runway and ancillary taxiway and aprons;

- b) to postpone capital works on the grass runways for a minimum of 12 months, and until a seasonal evaluation can be undertaken on the success of heavy maintenance improvements on the grass runways which will be completed by the end of Spring 2015;
 - c) at the present time, not to include any proposals to extend the existing asphalt runway to 1100m or to widen or strengthen the existing taxiways to accommodate an 40-seater aircraft, on the basis of indicative cost and an absence of direct evidence to link a significant investment in the runway to economic growth, provided that no works are carried out that would effectively prevent such an extension at a future date (if demand grows to a point where a sound evidence-based business case can be developed to justify such an extension);
 - d) to retain the potential lengthening of the asphalt runway as an issue to be reviewed in the future dependent on economic development and subject to a persuasive case in future; and
 - e) to retain in its proposals the costs and operational benefits of hard surfacing and extending the existing short grass runway (03/21) to 600m and to provide Airport ground lighting to that runway to improve cross wind capability particularly for the Dornier 228 aircraft.
5. To direct the Commerce and Employment Department, in co-operation with the States of Alderney Policy and Finance Committee, to consider the best mechanism(s) by which the existing Guernsey-Alderney and Alderney-Southampton air routes might be safeguarded in terms of fares, frequencies and capacities on the basis of the best available evidence about the likely economic impacts, using the most appropriate legislative/administrative vehicle(s) to achieve these objectives.
 6. To direct the Commerce and Employment Department, in liaison with the Alderney Policy and Finance Committee, to regularly review the terms of the above arrangements used in order to reflect changes in Alderney's economic conditions.
 7. To direct the Policy Council, through the Alderney Liaison Group, to liaise with the States of Alderney Policy and Finance Committee to develop a jointly agreed position on future strategic policy developments setting out roles and responsibilities including the preparation of an action plan detailing measures to safeguard and develop the economy of Alderney, an initial draft of which to be considered by the Alderney Liaison Group by 31st March 2015.

8. To direct the Commerce and Employment Department to provide assistance, as appropriate and where resources allow, to the States of Alderney Policy and Finance Committee to develop their existing economic strategy to include clear policy actions, timetables for delivery and an approach to evaluating the impact of the actions taken.
9. To direct the Commerce and Employment Department to work with the States of Alderney Policy and Finance Committee, as appropriate and where resources allow, to identify and evaluate opportunities for improved internet connectivity.
10. To direct the Commerce and Employment Department to work with the Alderney Policy and Finance Committee, as appropriate and where resources allow, to develop a co-ordinated marketing plan for Alderney drawing together and expanding existing initiatives, and where sensible to maximise opportunities and joint use of resources for co-marketing and promotion in areas such as Tourism and Finance.
11. To direct the Policy Council and Commerce and Employment Department to work with the States of Alderney Policy and Finance Committee, as appropriate and where resources allow, to improve the collection and analysis of more robust economic data pertaining to Alderney. This data to include use of, and demand (met and unmet) for, all scheduled air routes to Alderney, so that an extension to the runway can be re-visited in future if a sound evidence-based economic case can be developed.
12. To direct the Policy Council to liaise with appropriate States Departments over the detailed recommendations in the Frontier Economics Report which are not specifically covered in the broader recommendations above, and which fall within Departmental mandates.
13. To direct the Policy Council to liaise as necessary with other States Departments and the States of Alderney Policy and Finance Committee to monitor the effectiveness of these measures in helping to stimulate sustainable economic growth in Alderney, and in arresting de-population, and to report back to the States on these matters by the end of 2016.

POLICY COUNCIL

APPOINTMENT OF ORDINARY MEMBERS AND CHAIRMAN OF THE GUERNSEY FINANCIAL SERVICES COMMISSION

1. Executive Summary

1.1 This report proposes:

- the reappointment of Drs Cees Schrauwens as an ordinary member of the Guernsey Financial Services Commission for a three year term with effect from 2nd February, 2015, and reappointment as Chairman of the Commission for a one year term with effect from the same date;
- the reappointment of Mr Richard Hobbs as an ordinary member of the Commission for a three year term with effect from 1st January, 2015.

2. Report

Drs Cees Schrauwens

- 2.1 In accordance with the provisions of sub-paragraph 3(1) of Schedule 1 to the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, as amended, the current appointment of Drs Cees Schrauwens as an ordinary member of the Commission expires on 1st February, 2015. He was first appointed as an ordinary member in April 2008. Drs Schrauwens is also Chairman of the Commission; in accordance with section 2(1) of the Law the term of office of the Chairman is one year and Drs Schrauwens' position as Chairman expires on 1st February, 2015.
- 2.2 Drs Schrauwens is the Senior Independent Director of Record plc and Chairman of its Audit and Risk Committee. He is also an Independent Director of Scottish Widows Group.
- 2.3 During the period 2005 to 2011, Drs Schrauwens was Senior Independent Director of Brit Insurance Plc and Chairman of DriveAssist Holdings Ltd. Prior to this period his roles included that of Chairman of CMGL, and non executive Director of Munich Re UK and Chairman of its Audit Committee. He was Managing Director of Aviva International from 2000-2004 and CGU Insurance from 1998-2000. Whilst heading up Commercial Union UK the Company won the Insurer of the Year award 3 times in 4 years.
- 2.4 Drs Schrauwens has considerable experience in the financial services industry and more specifically within the insurance sector. He is also an experienced non-executive Chairman within an international context. It has been made clear

by the Commission that his leadership and experience remain a source of significant value.

- 2.5 During the last twelve months the Commission has seen a programme of considerable change. There is an ongoing need for the Commission to evolve in order to respond constructively and proportionately to developments in the wider regulatory environment. The Commission considers that it is essential for Drs Schrauwers to be retained in order for his leadership and experience to provide direction, continuity and stability.

Mr Richard Hobbs

- 2.6 In accordance with the provisions of sub-paragraph 3(1) of Schedule 1 to the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, as amended, the current appointment of Mr Richard Hobbs as an ordinary member of the Commission expires on 31st December, 2014.
- 2.7 The Policy Council has liaised with the Guernsey Financial Services Commission and is pleased to re-nominate Mr Hobbs as an ordinary member of the Commission for a second term of 3 years from 1st January, 2015.
- 2.8 Mr Hobbs was born on 16th December, 1951 and is a Member of the Chartered Institute of Personnel and Development (MCIPD). He is chairman of Faber Global Limited (a subsidiary of Willis, a Lloyd's insurance broker). He is also an independent non-executive director of Barbican Managing Agency Limited (a Lloyd's underwriter) where he chairs the Audit, Risk and Capital, and Compliance Committees. Today he is an independent regulatory consultant. Previously, he was employed in the UK Civil Service, latterly as Director of the Insurance Division in the Department of Trade and Industry (1971-1997); as Head of the Life and Pensions Department at the Association of British Insurers (1997-2000); as an independent consultant (2000-2002); as Managing Director at Beachcroft Regulatory Consulting (2002-2009) and as regulatory counsel at Lansons LLP (2010-2013). He still holds that last role on a consultancy basis.
- 2.9 The governance of the Commission requires a diversified skills and experience base. He has extensive and relevant experience, particularly in the field of regulation that the Commission is able to draw upon and which ensures that the composition of the Commission is appropriately balanced and diverse.
- 2.10 Mr Hobbs joined the Commission almost three years ago and the Chairman of the Commission has confirmed that Mr Hobbs is adding considerable value to its work. Mr Hobbs is highly valued as a strategic thinker with an incisive mind and has recently been appointed as the new Chairman of the Commission's Audit Committee.

3. Conclusion

- 3.1 The Policy Council is pleased to re-nominate each of Drs Cees Schrauwers and Mr Richard Hobbs for another term as an ordinary member of the Commission when their current terms expire and for Drs Schrauwers to be reappointed as Chairman of the Commission for another year from the beginning of February 2015.

4. Principles of Good Governance

- 4.1 The Policy Council believes that the proposals in this report comply with the relevant principles of good governance as defined by the United Kingdom Independent Commission on Good Governance in Public Services (Billet d'État IV of 2011).

5. Recommendations

- 5.1 The Policy Council recommends the States to:
- a) reappoint Drs Cornelis Antonius Carolus Maria Schrauwers (known as Drs Cees Schrauwers) as an ordinary member of the Guernsey Financial Services Commission for a three year term with effect from 2nd February, 2015, and as Chairman of the Commission for a one year term with effect from 2nd February, 2015; and
 - b) reappoint Mr Richard Henry Hobbs as an ordinary member of the Guernsey Financial Services Commission for a three year term with effect from 1st January, 2015.

J P Le Tocq
Chief Minister

13th October 2014

A H Langlois
Deputy Chief Minister

G A St Pier
Y Burford
R W Sillars

K A Stewart
D B Jones
P A Luxon

M G O'Hara
M H Dorey
P L Gillson

(N.B. As there are no resource implications in this report, the Treasury and Resources Department has no comments to make.)

The States are asked to decide:-

VII.- Whether, after consideration of the Report dated 13th October, 2014, of the Policy Council, they are of the opinion:-

1. To reappoint Drs Cornelis Antonius Carolus Maria Schrauwens as an ordinary member of the Guernsey Financial Services Commission for a three year term with effect from 2nd February, 2015.
2. To reappoint Drs Cornelis Antonius Carolus Maria Schrauwens as Chairman of the Commission for a one year term with effect from 2nd February, 2015.
3. To reappoint Mr Richard Henry Hobbs as an ordinary member of the Guernsey Financial Services Commission for a three year term with effect from 1st January, 2015.

POLICY COUNCIL

REPEAL OF SECTION 6(2) OF THE DOG LICENCES (GUERNSEY) LAW, 1969, AS AMENDED

1. Executive Summary

1.1 The purpose of this Report is to recommend the repeal of Subsection 6(2) of The Dog Licences (Guernsey) Law, 1969, as amended (“the Law”) which requires the Constables of each Parish to publish a statement in La Gazette Officielle, in March each year, detailing the income and expenditure for the preceding year related to their legal duties to issue licences for dogs kept in Guernsey with the exception of:

- a dog under the age of six months old;
- a dog used solely by a blind person for his guidance;
- a dog used solely by a deaf or disabled person or such other category of person as the States by Ordinance specify for their hearing or guidance.

2. Background

2.1 By virtue of Section 3 of the Law, a licence in respect of a dog kept by any person shall be issued by a Constable of the Parish in which that person has his ordinary place of residence at the time the licence is issued. Under Section 4 a licence shall be in force from the day on which it is taken out until 31st December of the same year. Section 5 of the Law requires the Constables of every Parish to keep a register of all dog licences issued specifying the name and address of the person and the number of dogs in respect of which the licence is issued. Furthermore, a police officer may at any convenient time inspect the register. There are further provisions in the Law including:

- dogs having dog collars with discs identifying their keepers (Section 7);
- the penalties if a person keeps a dog without a licence (Section 8);
- the penalties if a person keeps a greater number of dogs than authorised under their licence (Section 8);
- the penalties if a dog does not have a collar and tag (Section 8);
- the penalties if a keeper fails to produce a licence for inspection (Section 8).

2.2 In addition, the Law states, in Subsection 6(1) that:

‘The Constables of any parish shall stand possessed of any sums received by them in payment of dog tax and such sums shall be applied by the Constables and Douzaine of that parish for the benefit of that parish as the Constables and Douzaine deem fit’.

Subsection 6 (2) states:-

'The Constables of any parish shall, during the month of March in each year, cause a statement to be published in La Gazette Officielle on at least one occasion specifying the amount received by them in payment of dog tax during the year ending on the next preceding thirty-first day of December and the purposes for which such amount of any part thereof has been applied in accordance with the provisions of subsection (1) of this section'.

- 2.3 On the grounds of cost, in 2013 the Policy Council was approached by the Guernsey Douzaine Council seeking its agreement to repeal the latter requirement.
- 2.4 The Policy Council, having carefully considered the merits of the proposal, is fully supportive and recognises the financial and administrative benefits to both the Parishes and ratepayers that would ensue should the States of Deliberation be minded to approve its recommendation.

3. Reason for Repeal

Costs/Administrative Burden

- 3.1 The income from dog licences, gun licences, Sunday trading permits, liquor licences and other miscellaneous income is usually paid by Parishes into their Parish Improvement Account (known as 'Compte d'Amelioration') or a Douzaine fund. It is customary for Parishes to publish their **complete** Parish Improvement Accounts and/or Douzaine Fund in La Gazette Officielle even though there is no statutory requirement to do so. The Parishes publish their accounts because, in regard to just **one element** of the accounts i.e. dog licence income and how these funds have been spent, there is a statutory requirement to do so, as noted in paragraph 2.2 above.
- 3.2 The publication of these accounts is an unnecessary expense for the Parishes. As an example, the Parish of Torteval pays approximately £200 to £300 per annum to publish its Compte d'Amelioration in La Gazette Officielle but it receives a dog licence income of approximately only £1,200. A detailed table of the dog licence income collected by each Parish in 2013 can be found in Appendix 1 to this Report.
- 3.3 In a Policy Council States Report dated 5th October, 2011, (Billet d'Etat XIX of 2011, Volume 1) regarding The States Official Gazette it was noted that for the 12 month period ending 30th June, 2009, the Parishes spent £38,000 on La Gazette Officielle Notices compared to £30,000 spent by the States of Guernsey.
- 3.4 There are also other overheads for collecting income from dog licences such as publishing payment reminders, dog tax licence books, discs and general administrative expenses. These run to several hundred pounds per year per Parish and have a negative effect on the revenue generated, but the cost of publishing the accounts in La Gazette Officielle is a significant element of the

overall outgoings. In addition, there is an administrative burden with the publication of the Parish accounts in La Gazette Officielle including the drafting of the Gazette Notice and making arrangements with the Guernsey Press for its submission.

- 3.5 If Subsection 6(2) of the Law was repealed each Parish could then decide whether to continue publishing their Parish Improvement Accounts and/or Douzaine Fund in La Gazette Officielle or save their ratepayers the expense of doing so.

Transparency

- 3.6 Parish accounts are provided and reviewed at public Parish Meetings once a year by the ratepayers. These accounts are also put on public display prior to the public Parish meetings. The majority of the Parishes have confirmed that these accounts include their Compte d'Amelioration / Parish Improvement Funds / Douzaine Funds, whilst the remainder have indicated that these specific accounts can be included in the future. The Policy Council has therefore concluded that in an age where there is a greater expectation of having more open and transparent government, the review of these specific accounts at public meetings in all of the Parishes would actually be a positive step in this regard, rather than continuing to publish them in La Gazette Officielle. In addition, as there is no requirement under current legislation to publish details of income from gun licences, Sunday trading permits, liquor licences and other miscellaneous income (although Parishes by default often do so, as generally these income streams are all credited to the same account as dog licence income), it has not always been considered necessary to publish such information in the same manner as currently required under the dog licence legislation. In essence, the dog licence requirements are the exception rather than the rule.

Scrutiny and The Parochial Administration Ordinance, 2013

- 3.7 As well as being considered at public meetings, all Parish accounts are also currently audited on a regular basis. Furthermore, the requirement for Parish accounts to be audited has now been formalised under The Parochial Administration Ordinance, 2013, which was approved by the States of Deliberation in December last year and is due to come into effect in due course. This legislation will reduce risks and consequently the need for additional public scrutiny.

4. Consultation

- 4.1 The proposal has been discussed several times at the regular and constructive meetings between the Policy Council's Douzaine Liaison Group and Parish representatives. At these meetings both the Douzaine Liaison Group and the Parish representatives have been supportive of the Guernsey Douzaine Council's proposal.

4.2 A draft of this States Report was also circulated to all the Parishes for their comments prior to publication. The Parishes are supportive of these proposals.

4.3 The Law Officers of the Crown have been consulted on the contents of this States Report and the proposed amendment to the legislation.

5. Principles of Good Governance

5.1 The contents of this States Report are in accordance with the Principles of Good Governance as outlined in Billet d'État IV 2011, particularly Principles 4 & 6:

- Principle 4, taking informed, transparent decisions and managing risk,
- Principle 6, engaging stakeholders and making accountability real.

6. Conclusion

6.1 In summary, it is proposed that Subsection 6(2) of The Dog Licences (Guernsey) Law, 1969, as amended, is repealed for the following reasons:

- it is an unnecessary expense and administrative burden for the Parishes;
- the cost of publishing the accounts is disproportionate to the income received;
- there is no requirement under current legislation for the Parishes to publish licence and permit income other than dog licences;
- all Parish accounts are reviewed at public Parish Meetings once a year;
- all Parish accounts are currently audited on a regular basis and this is due to be formalised under The Parochial Administration Ordinance, 2013.

7. Recommendation

7.1 The Policy Council recommends the States:

1. To agree to the repeal of Subsection 6(2) of The Dog Licences (Guernsey) Law, 1969, as amended, removing the requirement for the Constables of each Parish to publish a statement in La Gazette Officielle in March each year detailing dog licence income for the preceding year and the purposes for which it has been spent.

J P Le Tocq
Chief Minister

28th July 2014

A H Langlois
Deputy Chief Minister

G A St Pier
Y Burford
R W Sillars

K A Stewart
D B Jones
P A Luxon

M G O'Hara
M H Dorey
P L Gillson

Parish Income from Dog Licences 2013

<u>Parish</u>	<u>Income</u>
Castel	£5,925
Forest	£1,650
St. Andrew	£1,475
St. Martin	£5,030
St. Peter Port	£8,075
St. Pierre du Bois	£1,900
St. Sampson	£7,133
St. Saviour	£1,765*
Torteval	£1,250
Vale	£7,067

- * In 2013 only, St. Saviour took part in an initiative to encourage the micro chipping of dogs through the GSPCA's micro chipping and registration initiative and offered a discounted licence fee for dog owners participating in the scheme. Consequently, the above income for St Saviour is lower than what would normally be expected. If no discount had been provided in 2013 the income would have been £2,290.

(N.B. As there are no resource implications in this report, the Treasury and Resources Department has no comments to make.)

The States are asked to decide:-

VIII.- Whether, after consideration of the Report dated 28th July, 2014, of the Policy Council, they are of the opinion, to agree to the repeal of Subsection 6(2) of The Dog Licences (Guernsey) Law, 1969, as amended, removing the requirement for the Constables of each Parish to publish a statement in La Gazette Officielle in March each year detailing dog licence income for the preceding year and the purposes for which it has been spent.

TREASURY AND RESOURCES DEPARTMENT**A LAND REGISTRY FOR GUERNSEY – BUSINESS CASE REVIEW**

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

19th September 2014

Dear Sir

1 Executive Summary

- 1.1 This report contains a summary of the ‘comprehensive Business Case’ in respect of the establishment of a Land Registry in Guernsey, produced by the Treasury & Resources Land Registry project team as directed by the States of Deliberation in March 2012. The report clarifies the position of the Treasury & Resources Department in respect of the advancement of the project.
- 1.2 The States of Deliberation considered a detailed report in March 2012¹ entitled the ‘*Establishment of a Land Registry in Guernsey*’. The report explored the principal drivers for modernising the way in which property is conveyed on Guernsey, identified the benefits that might be achieved through the introduction of a Land Registry and established the key operating processes that such a body would utilise. The report concluded the work of a number of Officers and States’ Members who served on the ‘Land Registry Working Group’ over a number of years to develop the concept on behalf of the States.
- 1.3 The States of Deliberation noted the content of the report and directed the Treasury & Resources Department to produce a ‘comprehensive Business Case’ in respect of the proposed Land Registry², which it has since completed. The Business Case demonstrates that a Land Registry would be viable technically, operationally and financially, and could represent a means of delivering wider improvements to a range of practices, procedures and laws in respect of Guernsey property. Nonetheless, the introduction of a Land Registry is a very considerable project to embark upon, and within the context of other competing priorities for States’ resources, is not one that might strictly be considered essential at this time, despite the opportunity the project represents to introduce clarity of property title, backed by a States-issued guarantee.
- 1.4 The Business Case explored in detail the changes to the process of property conveyancing that would need to be adopted to facilitate registration, the likely

¹ Article 8 of Billet d’Etat V of 2012

² Resolution 2 of Article 8 of Billet d’Etat V of 2012

throughput of registrations over time, the staff requirements and systems that would be utilised. It also considered likely costs and available charging models, as well as the transitional resources, tasks and timetables involved if the project was to be taken forward for implementation.

- 1.5 Although the Business Case shows that a Land Registry for Guernsey *could* be introduced, and would achieve a range of benefits in doing so, the view of the Treasury & Resources Department is that it represents a considerable piece of work, and not one that is risk free to implement or operate. Indeed, in the absence of an agreed Government Service Plan, it would be very difficult to judge the relative importance and overall need for the delivery of a Land Registry versus the many other issues, projects and priorities facing the States. Furthermore, the need to ensure the project adhered to the States-agreed capital prioritisation programme process would require further work in addition to the production of the Business Case.
- 1.6 There also exists a question as to which States' Department should assume responsibility for a Land Registry if it were to be implemented. The Department does not believe that there is any immediately obvious natural fit, and the matter is complicated still further as the Business Case promotes the concept of a Land Registry 'Group' to include the existing Cadastre and Guernsey Digimap Services, both of which currently form part of the Department.
- 1.7 The conclusion of the Treasury & Resources Department therefore is that the Land Registry project, despite its inherent benefits and apparent operational viability, is not pursued for delivery now, pending its inclusion and proper prioritisation in a future capital programme and / or Government Service Plan. At that time, the work undertaken to date in respect of investigating the establishment and operational viability of a Land Registry would be reviewed, updated and used as the basis of a formal delivery project.

2 Background

- 2.1 In December 2011, the Land Registry Working Group produced a States' report entitled the 'Establishment of a Land Registry in Guernsey'. The report established the key business, operational, legal and financial drivers / principles in respect of a Land Registry (LR) for Guernsey. The detailed report contained a full description of the proposed changes, including the specific issues that would need to be resolved to deliver the concept across a series of chapters as follows:
- *Introduction* (who made up the Project Board, how property is currently conveyed, weaknesses, reasons for a LR, consultation, why change?)
 - *Proposed System of Land Registration* (including the approach to registration, role of key parties in the delivery of LR work).
 - *Composition of Land Registry* (LR staffing information).
 - *Appeals from the decision of the Land Registrar* (appeal process including the rôle of the proposed Land Commissioner).

- *Costs of implementation and running the Land Registry* (cost components, impact on existing ‘related’ services, income options).
- *Specific Legal Issues* (commentary on a range of legal issues that would need consideration in respect of operating a LR for Guernsey).
- *Technology* (outline information on the system that would need to be utilised to facilitate the work of the LR).
- *Legislation* (changes to existing, and introduction of new legislation that will be needed to facilitate a LR for Guernsey).
- *Timescales and Implementation* (outline information on how the project team envisaged the project might progress beyond their Feasibility Report).
- *Summary and Conclusions.*
- *Appendices* (‘Electronic Conveyancing’, ‘Consultation Process’, ‘Costs’, ‘Glossary’ and ‘Data Protection Impact’).

2.2 Following consideration of the report at the March 2012 States meeting, and the decision that a comprehensive Business Case should be produced in respect of the LR concept, the Department set up a dedicated team of officers to undertake this work with political overview provided by Deputy Perrot. The subsequent Business Case that has now been prepared and reviewed by the Department is a substantial document, including eight supporting appendices exploring the detailed operational and financial aspects involved with the delivery and operation of a Land Registry for Guernsey. A full copy of both the 2012 LR report and the 2014 LR Business Case have been made available in hard copy format in the States’ members room, Sir Charles Frossard House.

2.3 During the development of the LR project, the work undertaken has been based upon supporting and progressing the ‘key drivers for change’ (as identified in the 2012 report), as follows:

- Achieve greater simplicity in transacting property.
- Wherever possible, reduce the cost of property transactions.
- Provide clear title - guaranteed by the States.

3 Business Case: Synopsis.

This section provides a synopsis of the main areas of content and detail within the full Business Case report.

3.1 Conveyancing process changes to facilitate the LR.

Although the 2012 report established the key principles for the changes that would be required if a LR was introduced, the Business Case explored in much more detail the specific end to end conveyancing and registration processes which, it is proposed, would be utilised. The reason for this aspect of work was to understand clearly the role of each party involved, the specific nature of process changes and the required legislation to facilitate the change, and to

establish clearly the functions of the central software platform on which the Land Registry service would be based and from which it would operate.

The major change from the existing system is the introduction of an electronic (on-line) 'dealing room' which is a secure facility hosted and controlled by the LR in which all relevant and required documents are posted, stored and assessed throughout the course of an individual conveyancing 'episode'. The project team have given this system the working title of 'PRISM' (Property Registration Information System Manager). The on-line PRISM facility reduces associated paperwork, and provides key documentation to those engaged in the conveyancing / registration process in real time, at the point information is required in digital format. The changes to the overall conveyancing process described in the Business Case, and the central role of PRISM, would collectively facilitate a modern and efficient property conveyancing and registration system for Guernsey. The PRISM facility itself would be secure, and accessible only by advocates (because they would be the only persons qualified to effect a conveyance) and relevant LR staff.

3.2 Projected workload of LR.

To model this key information as accurately as possible, a detailed analysis of Guernsey property transactions as recorded by Cadastre over an eleven year period (2003 to 2013) was undertaken. This provided essential information not just about what specific transactions arose in each of these years but perhaps more importantly, about how many individual properties were conveyed *more than once* during that period. This information is very important because it is likely (but not always the case) that there would be more work to do by the LR when a property was first registered, than there would be on subsequent registrations ('dealings'). Understanding how much of a LR's business would be related to repeat dealings is therefore one important factor in understanding how much time and resource would be needed to accommodate the projected workload of the LR and also how quickly the LR would benefit the Island in terms of facilitating easier conveyances through fully registered properties.

3.3 The detailed work undertaken by the project team to analyse property sales over 2003 to 2013 comprises four categories of sales arising (house, flat, commercial and land). These figures are summarised for the period considered in the Business Case via the following table:

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Property Sales* in year (across all property categories)	1,310	1,529	1,455	1,631	1,576	1,211	1,194	1,355	1,326	1,463	1,313
Number of registrations in year which were "unique"***	1,292	1,469	1,318	1,407	1,245	880	802	897	861	891	760
Aggregate number of "unique" property registrations.	1,292	2,761	4,079	5,486	6,731	7,611	8,413	9,310	10,171	11,062	11,822

*It should be noted that the term 'sales' in this table refers to the individual Cadastre property parcels registered that year. The figures may vary slightly from the Greffe records of registered properties because the Greffe may well register a 'portfolio' of properties in one registration event (for example when a housing estate is registered for the first time) whereas Cadastre will assign a unique registration number to each property within such a portfolio.

**It should be noted that "unique" means the first time that the LR comes into contact with the property over the period modelled (2003-2013). The reason the unique figure is lower than the total figure and decreases over time is because some properties had already been transacted once (or more than once) in the period 2003 to 2013, and so would have been 'known' to the Land Registry (if it had been launched in 2003) and thus was not unique in terms of building its database.

- 3.4 Clearly, each year across the 2003 to 2013 period sampled had a different mix, and number of, transactions within it, so it would be unwise to base an assumption for the resource needed to launch a LR on any one specific year within the sample period. The approach taken in the Business Case, therefore, was to take the data relating to total transactions arising across each of the eleven years analysed, to calculate an annual average (1,397 property transactions) then apply a factor of 10% (140) to give a 'year one' assumed total workload of 1,500 (rounded figure property conveyances on which to model the required workload and staff capacity). This operating figure of 1,500 was tested with sensitivity factors (using a low of 1,300 transactions, and a high of 2,000 transactions) within the Business Case to provide assurance on the resources and revenues required from which to base modelling.
- 3.5 The workload anticipated by the LR is a key element of information, providing, as it does, the ability to understand the likely progress of total registrations over time, the scale of staff required to manage the workload and the basis from which the Business Case can calculate required fee income.

3.6 Composition of the Land Registry (Staff core).

With the likely workload levels established, together with the specific functions of the proposed registration process defined, and because it is proposed that the LR would be part of a group (comprising the LR and the existing Cadastre and Guernsey Digimap Services) the staff and skills required to deliver the anticipated duties could be calculated.

- 3.7 The project team ensured that, wherever possible, each LR staff member would be able to support the numerous functions of the overall group to deliver the greatest efficiency of operation. For example, surveyors would take detailed measurements as part of registration that would also benefit the Cadastre property database and the accuracy of the Guernsey digital map. The LR Group Manager would support the LR Registrar as his deputy, whilst providing management overview to the Cadastre function and Digimap contract (which generates income from mapping licence royalties) and so on. By concentrating all staff calculations on the detailed analysis of work type and workload likely to arise, the project team were able confidently to propose a staff core where every anticipated task within the LR group had a specific owner.
- 3.8 The Business Case states that a total staff core of 23 for the LR group would be required, which, as stated above, would be capable of delivering the duties of the LR, in addition to the existing functions of the Cadastre and the Guernsey Digimap Service. Because of the inclusion of these existing services, this would mean a net increase of 15 staff (in addition to the current numbers employed).
- 3.9 The full, detailed structure of the LR group is described within the Business Case, but in summary, it would be headed up by a **Land Registrar** who is responsible for the strategic policies of the LR and would exercise certain quasi-judicial functions in resolving disputes. For this reason he would be legally qualified. A **Land Registry Group Manager** would also act as Deputy Land Registrar but primarily would be acting as administrative chief officer and would manage not just the LR but also provide overview to the Cadastre and GDS activities. For this reason the Group Manager need not be legally qualified. Further posts relate to managing the anticipated volume of **Survey** work, plus associated **Map Editing** activity. **Case Officers** and dedicated **Administration staff** complete the skill sets required.
- 3.10 Costs of implementation and running the Land Registry.

The Business Case noted that as the LR would be a new entity, its costs would fall into two broad groups:

- Set up (one-off capital) costs, and,
- Operational (recurring revenue) running costs.

It has been important to make sure costs can be properly separated across these categories, because LR capital costs would need to be funded by a States' (Treasury) loan, whereas the payback of such a loan, and the ongoing (recurring) revenue costs identified (including loan payback) would need to be accommodated from the revenue generated by the LR from fee income.

- 3.11 The Business Case explored costs in detail, providing the source and confidence levels for each component of the estimates. In summary, it is predicted that to operate a LR for Guernsey in the manner envisaged, a total annual sum of: **£1,671,126** (which is made up of £1,154,469 staff pay costs), and £516,657* non-pay costs would be required.

*It should be noted that this figure includes the cost (over a five year term) of paying back the £686k Treasury loan required to establish the LR. Payback is based on capital repayment of £137k, and interest of £23k each year of the five year term.

- 3.12 Land Registry Fee Revenue Options.

With the total projected costs modelled, it was possible to understand what would need to be derived each year from registration fees if the LR were to be a viable financial proposition. As the cost of the LR is predicted to be £1,671,126 per annum, and the aggregate of the existing 2014 budgets of GDS and Cadastre (which would form part of the group) is £741,800, the Business Case had to demonstrate that fees of at least **£929,326** per annum would be available each year to meet the revenue needs of the proposed LR group.

- 3.13 A simple fee structure was considered whereby the revenue required to operate the LR was divided by the likely annual throughput of registrations to arrive at a cost per registration. This figure was calculated as **£620** per registration, but in using this system an individual registering a modest property (such as a typical first time buyer) would incur the same fee to register as an individual registering a multi-million pound value estate. For this reason, the Department considered that a more sophisticated 'flat fee plus percentage' model might be more appropriate.
- 3.14 In this model, if the flat fee incurred by each party registering a property is set at £350, and a further fee is levied constituting 0.01% of the value of the property being registered, a distribution of total fees to register (which are linked to actual property values) would arise as shown in the following table:-

Conveyance value	Fee percentage	Flat Fee	Part of the fee calculated from percentage	Overall fee
£1,000,000	0.01	£350	£1,000	£1,350
£950,000	0.01	£350	£950	£1,300
£900,000	0.01	£350	£900	£1,250
£850,000	0.01	£350	£850	£1,200
£800,000	0.01	£350	£800	£1,150
£750,000	0.01	£350	£750	£1,100
£700,000	0.01	£350	£700	£1,050
£650,000	0.01	£350	£650	£1,000
£600,000	0.01	£350	£600	£950
£550,000	0.01	£350	£550	£900
£500,000	0.01	£350	£500	£850
£450,000	0.01	£350	£450	£800
£400,000	0.01	£350	£400	£750
£350,000	0.01	£350	£350	£700
£300,000	0.01	£350	£300	£650
£250,000	0.01	£350	£250	£600
£200,000	0.01	£350	£200	£550
£150,000	0.01	£350	£150	£500
£100,000	0.01	£350	£100	£450

The table shows that someone registering a property worth £250,000 will pay £600 in total to the LR (if the flat fee is £350 and the % element is 0.01%) whereas someone registering a property worth £1,000,000 will pay £1,350 in total to the LR (if the flat fee is £350 and the % element is 0.01%). Adoption of this model would require further thought about whether the £1m fee is the ‘cap’, or whether the registration fee continues to track the value, regardless of size, of the related property.

- 3.15 Further analysis in the Business Case showed that by using the charging model highlighted in paragraph 3.14, the LR could generate an excess of fee income from year one of its operation, even if total registrations fell from the envisaged 1,500 per year to 1,300 per year. The following table summarises the cumulative effect of excess income over time that would arise using the 1,300 and 1,500 values, but also that which would arise from 2,000 registrations (for illustration of the potential that a voluntary registration drive, for example, might yield).

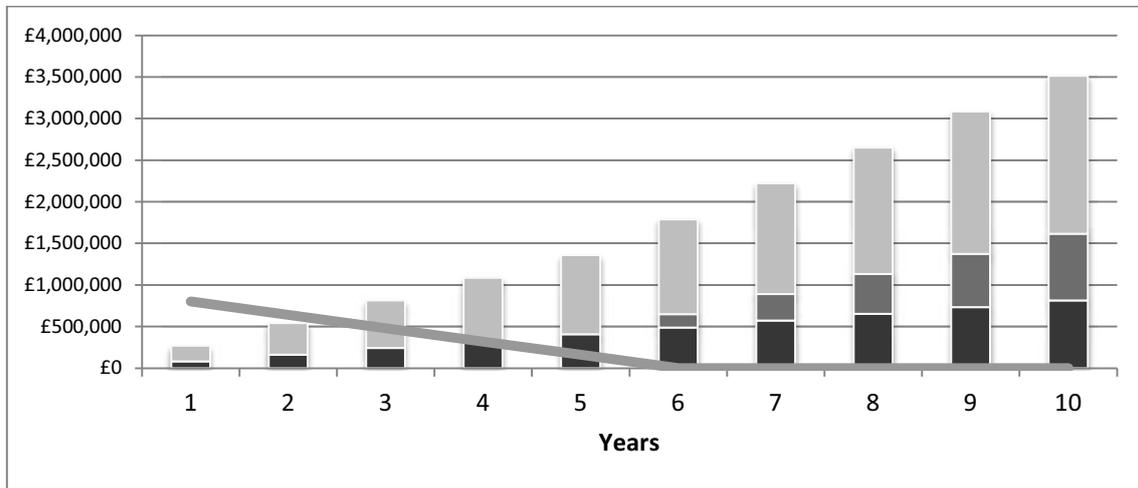
Year	1	2	3	4	5	6	7	8	9	10
1,300 registrations	£11,674	£23,348	£35,022	£46,696	£58,370	£70,044	£81,718	£93,392	£105,066	£116,740
1,500 registrations	£81,674	£163,348	£245,022	£326,696	£408,370	£490,044	£571,718	£653,392	£735,066	£816,740
2,000 registrations	£256,674	£513,348	£770,022	£1,026,696	£1,283,370	£1,540,044	£1,796,718	£2,053,392	£2,310,066	£2,566,740

3.16 Land Registry Financial Summary.

Essentially, the figures shown in the table contained at paragraph 3.15 represent a ‘worst case’ return level, because from year six, the States’ loan will be fully repaid, and the surplus available would therefore be larger than quoted from that point forward. Surplus income could be used to reduce the term of the loan,

leading to an enhanced revenue surplus thereafter, if that is what the LR chose to do strategically. In any event, the conclusion of the Business Case is that the LR can cover its costs and provide options regarding future fees / return to the States. For completeness, the Business Case also explores and records the likely value from further fees that could be generated by the LR, probably in the region of £190k per annum, in respect of ancillary registration work, meaning that the figures summarised in the table contained in paragraph 3.15 ought to be viewed as minimum sums. Examples of such ancillary work include the ability to generate fee income from the registration of leases, deeds of amendment, boundary exchanges and a range of other transactions related to the LR database.

- 3.17 The following chart displays diagrammatically how payback of the Treasury loan reduces over time to zero, and how the various components of excess revenue, net of pay and non-pay costs (including loan payback) cumulatively build up over a ten year operating period.



- Black Line: Treasury loan outstanding.
 Black Bar: Excess revenue arising from the fees associated with the LR processing 1,500 registrations per year (see section 3.15).
 Dark grey Bar: Excess revenue arising when treasury loan is fully repaid.
 Light grey Bar: Excess revenue arising from ancillary income.

As can be seen from the chart, the cumulative level of excess revenue which arises from the LR becomes quite significant over the ten year term, and potentially in excess of £3.5m. To produce the business case, and verify the financial viability of the LR, only the revenue from fee income was used (black bars in the above chart) and a loan payback period of five years. When the revenue arising after the treasury loan is repaid (dark grey bars) is considered as part of the total revenue arising, the LR financial case is proven still further, and even more so if ancillary income is added. Clearly, this validates the financial model on which the business case has been produced, but also provides options

to repay the treasury loan far sooner than the modelled five year term should this be the preferred option.

4 Resources and Principles of Good Governance

4.1 The Department has carefully considered the resources required to initiate this project if it were to proceed to implementation. The Business Case makes clear any assumption it has adopted in respect of resources, and the key resource assumptions relevant for this report include:

- That the LR group will comprise (and discharge the functions of) the existing GDS and Cadastre services and can utilise the current budgets of those services as part of its base budget.
- The LR will be based at the Old Tobacco Factory premises (relevant for the costs assumed for operational premises).
- The cost of PRISM (the core LR software system) has been modelled at £205k, in turn based on the pricing of an output specification produced by the project team.
- The assumed work rate (capacity) of the LR will be 1,500 registrations each operating year.
- The staff costs have all been modelled at the mid-point of the HAY grade and the grades assumed for each post are correct.
- GDS and Cadastre staff all have transferable skills which can be utilised in a position in the LR group (i.e. there will be no redundancy costs).

4.2 The Business Case confirms that the LR can operate viably in financial terms and support (within its projected set up costs) the necessary engagement of a dedicated project manager. The Business Case does not specify a project governance structure to control the delivery of the work if it were to proceed, so those costs, likely involving senior Department staff (and political members), would need to be accommodated as part of the Department's ongoing, business as usual, costs.

4.3 The related LR legalisation required to deliver the project would be drafted by the Law Officers of the Crown which, excepting any higher priority task which might force delays, is estimated would take up to 2 years. This is the same time as is envisaged that the overall delivery of the project will take to achieve the changes detailed within the Business case. A full assessment of the legislative changes that are required were set out in the March 2012 LR report.

4.4 In preparing this Report, the Department has been mindful of the States' Resolution to adopt the six core principles of good governance defined by the UK Independent Commission on Good Governance in Public Services (Billet d'Etat IV of 2011). The Department believes that the work it has undertaken in the development of the associated reports and the proposals as contained in this Report comply with those principles.

5 Conclusions and views of the Department

- 5.1 The Department has carefully considered the findings of the LR Business Case and, specifically, the relative benefits versus the risk and work involved to deliver the project.
- 5.2 It is considered that the identified key project drivers as listed in paragraph 2.3 can be achieved through delivery of the project, though generally speaking, it is felt that specific benefits for individual property owners accrue when they come into contact with a registered property (either as a seller, or buyer) rather than from the process of initial registration itself. The reason for this is because registration is definitive and States-backed and so is attractive for an owner and reassuring for a purchaser. It will not however be a formality to simply gain registration for a property without specific criteria being satisfied as processed and governed by the Land Registry. There will also be cost of registration which will be in addition to existing advocate fees although over time it is hoped that legal costs will reduce as a result of the registration process.
- 5.3 It is felt that a further range of benefits could be achieved through delivery of the project as follows:
- Many of the enabling elements required to facilitate a LR are already in place by virtue of the developments over time in the Cadastre, States' Digital Mapping and Greffe. The LR therefore capitalises on what has gone before it and completes the ongoing process of service improvement and developments progressed collectively by these services over time.
 - The LR represents a key opportunity for modernisation of the overall conveyancing and associated property processes in operation within Guernsey, providing a vehicle to deliver a range of complementary and aligned changes to the Island's property system. Through its existence and over time, a definitive statement of property records will be accumulated by the States with the obvious inherent benefit of such a data set.
 - The introduction of a dedicated, custom-designed, central software system for the LR will facilitate a modern and efficient property conveyancing and registration system for Guernsey, appropriate for the modern age and greatly improving efficiency, security and digital accessibility.
 - The LR as an entity is financially viable and can create an operating surplus for the States. There is potential further to enhance income with a range of additional services for which charges could be made (see examples in paragraph 3.16). The possibility of offering voluntary registrations (rather than those triggered by transfer) further enhances the ability of the LR to manage and maximise operational turnover and associated income.
 - The LR is operationally viable based on a detailed assessment of the specific processes and staff that would be engaged in the LR. It combines the existing Cadastre and Guernsey Digimap service teams into one LR group, drawing on experience and providing continuity of operation,

reducing duplication and providing opportunity for clear professional development across the group structure.

- The LR will specifically benefit first-time buyers as this sector experiences the highest turnover of all property types, and thus the greatest degree of contact with the LR for registration as part of the conveyancing process. In turn, this facilitates faster and more definitive onward conveyancing as such properties will likely already be pre-registered, and thus it is envisaged that they will be easier and simpler to transact.

5.4 Despite the apparent ability of the project to deliver a range of intended benefits, the LR is clearly not without risk, both in terms of its practical delivery and operation. The Business Case project team considered risk throughout their work, and captured key risks as a specific Appendix to their main report. From this and from the findings within the main Business Case report, the totality of risks envisaged can be described across five broad groupings as follows:

- Process Change. The current system of conveyancing is extremely well established, and so any material change is not without inherent risk, regardless of good intention. Additionally, although much work was done in respect of the 2011 report to obtain and gauge the views of stakeholders, much more would need to be done to ensure full acceptance of the proposed changes if the project were to proceed to an implementation phase, not least within the advocate community.
- Project Delivery Issues. Although the Business Case provides within its costings for a dedicated and full time Project Lead to establish the LR, the practicalities of the Department running a major project of this type, which will inevitably impact upon existing staff and operations across numerous Departments and service groups, is considered to be material.
- Technical. The need to design, tender and introduce specialist software to operate at the heart of the proposed changes to conveyancing is the key vehicle to achieve the envisaged LR project. As such, this central element of the project carries a special profile in terms of risk management.
- Market. At the heart of the success of an LR is the natural turnover of property itself which dictates the rate of registration that can be achieved. Clearly, the LR has no control over the pace or nature of this turnover, but both are critical in the effective operational phase of an LR.
- Financial. Though detailed modelling has been undertaken on the likely registration throughput of the LR, the project, if implemented, would require a States loan of £700k to deliver. The payback of this sum in the envisaged timetable is dependent on the actual work that would arise in the first operational year of the LR and on the acceptance of the proposed LR fees by the public. Additionally, as the LR would be a trading body, more refinement of the budgets modelled in the Business Case would be needed

to ensure that the States are not providing any inappropriate subsidy to the entity should the project move to a delivery phase. The impact overall on 'Guernsey PLC' of introducing a LR is very hard to quantify and an area that, despite the difficulty of trying to assess, will need to be better understood in due course. Finally, a review of any impact on the States' insurance scheme arising from the project will need to be undertaken to ensure the working assumptions in the Business Case (that there would be no additional cost to the existing policy) remain as expected.

- 5.5 The Department considered whether the LR could, or should be provided externally to the States by the market, but concluded that for reasons of necessary control and because of the nature of the proposed States' guarantee (for registered property), the LR would need to be provided via an internal team initially, with the potential to utilise the market for specific areas of work, such as surveys if required. Upon maturity, the market could be assessed for a wider rôle in LR operation along the design-build-operate principle if this were felt to be desirable and appropriate.
- 5.6 Despite the benefits that are envisaged to arise from the implementation of a LR, the Department is also very clear that the project represents a major piece of work which could not truly be described as 'essential' to deliver. Although dedicated resources would be assigned to the delivery of a LR in the form of a full-time project manager, it would undoubtedly be the case that change of this scale would occupy considerable staff time within and beyond the Department if the project were to succeed. There is also some uncertainty as to which part of the States a LR would best 'fit', and because the project has developed without the benefit of a Government Service Plan, it is hard to assess the relative strategic importance of the project for the States as a whole.
- 5.7 The States have previously approved the development of a Government Service Plan as the corporate mechanism for allocating resources available to the States in accordance with its strategic aims, objectives and agreed priorities. Having considered the balance between the risks and benefits of the LR project and, being particularly conscious of the significant staff and financial resources that would be required to deliver a LR, the Department has concluded that it would not be appropriate to proceed with its implementation at present. Whilst the Business Case developed by the Department demonstrates considerable merit in introducing a LR, it believes that any decision to do so should only be taken within the context of a Government Service Plan.

6 Recommendations

The Department therefore recommends the States to:

- 6.1 note the contents and findings of this Report on a Business Case for the establishment of a Land Registry in Guernsey;

6.2 agree that a decision as to whether or not to proceed with the establishment of a Land Registry in Guernsey should only be considered as part of any future consideration of a Government Service Plan.

Yours faithfully

G A St Pier
Minister

J Kuttelwascher
Deputy Minister

A H Adam
R A Perrot
A Spruce

Mr J Hollis
Non-States Member

(N.B. The Policy Council supports the proposals in this report and confirms that the States Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

IX.- Whether, after consideration of the Report dated 19th September, 2014, of the Treasury and Resources Department, they are of the opinion:-

1. To note the contents and findings of that Report on a Business Case for the establishment of a Land Registry in Guernsey.
2. To agree that a decision as to whether or not to proceed with the establishment of a Land Registry in Guernsey should only be considered as part of any future consideration of a Government Service Plan.

PUBLIC SERVICES DEPARTMENT**WASTE STRATEGY – HOUSEHOLD WASTE CHARGING MECHANISMS**

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

22nd September 2014

Dear Sir

1. Executive Summary

1.1 In February 2014 the States approved a number of recommendations on the implementation of a solid waste strategy for the Island and the Department undertook to submit a further report to the States setting out its proposals for the methods of charging for the waste collection services provided by the Douzaines and the waste processing facilities and services for the recovery or disposal of household waste provided by the Waste Disposal Authority as well as other related matters.

1.2 This report includes proposals on;

- a) the mechanism and administrative arrangements for the implementation of a Parish Waste Rate by Ordinance, including:
 - arrangements for the collection of waste from small businesses;
 - the amount of a fixed penalty to deal with non-compliance with requirements relating to the presentation of household waste for collection; and
- b) the mechanism and administrative arrangements for the introduction of charges by the Waste Disposal Authority by Ordinance, including:
 - provision to enable the Authority to levy a fixed and/or a variable (per bag) charge to cover the cost of processing household waste and of other public waste management services and initiatives; and
 - provisions on the control of the distribution and sale of waste bags and consequential amendments to competition legislation.

2 Background

- 2.1 In February 2014 the States approved a number of recommendations from the Public Services Department on the implementation of a solid waste strategy for the Island, including proposals for the introduction of new methods of charging for the waste management services provided for the recovery or disposal of household waste.
- 2.2 The States approved proposals for charges based on the following principles:
- the Douzaines would make a direct, fixed charge per household for the collection of recyclable material, food waste and black bag waste and the transfer of that waste to processing facilities on the Island; and
 - the Department, in its capacity as the Waste Disposal Authority (WDA), would make a direct charge to households for processing waste and the provision of waste management services and waste initiatives. The charge would consist of an annual fixed charge per household and a charge per waste bag.
- 2.3 The Department undertook to submit a further report to the States setting out its proposals for the charging mechanisms and related matters. These proposals are set out in section 3 of this Report along with other matters that are consequential to the decisions made in February.

3. Proposed Household Waste Charging Mechanisms

Parish Waste Rate (for the collection and transfer of waste)

- 3.1 In February, the States approved proposals for new legislation which, amongst other things, will provide the necessary powers to introduce and administer a Parish Waste Rate. This legislation (a Law which will repeal and replace the current Parochial Collection of Refuse (Guernsey) Law, 2001) is being drafted and it will provide the power to implement the new Parish Waste Rate and associated administrative arrangements by Ordinance.
- 3.2 The Department recommends that, subject to the Law being approved, the States agree that an Ordinance be drafted to enable the Parish Waste Rate to be introduced and that such an Ordinance should provide for the matters described below.

Small businesses

- 3.3 In February, the States agreed a proposal that small businesses be allowed to opt into the household collection service (subject to conditions as to the volume and type of waste that they could put out for collection) and that the Douzaines would have a duty to provide for collections from those businesses.

- 3.4 One of the outcomes of consultation with the Douzaines on the draft Parish Waste Law was that they have expressed concerns about potential difficulties arising from a duty to collect waste from small businesses. These concerns centre around the possibility that businesses might opt in and out of the scheme as it suited them causing operational, administrative and financial challenges for the Douzaines.
- 3.5 As a result of the consultation, it is recommended that the arrangement approved in February be amended such that they would have the discretion to allow small businesses to opt into the household collection service rather than a duty to accept them. This will mean that they can plan future waste collections with greater certainty and it will allow them greater flexibility to manage such collections according to their individual circumstances.
- 3.6 In the February report, a small business was defined as a business having no more than 10 employees. However it is recognised that the number of employees does not necessarily have a direct bearing on the amount or type of waste a business produces. The Department therefore believes that the criteria by which a business might be admitted to a Parish waste collection scheme should be based on the amount and type of waste it can put out for collection and that that amount and type should be no different to that of an average household.

Who will pay the Rate?

- 3.7 The Department proposes that the owner of a dwelling or a lodging house and the owner of any small business that is admitted to the Parish waste collection system will be the person liable to pay the Parish Waste Rate. This generally conforms with current practice and minimises the need for the Douzaines to make costly changes to their billing infrastructure.

Mechanism for determining the Parish Waste Rate

- 3.8 At present the Douzaines negotiate a contract with private contractors to collect household waste and they also pay a charge to the Department for the disposal of that waste. This arrangement only applies to the collection of black bag waste and the provision of the current system for the collection of dry recyclable materials is funded by the Department.
- 3.9 In future the Douzaines will negotiate a contract with private contractors to collect black bag waste, recyclable material and food waste and to transport it to a waste processing facility. There will be an additional cost to the Douzaines of collecting recyclable material, plus separate food waste collections, but they will no longer have to pay the waste disposal charge levied by the Department.

- 3.10 In February, the States agreed that the Parish Waste Rate should be calculated as a fixed rate per household on the basis that the collection of waste was a fixed cost regardless of how much waste was placed out by each household. Furthermore, the service has to be available at all times, regardless of whether or not it is actually used on any particular collection day by a particular household.
- 3.11 The Department therefore proposes that the Parish Waste Rate will be calculated on the basis of the contracted costs in any year of collecting waste from households (and businesses that have been admitted into a Parish waste collection system) and transporting it to a waste processing facility, plus any administrative and incidental costs, divided equally amongst all of the households and relevant business premises in a particular Parish.
- 3.12 The estimate of the cost of collecting household waste in 2016 is approximately £1,600,000. Based on this estimate and the fact that there are 23,800 property owners in Guernsey, the average cost of the Parish Waste Rate to each owner would be £68 in that year.
- 3.13 This is only an estimate, as the nature of waste collections will change in future, with the addition of dry recycling and food waste collections, as explained in paragraph 3.9 above. **Consequently, the estimated charge of £68 is purely illustrative and should not be taken as a firm indication of the definitive charge.**
- 3.14 This estimate compares to the current average cost of around £108 for the parochial collection of household waste and for its disposal at landfill.
- 3.15 The Department intends to work proactively with the Douzaines when they negotiate contracts for the collection of parochial household waste to help them to obtain best value for money. However, actual costs are likely to vary from Parish to Parish depending on –
- the cost of the contract for collecting waste that is negotiated by a particular Parish in a particular year; and
 - the actual number of home owners (and owners of participating businesses – in that year) in each Parish.

Authorisation of the levying of the Parish Waste Rate by Order of the Royal Court

- 3.16 The levying of the existing refuse rate (which has to be approved by the rate payers) has to be authorised by Order of the Royal Court. The Department recommends that this arrangement should continue for the Parish Waste Rate as it provides a mechanism for independent oversight to ensure that the rate has been levied in accordance with relevant legislation.

When will the Parish Waste Rate apply?

- 3.17 The Department recommends that the Rate will apply from 1st January of the year to which it relates or on the date in that year of a Royal Court Order authorising the levying of the Rate, whichever is the later. This reflects existing provisions of the parochial refuse Law.

Administration, payment, collection and recovery of the rate and enforcement of liabilities to pay

- 3.18 In February, the States approved the principle that the Douzaines should have the option of collecting the Rate annually, biannually or quarterly as they prefer. They are likely to continue with annual collection; however, the Department believes that the other options will allow greater flexibility in the future should the need arise. The Douzaines will not be bound to offer all of these options, only those that they have the administrative capacity to provide.
- 3.19 The Department recommends that they should also have the option of accepting payments by various means (such as cash or by cheque) and that they should be able to select one or more methods according to the facilities that they currently have for accepting payments. Again this will allow greater flexibility should the need or opportunity arise to provide alternative methods of payment in the future.
- 3.20 Payment will have to be made within 28 days of the date of an invoice for the rate issued by the Douzaines. Unpaid debts, including interest, will be recoverable by the Douzaines as a civil debt.

Levying of interest and recovery of unpaid rates and interest

- 3.21 The Department recommends that interest should become payable on a compounded daily basis, at the per annum rate of 3% above the variable Bank of England base rate on all overdue amounts until such time as a Parish receives full payment of an outstanding debt. It also recommends that it should have the power to vary the rate by Regulations if it were considered necessary to do so to reflect changes in the Bank rate.

Civil Fixed Penalty

- 3.22 In February, the States approved proposals for the introduction of a civil fixed penalty to deal with non-compliance with requirements for the presentation of household waste for collection. These requirements would be only to present residual waste, dry recyclables and food waste for collection:
- in the bags and any other receptacle specified by the Waste Disposal Authority; and

- on the days and at the times specified by the Douzaines.
- 3.23 The penalty will not be applied before the third (or subsequent) breach of the requirements. The first breach would result in a sticker or an advisory notice and the second breach in a warning notice.
- 3.24 The penalty is to be introduced by Ordinance and following consultation with the Douzaines, the Department recommends that it should be £40 if paid within 14 days starting from the date of service of a penalty notice and £60 if paid thereafter.

Appeals Mechanism

- 3.25 In order to meet human rights obligations there will also need to be a mechanism for appeals in the event that a recipient wishes to dispute the penalty levied by the Douzaine.
- 3.26 The Department considers that the simplest approach would be to make use of the Parochial Appeals Tribunal, a body that has been approved by the States for hearing appeals on issues relating to the exercise of Douzaines' powers, namely the granting of bornements and the issue of warning notices and civil penalties relating to hedges and streams.
- 3.27 The legislation establishing the Tribunal was approved by the States in December of 2013 (Billet d'État XXIV) and is due to be enacted later this year. It is considered appropriate that appeals against civil penalties relating to waste should also be heard by the Tribunal.
- 3.28 Given the firm intention to change behaviour by way of education, it is considered unlikely that large numbers of civil fixed penalties will be issued. It is also reasonable to assume that only a minority of offenders will appeal the penalty; thus the Department does not anticipate there being any significant additional work load for the Tribunal arising out of the inclusion of waste/recycling fixed penalty appeals.

Waste Disposal Authority charges (for everything other than the collection and transfer of waste from households)

- 3.29 In February, the States approved proposals for legislation which, amongst other things, will provide the necessary powers to introduce and administer the Waste Disposal Authority charges. This legislation (a Law amending the Environmental Pollution (Guernsey) Law, 2004) is also being drafted.
- 3.30 The Department recommends that, subject to the Law being approved, the States agree that an Ordinance is drafted to set the mechanism for the Waste Disposal Authority charges and that such an Ordinance should provide for the matters described below.

- 3.31 There will be provision for the level of charges (calculated in accordance with the mechanism) to be amended, as may be required in the future, by Regulations of the Waste Disposal Authority made under such an Ordinance.

Mechanism for a fixed charge

- 3.32 Whilst the Department may not need to introduce a fixed charge immediately (see the discussion on the balance of fixed and variable charges below), an Ordinance on Waste Disposal Authority charges must still include provisions for the levying of such a charge should the need arise.
- 3.33 It therefore proposes that a fixed Waste Disposal Authority charge should be calculated on the basis of the budgeted costs attributed to processing household waste and waste from small business and other relevant services and initiatives divided equally amongst all of the households and relevant businesses in the Island.
- 3.34 If the Authority opts for a combination of both fixed and variable charges, the amount that it recovers by means of a fixed charge would be calculated to take account of the income derived from the sale of waste bags.
- 3.35 The Department recommends that -
- a fixed charge payable by the owner of a household or the owner of a small business that had been admitted to a Parish collection scheme, could be paid in cash or by cheque, bank transfer or credit or debit card,
 - there should be provision for the Waste Disposal Authority to collect any fixed charge annually, biannually or quarterly,
 - payment of such a charge would be due on such date as the Waste Disposal Authority specified and within 28 days of such a date,
 - unpaid debts, including interest, should be recoverable by the Waste Disposal Authority as a civil debt, and
 - interest should become payable on a compounded daily basis, at the per annum rate of 3% above the variable Bank of England base rate on all overdue amounts until such time as a Waste Disposal Authority receives full payment of an outstanding debt. This rate could also be varied by Regulations.

Mechanism for a charge per bag

- 3.36 Key objectives of the waste strategy are waste prevention, minimisation and recycling and incentivising behaviour to achieve these objectives.

3.37 In February, the States accepted the principle that the cost of a bag for residual waste should be higher than the cost of a bag for recyclable material. The Department strongly believes that in order to meet the key objectives of the strategy:

- the charge for (black) bags for residual waste should not be a token amount so that there is a clear link between the amount of residual waste a person generates and the cost to that individual of dealing with it – the polluter pays principle; and
- that there should be a much lower charge for bags for dry recyclable material (although it believes that these bags should have some value in order that they are used for recycling and not for other purposes).

3.38 The Department therefore considers that the initial charges for bags could be:

- residual waste (black) bags in the range of £1.50 - £2.00 per bag.
- dry recycling bags £0.50 per bag.

Food Waste

3.39 With regard to the collection of food waste, the Department proposes to provide the public with a “caddy” free of charge. This caddy will be reusable and can be lined with compostable material such as newspaper.

Balance of fixed and variable charges

3.40 The States agreed that the Waste Disposal Authority would charge households and relevant small businesses to cover the costs of processing waste after it had been collected and transferred to one of the processing facilities, as well as the costs of all other public waste management services and initiatives and that the charge would comprise -

- an annual direct, fixed charge per household, and
- a variable charge per waste bag.

3.41 At this stage the Department cannot say definitively what the balance between a fixed and variable charge will be as this will depend on the actual costs of providing all of the waste processing facilities and other related services and initiatives described in the February States Report. Furthermore, not all of the costs will be recovered from households, as there will also be income arising from processing of commercial waste.

3.42 Ideally, the Department would like the fixed charge to be set at zero, with the bag charges providing all the income needed. It is optimistic that this could well

be achievable with black bag charges in the range of £1.50-£2.00, plus a 50p charge per recycling bag. However, in the event that bag charges do not prove sufficient, perhaps because of lower than anticipated use, it would be the intention to “top up” the income stream with a fixed charge, as illustrated in the table below.

- 3.43 In the February Report the Department provided a range of estimated costs of providing all of the waste services and facilities described in that Report. Using these estimates and applying the figures on the pricing of waste bags in paragraph 3.34, the Department believes that the costs per household (in 2016) could be as follows:

	Lowest Estimate	Intermediate Estimates			Highest Estimate
Black sack, each	£1.50 - £2.00	£1.50 - £2.00	£1.50 - £2.00	£1.50 - £2.00	£1.50 - £2.00
Recycling sack, each	£0.50	£0.50	£0.50	£0.50	£0.50
Estimated annual cost per household					
Annual cost of waste bags per household*	£132 - £145	£132 - £167	£132 - £169	£132 - £172	£132 - £172
WDA fixed charge	£13 - £NIL**	£35 - £NIL**	£37 - £NIL**	£50 - £10**	£126 - £86**
Estimated WDA charges per household	£145	£167	£169	£182	£258
Parish waste rate	£68	£68	£68	£68	£68
Total average annual cost per household¹	£213	£235	£237	£250	£326

* based on the current estimate of the average number of bags used by a household each year

** the WDA fixed charge reduces if the price of residual (black) bags is £2.00 as the income from the sale of bags goes up.

- 3.44 This information is only an estimate, as the precise costs of delivering the waste strategy will not be known until such time as the infrastructure elements have been negotiated, built and are in operation and the export contract has been tendered. **Consequently, the estimated cost per household is purely illustrative and should not be taken as a firm indication of the definitive costs.**

¹ NB – These charges differ slightly from those given in the February 2014 States Report as the basis of the calculation in that report was 26,000 households, whereas this report has used the figure of 23,800 domestic property owners.

- 3.45 The Department will vigorously pursue best value to ensure the cost of providing waste processing facilities and other related services and initiatives is kept to a minimum, in order that the fixed charge per household can also be kept to a minimum, and ideally set at zero.

Control of the distribution and sale of waste bags

- 3.46 In order to recover the relevant costs of managing and processing waste and delivering other waste services and initiatives by means of a charge on waste bags as well as to deliver the environmental benefits of the Waste Strategy and support the polluter pays principle, the Waste Disposal Authority will need to exercise control over the supply and distribution of waste bags (only the specific bags that will have to be used by the public). It will also have practical advantages in ensuring that correct bags are used for the disposal of waste.
- 3.47 The Department intends to tender widely for the supply of bags on the basis that the successful supplier will provide only the Waste Disposal Authority with the bags that the public will be required to use for their household waste.
- 3.48 In order to ensure that Waste Disposal Authority bags are easy to identify, they will bear a distinctive Authority design which the Department will register as a trade mark with the Intellectual Property Office in Guernsey. In this way, the provisions for offences and penalties in the intellectual property legislation will be available in the case of the misuse of the Authority design by a third party.
- 3.49 The Department does not intend to sell the bags direct to the public as it does not have the resources to provide such a service. Instead it will enter into commercial agreements with local retailers to do this.
- 3.50 Under this arrangement it will recover some or all of the cost of providing waste disposal and recovery facilities and other waste services and initiatives from the charge it makes to shops for the bags. The shops will then recover their costs from sales to the public.
- 3.51 The Department acknowledges that shops may incur some costs as the result of supplying Waste Disposal Authority bags. However, recent discussions with the larger retailers suggest that they would be prepared to provide this service free of charge under their corporate and social responsibilities policies in support of the polluter pays principle.
- 3.52 This might not be so easy for smaller outlets and the Department therefore proposes that an Ordinance on Waste Disposal Authority charges should also include a power that would allow the Authority to set the retail price for waste bags. This will enable it to allow shops to recover their reasonable costs; however the Department anticipates that this would be minimal.

- 3.53 There is a potential argument that the proposed measures in relation to the required use and control of the sale price of bags and other receptacles could infringe Guernsey's obligations on the free movement of goods under Protocol 3 to the UK's Treaty of Accession to the European Union.
- 3.54 However, it is considered that the risk of those measures actually being found to infringe those obligations is not high and, in any event, that they can be justified on the basis that they:
- aim to protect the Environment, in particular by encouraging waste prevention, re-use and recycling,
 - are consistent with the States approved recycling targets and a Waste Minimisation Plan; and
 - reflect the polluter pays principle.
- 3.55 In addition these measures will not regulate trade in other bags and other receptacles for uses other than Douzaine collections. The Department will also ensure that the tender for the supply of the Waste Disposal Authority bags and other receptacles is wide and competitive, allowing companies from the EU to tender should they wish to do so.
- 3.56 The Department considers that the proposals in this Report comply with the Policy Council guidelines on fees and charges.

Potential impact of the waste bag and collection charges

- 3.57 The Department acknowledges that the proposed charges have the potential to increase the level of hardship in some quarters. However, it does not believe that the proposed system can be tailored to take account of individual circumstances, particularly as a large percentage of each household's costs will relate to bag usage. Furthermore, when other charges have been introduced by the States or increased they have not been adjusted to take account of the means of any individual to pay them.
- 3.58 The Department considers that the Social Security Department is best placed to address this issue by taking the charges into account when recommending supplementary benefit requirement rates and any other relief scheme.
- 3.59 Parish waste charges currently form part of the "basket" of goods used to calculate annual changes in the Retail Price Index (RPI). Black bags are also in the "basket", which means that changes to waste charges and black bag prices will have an effect on RPI and RPIX, although it is not possible to be certain of the exact impact at this time.

- 3.60 As a rough guide, the Department has been advised that the impact of the waste charges on RPI and RPIX could be as follows:

if the refuse rates are doubled	RPI – increase of 0.2% *
	RPIX – increase of 0.3%

* thus if the index increased by (say) 3%, the refuse rate would add a further 0.2% to this figure (3.2%).

- 3.61 However, it should be noted that without having further details of the charges and bag prices it is not possible to predict the effect on RPI/RPIX with great accuracy, although it is considered unlikely that the above estimates would be significantly exceeded.

4. Competition Policy and Legislation

- 4.1 The Department acknowledges that requiring householders to use Waste Disposal Authority bags and other receptacles and exercising control over their supply on the Island and the price at which they can be sold to the public could be seen as having anticompetitive effects. However, this is artificial in the sense that bag prices are being set to recover some or all of the cost of the Authority's facilities and services for which a charge is authorised under legislation.

- 4.2 The Department believes that these measures are necessary for it to be able to deliver the waste strategy, bring about wider environmental benefits for the Island through incentivising waste prevention, re-use and recycling, meet the States approved recycling targets and Waste Minimisation Plan and apply the polluter pays principle.

- 4.3 The Department therefore recommends that the Competition (Guernsey) Ordinance, 2012 is amended to provide for any necessary exemption for agreements and conduct in relation to a requirement to use Waste Disposal Authority marked bags and to supply and sell them at a set price.

- 4.4 Discussions have been held with the Channel Islands Competition and Regulatory Authorities in relation to the proposals. For the avoidance of doubt, the aim is to target the measures and any exemption from the competition Ordinance so that they apply only in relation to the bags and other receptacles which the Authority will specify must be used by the public and relevant businesses for the disposal or recovery of waste from households. The wider market for waste bags will not be affected.

5. Consultation

- 5.1 The Department has consulted with the Douzaines on the proposed content of new parochial waste collection legislation and their comments have been taken into account in the recommendations in this Report.

- 5.2 In July 2014 the Department also sought input from the public on various principles relating to the collection of household waste, 41 responses were received and these have also been taken into account in the recommendations in this Report.
- 5.3 The responses demonstrated support for the user pays approach in which households would pay for waste services based on the amount of waste they produced. There was also support for removing the current link to TRP which generally was considered unfair and contrary to the polluter pays principle. Concerns were raised about the potential negative impact on low income households, who currently pay very little. However, there was limited support for engineering the new charges to reduce the impact on these individuals as it was felt that mechanisms such as supplementary benefit were the most appropriate method of dealing with this issue.
- 5.4 At the time of writing, the Department was holding discussions with retailers on the commercial agreements discussed in paragraph 3.45.
- 5.5 The Department has consulted CICRA, which has indicated that it does not anticipate any issues in relation to competition law if the exemption proposed in paragraph 4.3 is approved.
- 5.6 The Department can confirm that the Law Officers of the Crown have been consulted on the contents of this Report.

6. Resource Implications

- 6.1 All waste operations and initiatives will in future be funded through the waste trading account, which essentially renders waste a commercial trading unit of the Public Services Department and means that it will have to ensure that its trading income can fully fund all its activities.
- 6.2 To date, there has been a degree of “cross subsidy” between waste income and the Public Services Department’s General Revenue-funded operations. The upshot of this is that, from the point at which the waste strategy is fully implemented, there will be a shortfall of approximately £1.4m in the Department’s General Revenue funding.
- 6.3 The Department will actively explore ideas with the Treasury and Resources Department regarding the reduction of this funding gap.
- 6.4 If there is no fixed charge to collect, the Department believes these proposals will have no impact on its requirements for staff resources. However in February the States approved a proposal that the Douzaines would be able to delegate their waste collection and related functions to the Waste Disposal Authority. If any choose to do so, or if a fixed charge proved necessary, the Department

would have to review its requirements for staff resources. Nevertheless, given that some tasks currently carried out by officers would no longer be necessary under the new regime, it is anticipated that any impact would be minimal.

6.5 It is estimated that 1 month of drafting time would be required to produce the legislation proposed in this Report.

7. Principles of Good Governance

7.1 The Department believes that it has fully complied with the six principles of good governance in the public services in the preparation of this Report (set out in Billet d'État IV, 2011 and approved by the States).

8. Recommendations

8.1 The Department recommends the States:

1. to rescind Resolution 11(a)(iii) of 12th February 2014 (Billet d'État No. II dated 20th December 2013) and to agree that the Douzaines will have discretion to allow businesses to opt into a household collection scheme rather than a duty to accept such businesses that choose to opt into such a scheme, provided that the amount and type of waste that any business could place out for collection could not exceed the average amount of the type of waste generated by a household.
2. to direct the preparation of legislation that is necessary to give effect to the proposals on:
 - a) the Parochial waste rate and Waste Disposal Authority waste rates as set out in section 3 of this report; and
 - b) the amendment of the Competition (Guernsey) Ordinance, 2012, as set out in section 4 of this Report.
3. to agree that appeals against civil fixed penalties issued by or on behalf of the Douzaines will be heard by the Parochial Appeals Tribunal.

Yours faithfully

P A Luxon
Minister

S J Ogier
Deputy Minister

D J Duquemin

R A Jones

P A Harwood

(N.B. The Treasury and Resources Department notes that the Public Services Department is proposing a charging mechanism to recover fully all of the fixed and variable costs directly associated with the waste collection services provided by the Douzaines and the waste processing facilities and services for the recovery or disposal of household waste provided by the Waste Disposal Authority. It is acknowledged that, at this stage, the estimated costs and charges are indicative and do include provision in respect of the collection and processing of food waste and glass but not for any specific expenditure necessary if there is an increased incidence of fly-tipping.

The Department further notes that there will be a financial risk that the variable charges set by the Waste Disposal Authority will not generate sufficient income to cover fully the costs incurred in processing waste, etc if the volume of waste collected is lower than anticipated. The Public Services Department has recognised this risk and plans to address it by, if necessary, introducing a fixed element within its charging structure.

As set out in paragraphs 6.2 and 6.3, the Treasury and Resources Department looks forward to working with the Public Services Department to address the shortfall in its General Revenue budget which will arise when the waste strategy is fully operational.

Although not directly related to the charging mechanism, any increase in charges for the collection and disposal of household waste could result in increased expenditure on the Supplementary Benefit Scheme which will consequentially reduce the level of budget available for all other Departments.)

(N.B. The Policy Council, by a majority supports the recommendations contained in this report. It notes that the Public Services Department is implementing the resolutions of the States in February 2014 through these clear legislative and administrative proposals. Should the States of Deliberation support all of these proposals, a period of time will be required for the new arrangements to be embedded on Island. The Council notes the Department's views that very few if any appeals are likely to be brought before the Parochial Appeals Tribunal in relation to the exercise of the Douzaines' powers under the proposed enactment of legislation. However, should the number of appeals be more than currently anticipated, the Policy Council or any other body responsible for the Parochial Appeals Tribunal in the future would need to request additional resources. The Policy Council confirms that the Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.

The States are asked to decide:-

X.- Whether, after consideration of the Report dated 22nd September, 2014, of the Public Services Department, they are of the opinion:-

1. To rescind States Resolution 11(a)(iii) of 12th February, 2014, (Billet d'État No. II dated 20th December, 2013) and to agree that the Douzaines will have discretion to allow businesses to opt into a household collection scheme, rather than a duty to accept such businesses that choose to opt into such a scheme, provided that the amount and type of waste that any business could place out for collection could not exceed the average amount of the type of waste generated by a household.
2. To direct the preparation of legislation that is necessary to give effect to the proposals on:
 - a) the Parochial waste rate and Waste Disposal Authority waste rates as set out in section 3 of that report; and
 - b) the amendment of the Competition (Guernsey) Ordinance, 2012, as set out in section 4 of that Report.
3. To agree that appeals against civil fixed penalties issued by or on behalf of the Douzaines will be heard by the Parochial Appeals Tribunal.

ENVIRONMENT DEPARTMENT
REGISTER OF DRIVING INSTRUCTORS

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

10th October 2014

Dear Sir

1. Executive Summary

- 1.1 In accordance with the principles of the Environment Department's Road Transport Strategy and further to a previous resolution of the States, the Environment Department ("**Department**") can now present detailed proposals for the introduction of a Register of Driving Instructors.
- 1.2 The Department has consulted with driving instructors and those concerned with driving standards and road safety in the Island in preparing these proposals for the consideration of the States of Deliberation.
- 1.3 Four clear reasons why it is important to establish a register of driving instructors have been identified. These are, in summary:
 - (i) To protect the health, safety and security of those undertaking tuition;
 - (ii) To introduce fair contractual arrangements into the business;
 - (iii) To encourage those entering the business to become properly qualified;
 - (iv) To maintain international recognition of the Guernsey driving licence.
- 1.4 The Department proposes the establishment of a Register of Driving Instructors which would require anyone offering driving tuition for payment or reward to be inscribed upon the Register.
- 1.5 Pending the implementation of the legislation required to establish the mandatory register, the Department proposes that a register should be established on a purely voluntary basis. Bringing in a voluntary register is a simple process that can be achieved within the Department's existing resources.

2. Background

- 2.1 In March 2006, as part of the Department's Road Transport Strategy, the States gave consideration to the proposition that a Register of Driving Instructors should be established. Paragraph 6.25 of the Road Transport Strategy reads as follows:

"The Department is also committed to the introduction of a register of driving instructors in the Island, which would apply to any instructor that charged for driving tuition. The intention would be to maintain and improve the standards of driving tuition available in the Island in the interests of road safety. It is possible that the criteria for entry on to the register might be similar to those required of applicants for permits to drive a public service vehicle, including driving, medical and character checks. However, the Department would intend to consult with local driving instructors on how such a register might operate before reporting back to the States with the results of its investigations into the matter and any firm proposals."

- 2.2 Consequently, the States resolved:

"12 To approve, in principle, the introduction of a register of driving instructors in the Island and to direct the Environment Department to report back to the States with detailed proposals in due course."

3. The Current Situation

- 3.1 Driving instruction in Guernsey is not restricted by legislation and any individual with basic driving qualifications can freely establish a driving school and charge learners for tuition.
- 3.2 Notwithstanding this situation, a body of recognised driving instructors has grown up in the Island and it is acknowledged that individuals can obtain good quality driving tuition and advice for the purposes of passing driving examinations in the Island.
- 3.3 Following consultation by the Department it has been ascertained that, within the body of driving instructors and generally amongst those concerned with driving standards and road safety in the Island, there is broad recognition that a formal (and mandatory) register of driving instructors would make a positive contribution to road safety. There is also a general concern that Guernsey is out of step with other developed countries in not having a formal register of driving instructors.

4. Why a Register of Driving Instructors is Needed

- 4.1 There are four clear reasons why a register is need in the Island:

- (i) The health, safety and security of those taking driving instruction would be better managed within a more formal structure of registration and recognition.

A key part of the proposals requires anyone seeking to be accepted onto the register to undertake a criminal records check; an unsatisfactory result would bar an individual from going on the register.

It is a matter of fact that many of those leaning to drive are young people who may be naïve or inexperienced in relationships with older persons outside of the family circle. Driving instruction is ordinarily carried out on a one to one basis within the confines of a motor vehicle which may be located in remoter parts of the Island. It is only reasonable that the person learning to drive (and those concerned with his or her welfare) should be confident that the background and ability of the instructor has been properly checked.

- (ii) Engaging a driving school involves the establishment of a contract. Without specified terms and conditions of operation, this contract can be heavily favourable to the instructor and work to the disadvantage of the learner driver, both in terms of the costs of learning and the quality of instruction.
- (iii) There is, at present, very little restriction on anyone, from whatever background, setting up a driving school. It is reasonable to suppose that those engaging a driving instructor will presume that he / she is in some way qualified to provide tuition, but this may well not be the case.
- (iv) Guernsey is virtually alone in the developed world in not having a formal register of driving instructors. This fact has not, to date, had any great impact on the ability of the Environment Department to deliver a high standard driving examination service, but this situation may be expected to change in the future.

Every six months the examination service is inspected by qualified representatives from the UK. The most recent report, which was prepared by the Chief Driving Examiner and the Assurance and Improvement officer from the Driving and Vehicle Standards Authority, was received following the inspection visit that took place in July 2014. It states, *inter alia*:

Until the Register is fully introduced and mandatory, the public may be paying for driving lessons with someone who has not had to satisfy any qualifying examinations or CRB style checks. Driving instructors are effectively an unknown quantity, whose suitability and skills for the role are unknown. This strategy is high risk.

Reports arising from these inspections have emphasised the need for Guernsey to establish a register of driving instructors for all the reasons set out in this report. Should the inspectors continue to file adverse comments on this aspect of the examination service then there is the possibility that the Guernsey issued driving licence could be called into question. This carries a range of implications for Islanders and the economy as whole. In the event that the Guernsey issued driving licence should lose its internationally recognised status then it would become extremely difficult to sustain meaningful trade links, travel would be restricted and driving overseas made almost impossible.

- 4.2 The establishment of a mandatory register, including proper examination of candidates and check testing for continued competence, will take some years to bring into being, principally on account of the legal requirements necessary for its introduction. However, the Voluntary Register will help to meet most of the concerns set out above and will ensure that Guernsey has at least made a corrective move in addressing this pressing need. If the introduction of a register meant a complicated and bureaucratic process then there could possibly be some justification for pressing on with the current arrangements. However, a voluntary register can be established very quickly without any requirement for additional staff or funding. By including a criminal records check and the Code of Conduct and Good Practice all the main concerns regarding vetting of those seeking to provide tuition and sound contractual arrangements can be addressed.

5. The Proposals: Register of Driving Instructors

- 5.1 The Department proposes the establishment and organisation of a Register of Driving Instructors ("**Register**") and the introduction of a legal requirement for anyone offering driving tuition for payment or reward to be a Registered Driving Instructor ("**RDI**") and to be inscribed upon the Register. It would therefore be an offence for an individual to offer driving tuition for payment or reward without being on the Register.
- 5.2 In drafting the proposals the Department has taken account of registration schemes as they operate elsewhere; in particular, the Department has examined the schemes operating in the UK, Jersey and the Isle of Man. The outcome is a regime that is demanding of those seeking RDI status, is comparable with other jurisdictions and contributes to the quality of driving, road safety and driving instruction in the Island. Some points to note are:
- Although it is based upon other schemes, the Guernsey RDI is unique. Acquiring the status does not qualify the holder to instruct in other jurisdictions.

- The scheme can only become mandatory after the necessary legislation is passed.
- The Department proposes to make the scheme available as soon as possible on a voluntary basis in Guernsey only. Voluntary registration can be introduced reasonably easily, but will not initially include the Examined Elements (referred to in items 6-8 in paragraph 4.3 below). The Examined Elements will be added to the voluntary registration scheme as soon as they become available. Once the scheme becomes mandatory, the voluntary registration scheme will become obsolete.
- Those instructors who secure all the Examined and Non-Examined Elements for voluntary registration (referred to in paragraph 4.3 below) will be directly included on the Register once it is made mandatory under the law.
- Assistance for prospective RDIs will be provided by the Department in the form of information and advice. The Department will also seek to provide dedicated training (by suitably qualified professionals) for the Examined Elements once they become available.
- All costs for the scheme will be charged to those seeking registration (including the costs of training). Whilst being fully self-funding, it is not foreseen that the scheme will generate a surplus.
- There is no intention to alter the present restrictions on teaching an individual to drive where there is no element of payment or reward in return for instruction. Friends, parents and other relations, therefore, will still be able to provide driving tuition.

The main proposals which relate to the Register are set out below.

5.3 Required Qualifications

- 5.3.1 In order for an individual to be placed on the Register applicants must satisfy the required qualifications set out below.

Non-Examined Elements

1. Is over the age of 21.
2. Holds a current full driving licence for the category for which tuition will be provided and has held the same for at least four of the previous six years.
3. Has undertaken a satisfactory criminal records check.

4. Has signed and agreed to comply with the Register of Driving Instructors Code of Conduct and Good Practice.
5. Is, in the opinion of the Environment Department, a fit and proper person to be listed in the Register of Driving Instructors¹.

Examined Elements

6. Has passed Part I of the driving instructor examinations – the Theory Test.
7. Has passed Part II of the driving instructor examinations - the Practical Test.
8. Has passed Part III of the driving instructor examinations – the Test for Ability in Instruction.

5.3.2 It is possible that new or additional requirements or conditions may be imposed before registration becomes a legal requirement. Although the Department does not envisage any far reaching changes to the Examined and Non-Examined Elements, in order to be included on the mandatory Register an applicant will be obliged to fulfil all requirements as they apply once the legislation becomes operative.

5.3.3 It is proposed that the detail of the examinations (including, without limitation, the content, framework, criteria, scoring matrix and procedures) will be determined by the Department.

5.3.4 The Department proposes that a Code of Conduct and Good Practice for Driving Instructors is introduced. It is envisaged that the Code will require applicants to agree and adhere to express standards and requirements of conduct and driving instruction.

5.4 *Equivalent Qualifications*

5.4.1 It is proposed that a driving instructor holding qualifications similar to those required under Guernsey law may be admitted onto the Register if the Department is satisfied that such qualifications are equivalent. In such cases, the Department may, at its discretion, require an applicant to undertake some part of the process for becoming an RDI.

5.4.2 *Motor Vehicle Requirements*

It is proposed that an RDI will only be permitted to use motor vehicles for instruction that comply with requirements specified by the Department.

¹ All RDIs must be sufficiently fit and healthy to carry out their duties as appropriate, including taking control of a vehicle and having the ability to react in emergency situations. An applicant's medical fitness will therefore be a relevant factor when considering whether a driving instructor is a fit and proper person. The Governing Policy contains full details.

5.5 *Registration and Period of Registration*

- 5.5.1 As mentioned above, once the required legislation has been adopted, it will be a legal requirement for an instructor to be registered as an RDI before accepting payment or reward for teaching an individual to drive. Therefore, having satisfied the requirements set out in the Examined and Non-Examined Elements, and having paid any fees that may be due, an instructor's name must be inscribed on the Register in order to provide paid driving instruction services. It is envisaged that if an applicant successfully meets all the required qualifications, the individual will be issued with an identity display disc with the status *Registered Driving Instructor*.
- 5.5.2 The Department will only formally introduce the mandatory legislative scheme once all of the Examined and Non Examined Elements have been made fully operational and there is an assured body of qualified instructors.
- 5.5.3 To ensure that RDIs continue to operate to high standards, an individual's listing on the Register will be restricted to three years. In order to renew registration on the Register it will be necessary for the instructor to undertake a further criminal records check, re-sign the Code of Conduct and Good Practice and undergo a Check Test². At this stage, it is not envisaged that there will be a further administration charge for the renewal of registration, however, the Department may introduce one if it is deemed necessary. The applicant will be required to pay for the criminal records check and the Check Test.

5.6 *Amendment to the Driving Licences (Guernsey) Ordinance, 1995*

- 5.6.1 Under section 2(1) of the Driving Licences (Guernsey) Ordinance, 1995, as amended, a provisional licence holder is authorised to drive under certain conditions. One of the conditions is that the car is driven under the supervision of a person who is present with him and who holds, and has held for a period of at least 12 months, a full driving licence of the class being driven by the learner driver.
- 5.6.2 With the introduction of the Register, section 2(1) will need to be amended so that a provisional licence holder will not drive without the supervision of either –
- (a) a person who has held a driving licence for at least 12 months, if they are not teaching for money or reward, or
 - (b) a RDI, if they are teaching for money or reward.

² A Check Test is essentially a repeat of the Test for Ability in Instruction.

5.7 *Conditions, Suspension and Revocation*

- 5.7.1 It is envisaged that RDIs will be required to comply with certain conditions issued or prescribed by the Department from time to time. For example, RDIs may have to take further tests or examinations (including Check Tests) as may be reasonably required by the Department in order to ascertain continued ability.
- 5.7.2 In addition, it is important that the Department has the requisite powers to suspend or revoke a RDI from the Register if the Department has due cause, if for example, the RDI is failing to comply with the Code of Conduct and Good Practice or is no longer a fit and proper person.
- 5.7.3 It is therefore proposed that provisions within the legislation are included which empower the Department to impose or vary conditions on a RDI upon or after registration, or suspend or revoke a RDI from the Register.

5.8 *Appeal*

- 5.8.1 It is not envisaged that an applicant's failure to pass any test or examination in relation to obtaining or securing the status of RDI can be appealed. However, should a candidate be aggrieved that a test or examination has not been conducted properly or in accordance with the stipulated procedures, then the applicant may make a complaint through the Department's Complaints Procedure. Should a complaint of this nature be upheld then the Department, at its discretion, may compensate the complainant, including the refund, in full or in part, of any test or examination fee.
- 5.8.2 However, in the event that an individual is refused registration, has registration revoked, or is refused an application for renewal of registration, it is proposed that the individual may appeal to the Royal Court.

5.9 *Other*

- 5.9.1 It should be noted that a driving instructor is interpreted as a person who "works with children" under the Rehabilitation of Offenders (Bailiwick of Guernsey) Law, 2002 (Commencement, Exclusions and Exceptions) Ordinance, 2006. This means that section 7 of the Rehabilitation of Offenders Law, 2002 does not apply to driving instructors and they therefore have an obligation to reveal spent convictions if asked any questions concerning their previous convictions, offences, conduct or circumstances. In the event that an applicant should fail to disclose a spent conviction, that person could be refused admittance onto the Register or, subsequently, have their name removed from the Register.
- 5.9.2 It is proposed that in the event that an applicant or a RDI knowingly makes a statement that is false, fraudulent or designed to mislead or otherwise sets out to lay

a deception designed to acquire an unwarranted advantage in obtaining or retaining the status of RDI, then it is proposed that that person shall be guilty of an offence in law.

6. Governing Policy

- 6.1 The Department will issue detailed guidance on how the scheme will operate in practice by way of a Governing Policy. The Governing Policy will set out the policies that will be considered by the Department when determining applications to be listed on the Register and when assessing the conduct of those on the Register together with any procedures which are of relevance to the operation of the Register.

7. Voluntary Registration Scheme

- 7.1 As mentioned above, the Department is keen to introduce the scheme as soon as possible on a voluntary basis pending the introduction of legislation.
- 7.2 For voluntary registration, the instructor will be required to comply with the *Non-Examined Elements* 1 – 5, as set out in 4.3 above.
- 7.3 Once the Examined Elements are available, individuals who have been admitted onto the Voluntary Register (along with other, aspirant driving instructors), will be invited to take the examinations in preparation for the time when legislation makes this an obligatory part of registration. Those who choose not to take the examinations will be retained on the Voluntary Register, *ceteris paribus*, until such time as it should cease to exist and, once the Mandatory Register has been introduced, will not be permitted to charge for driving instruction.
- 7.4 Should an instructor successfully meet all the criteria for admittance onto the voluntary register, the individual will be issued with a windscreen display disc indicating the status *Recognised Driving Instructor*.
- 7.5 After three years on the register a recognised instructor will be required to undergo a further criminal records check and re-sign the Register of Driving Instructors Code of Conduct and Good Practice in order to maintain registration on the voluntary register.
- 7.6 It should be highlighted that, once legislation for the establishment of the Mandatory Register is put into place, the voluntary registration scheme and the status of *Recognised Driving Instructor* will cease to exist (however, there will be a transition period and a certain number of transition arrangements whilst the changeover takes place). From this point onwards, all driving instructors would have to undertake the full qualification consisting of the Examined and Non-

Examined Elements in order to be placed on the Register and in order to offer driving tuition for payment or reward. The Department will therefore use its best endeavours to update driving instructors at the various stages of the legislative process so that they have an understanding of the timelines.

8. Costs and Staffing Implications

- 8.1 It is proposed that both the voluntary and mandatory schemes are funded from the charges levied upon prospective candidates for the various elements (both examined and non-examined).
- 8.2 An administration fee is included, but the Department is not seeking to charge for staff time directly; it is aiming to recover costs for advertising, consumables, information leaflets, management of data, etc. These costs are not considered to be substantial and there are no proposals for staffing increases to meet the needs of the register. This fee will be calculated in accordance with the Policy Council Guidelines on Fees and Charges (April 2013).
- 8.3 Costs for the prospective driving instructor include the charges for the criminal records check, each of the examined elements, check testing, training and the administration charge. The following table sets these out together with estimations of the fee that will be payable for each factor:

NON EXAMINED ELEMENTS	
Factor	Estimated Costs
Criminal Records Check ³	£58
Registration and Administration	£100 ⁴
Total	£158

EXAMINED ELEMENTS	
Factor	Estimated Costs
Part I – The Theory Test	£100
Part II - The Practical Test	£100
Part III – The Test for Ability in Instruction	£100
Check Testing	£100
Training for Parts II and III ⁵	£400
Total	£800

³ The figure given is stipulated by the Guernsey Vetting Board.

⁴ This charge represents an estimation of the costs for registration and administration once the Mandatory Scheme is established. It is expected to be considerably lower for the Voluntary Scheme.

⁵ The estimate for training costs is based upon twenty candidates undertaking ten days tuition by a recognised professional from a specialist organisation.

- 8.4 These costs have been devised on the basis that the scheme will be self-funding and that the expense will be reasonable enough to encourage individuals to consider taking up the rôle. Also, the estimates that are given for costs following the adoption of legislation are pitched on the high side of expectations and it may be that they prove to be lower once the scheme comes into use.

9. Corporate Governance and States Strategic Plan

- 9.1 The Department believes that it has fully complied with the six principles of good governance in the public services in the preparation of this Report (set out in Billet d'État IV, 2011 and approved by the States).
- 9.2 The Department believes that the Report conforms with the overarching strategies (fiscal and economic, social, environmental and infrastructure) set out in the States Strategic Plan.

10. Conclusions

- 10.1 There is a need for a formal register of driving instructors in the Island, as recognised by, and confirmed through consultation with the local body of driving instructors and others concerned with driving standards and road safety.
- 10.2 The Department proposes the establishment of a Register of Driving Instructors which would require anyone offering driving tuition for payment or reward to be inscribed upon the Register. It is appropriate that a Guernsey scheme should be unique to the Island but comparable with other jurisdictions.
- 10.3 Pending the implementation of the legislation required to establish the mandatory register, the Department proposes that a Register should be established on a purely voluntary basis.

11. Law Officers

- 11.1 The Law Officers have been consulted in relation to the legal issues set out in this Report.
- 11.2 In order to implement a large majority of the proposals in relation to the Register there is a need for legislation. There is a reasonably significant amount of drafting time needed to implement these proposals.

12. Recommendations

12.1 The Department recommends the States to:

1. Approve the introduction of a mandatory Register of Driving Instructors, as detailed in this Report.
2. Approve the introduction of a voluntary registration scheme pending the introduction of the mandatory Register of Driving Instructors, as detailed in this Report.
3. Direct the preparation of such legislation, together with any consequential legislative amendments, that may be necessary so as to give effect to the above decisions.

Yours faithfully

Y Burford
Minister

B L Brehaut
Deputy Minister

J A B Gollop
P A Harwood
A R Le Lièvre

(N.B. The Treasury and Resources Department notes that the costs of the voluntary and mandatory schemes will be funded by charges which will be set in accordance with the Fees and Charges Policy guidance.)

(N.B. By majority, the Policy Council supports the proposals in this report and confirms that the States Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

XI.- Whether, after consideration of the Report dated 10th October, 2014, of the Environment Department, they are of the opinion:-

1. To approve the introduction of a mandatory Register of Driving Instructors, as detailed in that Report.
2. To approve the introduction of a voluntary registration scheme pending the introduction of the mandatory Register of Driving Instructors, as detailed in that Report.
3. To direct the preparation of such legislation, together with any consequential legislative amendments, that may be necessary so as to give effect to the above decisions.

PUBLIC SERVICES DEPARTMENT**GUERNSEY AIRPORT TERMINAL CONSTRUCTION PROJECT – OVERSPEND
AND POST IMPLEMENTATION REVIEW SUMMARY**

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

11th August 2014

Dear Sir

1. Executive Summary

- 1.1. The purpose of this Report is to inform the States of the final costs of the Guernsey Airport Terminal Construction Project (the Project) and to explain in detail the process which led to this sum. Owing to an extended legal dispute which delayed the commencement of a post-project implementation review, it has not been possible to report back to the States on this Project until now, 10 years after its completion. The States are asked to bear in mind that owing to the experience gained from this Project and others of the time, project management procedures have been significantly overhauled to positive effect, as evidenced by the many projects that have been handled successfully during the last 10 years.
- 1.2. The States first agreed proposals to redevelop the airport terminal building in November 2000 (Billet d'État XXII). The expressed aim of the Project was to redesign and relocate the terminal building in order to equip it to cope with increasing passenger demands and to comply with safety guidance issued by the Civil Aviation Authority (the CAA) which was adopted by the Royal Court, the local licensing authority. The total Project cost was estimated by the retained quantity surveyors Davis Langdon Everest to be £16,847,094.
- 1.3. In January 2001 (Billet d'État I) the States agreed a payment mechanism for the Project whereby capital costs would be recouped through the application of an Airport Development Charge. In April 2002 (Billet d'État VI), the States approved the then Board of Administration's recommendation to accept Hochtief (UK) Construction Limited (Hochtief) to undertake the work at a revised estimated total project cost of £19,529,393, with the Contractor's costs estimated at £16,410,066.
- 1.4. Works on the Project subsequently started in July 2002 with a target completion date of 24 months; however, the Project overran by 4 months and was completed in November 2004. The Project also came in over budget. The total overall

spend was £26,310,273, which was an overspend of £6,780,880. Within this amount, the construction contract of £16,410,066 rose to £23,701,623 and, in addition, £499,670 of unbudgeted costs resulting from the handling of legal claims were incurred.

- 1.5. Another contractual issue led to a number a local sub-contracted firms going without full payment. A Requête (the Walters Requête, March 2004) was approved by the States, requiring the Public Accounts Committee (having taken advice from the Law Officers on the risk of prejudice to the States in any litigation or arbitration which may arise out of the project) to review, together with the States Treasurer, the process leading to the award by the States of the contract for construction of the new terminal building at the States Airport to Hochtief, with particular attention to the adequacy of any financial checks carried out on Hochtief on behalf of the States, and to report to the States thereon. In February 2012, the previous Public Accounts Committee (PAC) tried to have the resolution rescinded on the grounds that project and financial management had improved greatly since the Guernsey Airport Terminal Construction Project, but the PAC was unsuccessful in this attempt. Consequently, the PAC has liaised with the States Treasurer to undertake a review to satisfy the requirements of the Walters Requête and the resulting report is attached as Appendix 2.
- 1.6. In May 2004 changes to the machinery of Government took place and many of the responsibilities of the Board of Administration, including the Guernsey Airport Terminal Construction Project, were transferred to the newly formed Public Services Department (the Department/PSD). Following conclusion of the Project in November 2004, the Department took advice from WT Partnership, a leading UK firm of cost consultants/quantity surveyors, and decided to engage the UK legal firm Eversheds to pursue compensation from Babbie, the consulting mechanical and electrical engineers, and the Project architects, Kensington Taylor.
- 1.7. An extended and protracted legal dispute ensued. The Department sought to resolve the issue through arbitration but, at a High Court hearing in London on 1st April, 2011, the Court decided that the Department could not prove that an arbitration agreement had been agreed by the parties and the matter was resolved in Babbie's favour. A 'leave to appeal' request was rejected and pursuit of further legal action was not sought by the Department on the grounds of escalating legal and expert cost. Ultimately the dispute was resolved through a 'drop hands' settlement whereby all parties bore their own costs.
- 1.8. In July 2012 the Department, as advised by the Law Officers of the Crown, informed the PAC that legal proceedings had concluded and a post implementation review (PIR) could take place. As several years had passed since the completion of the Project and the experience gained from this Project and others had already led to the significant overhaul of project management procedures, it was subsequently agreed that it would be unwise to spend a disproportionate amount of time and money on the PIR. In June 2013, the PAC

consequently agreed with PSD that it would be appropriate to engage the Internal Audit Unit (IAU) to undertake a PIR on behalf of the States of Guernsey. The IAU began work on the PIR in Autumn 2013 and completed it in March 2014. Lessons identified as arising from the Project are summarised in Appendix 1, which also provides comments from the States Property Services section of the Treasury and Resources Department, highlighting how procedures and processes have changed since the Project.

2. Background to the Project

- 2.1. The old airport terminal building had been under pressure for a number of years from increasing passenger numbers and, as a short-term solution, the building had been extended. In the late 1990's the CAA undertook an audit of Guernsey Airport and a number of recommendations were made. One of the primary findings from that audit was that the old terminal building, and aircraft parked outside it, infringed protected surfaces¹ at various locations around the airport, causing a risk to aviation. To correct these infringements a number of urgent actions were advised, including replacement and relocation of the terminal building.
- 2.2. Whilst the States was not obliged to follow the CAA guidance, the Royal Court (which at the time was the local licensing authority) adopted it; thus the Board of Administration had to agree to the relocation of the terminal in order to continue to comply with the operating conditions of its licence (the Guernsey Aerodrome Licence). At one stage the Royal Court was only prepared to issue operating licences to Guernsey Airport on a six-monthly (rather than annual basis) to maintain the pressure to deal with these physical obstructions.
- 2.3. The Board of Administration submitted a States Report (Billet d'État XXII of 2000) outlining the need to redevelop the terminal building in order to secure Aerodrome Licences on an on-going basis. This was considered in November 2000 and the States approved in principle the construction of a new terminal building at Guernsey Airport.
- 2.4. Following the receipt of this approval, a tender exercise took place, details of which can be found in the report considered at the April 2002 States meeting (Billet d'État VI), and Hochtief was recommended as the main contractor. The final design was informed by a comprehensive consultation which consisted of meetings, briefing sessions, and questionnaires conducted with airport user and operator groups, local user and consumer groups and key airport stakeholders. Further details of this consultation process can be found in section 10 of the April 2002 States Report (Billet d'État VI). The States approved the appointment of Hochtief.

¹ An area which has to remain free of physical obstruction and is measured from the centreline of the runway. The purpose is to protect aircraft in flight should an aircraft drift either side of the runway when landing or taking off, and it also limits the risk associated with stray aircraft striking any obstructions.

3. Funding / Budget

- 3.1. In November 2000, the estimated total project cost of £16,847,094 was approved by the States (Billet d'État XXII).
- 3.2. In January 2001 (Billet d'État I) the States agreed a payment mechanism for the Project. The capital monies for the Project were borrowed from the Ports Holding Account and the capital costs were recouped through the application of an Airport Development Charge.
- 3.3. In respect of the Airport Development Charge, the Department notes that, up to the end of 2013, approximately £10 million has been received. It is estimated that up to twenty two more years of Airport Development Charge income will be required to recover the full cost of the project, with the overspend adding approximately nine additional years.
- 3.4. As previously noted, a tender exercise was undertaken and in April 2002 the States appointed Hochtief as the main contractor. The States accepted Hochtief's negotiated revised tender for the Project, the cost of which was greater than had been anticipated in November 2000. The newly estimated contractor costs equated to £16,410,066, increasing the estimated total project cost to £19,529,393.

4. Contracts

- 4.1. The key firms involved in the construction of the new terminal building were:
 - Hochtief – Main Construction Contractor
 - Kensington Taylor – Lead Consultant and Project Architect
 - Davis Langdon Everest – Quantity Surveyors
 - Babtie (now called Jacobs) - Civil, Mechanical and Electrical Engineers
 - BAE Systems (Operations) Limited - provided the Project manager
 - Concept Developments (Wiltshire) Limited – subcontractor for Hochtief
- 4.2. The States had a JCT Standard Form of Building Contract with the main contractor, Hochtief (UK) Ltd (a subsidiary of Hochtief Construction AG). The contract was signed in June 2002 and work subsequently commenced on 15th July, 2002.
- 4.3. As was to be expected, there were no direct contractual arrangements between the States and Hochtief's subcontractors or secondary sub-contractors.
- 4.4. It was originally intended that the professional design team would be retained by way of a single contract with the lead consultant, Kensington Taylor, who would sub-contract with the other consultants to provide the States with a multi-disciplinary service. However, this original approach was revised and in early 2001 it was agreed that separate appointments would be pursued with the individual consultants, primarily Davis Langdon Everest (cost consultant /

quantity surveyor) and Babtie who provided the civil, mechanical and electrical designs and specifications.

- 4.5. Davis Langdon Everest negotiated on behalf of the States in regard to the terms of the other consultant appointments between 2001 and 2004. This responsibility was later taken over by the Client – i.e. the States of Guernsey, acting through the Board of Administration/PSD.
- 4.6. Concept Developments (Wiltshire) Ltd was one of the principal sub-contractors for Hochtief. It provided various groundwork activities and general labour staff. Concept Developments in turn sub-contracted to local firms including local hauliers and plant hire companies.

5. Contractual Difficulties

- 5.1. As a result of contractual issues the Project overran by 4 months and came in over budget. Contract costs increased from an estimated £16,410,066 to an actual cost of £23,701,623. The Certificate of Practical Completion was issued on 16th November, 2004.
- 5.2. Additionally, there were problems with sub-contractual relationships for the construction, where the States had no direct contractual involvement. Concept Developments, Hochtief's sub-contractors, who in turn sub-contracted to local suppliers, went into liquidation during the Project and a number of the local suppliers were left without full payment which, although it was not a matter for which the States was responsible or liable, no doubt caused hardship to those suppliers.
- 5.3. This led to the Walters Requête being lodged and approved by the States in March 2004. This required the PAC and States Treasurer to review the process leading to the award of the contract for construction to Hochtief, with particular attention to the adequacy of any financial checks carried out on Hochtief on behalf of the States. The previous PAC tried to have the resolution rescinded in February 2012 on the grounds that project and financial management had improved greatly since the Guernsey Airport Terminal Construction Project, but was unsuccessful in this attempt. Consequently the PAC has liaised with the States Treasurer to undertake a review to satisfy the requirements of the Walters Requête and the resulting report is attached as Appendix 2.

6. Legal Proceedings

- 6.1. In May 2004, changes to the machinery of Government took place and responsibility for the Guernsey Airport Terminal Construction Project was transferred from the Board of Administration to the PSD. In view of the increased contract costs, the newly formed PSD sought to establish whether it would be able to obtain any compensation. Following the conclusion of the Project, advice in this regard was obtained from Dr Keith Day, an advisor from WT Partnership, a leading UK firm of cost consultants/quantity surveyors. He

advised that the Department should be able to claim up to £5 million worth of compensation from various parties involved in the Project.

- 6.2. The Department engaged a leading UK legal firm, Eversheds, to pursue its claim. After consideration of Dr Day's advice, Eversheds concluded that his opinion on the level of settlement was unlikely to materialise. Eversheds considered that the States of Guernsey had a legitimate claim against Babtie which could lead to an award of up to £2 million. However, there was no guarantee that this amount would be awarded.
- 6.3. Based on legal advice the Department decided not to pursue Davis Langdon Everest and BAE systems for compensation on the proviso that they assisted the Department in its pursuit of compensation from Kensington Taylor and Babtie. At the same time Babtie was looking to raise a counter claim in relation to previously unclaimed fees.
- 6.4. It was initially estimated that the legal cost of pursuing the case could be up to £250,000 and a budget was created accordingly. This budget was soon exceeded as the Department became locked in a protracted legal battle with Babtie, the States having given notice of arbitration based on the contract of appointment provisions.
- 6.5. Babtie, with the support of its professional indemnity insurers, resisted the Department's claim. In 2011, it developed a new legal argument that there was never a valid arbitration clause in the contract and that therefore the Department could not have the matter settled by arbitration.
- 6.6. The legal team from Eversheds acting for the Department argued that the conduct of Babtie and the documents clearly demonstrated that both parties had agreed an arbitration clause. However, the Department was unable to prove that, by the time the relationship with Babtie had broken down, the contract containing the arbitration clause had been accepted by Babtie, notwithstanding that both parties had been acting in accordance with that contract in every other way.
- 6.7. The argument was settled at an arbitration clause hearing heard on 1st April 2011 in the High Court, London. The Court decided that the Department had not proved that Babtie had accepted arbitration and the judgment was given in Babtie's favour. As a consequence the Department lost its opportunity to proceed with the claim through arbitration or through the Courts.
- 6.8. Eversheds sought leave to appeal the decision from the High Court but this was denied by a judge who reviewed the papers. The appeal could have been pursued further to an oral hearing, but the Department had to balance the escalating legal costs and took the view that, as the prospect of a successful outcome was increasingly unlikely, further legal action should not be taken and that no further costs should be incurred.

- 6.9. Eversheds suggested to the Department that Kensington Taylor could be liable to pay compensation to the States of Guernsey as the company had been appointed to provide advice as lead consultant. However, it was considered that it would be a risk and expensive to proceed with the action against Kensington Taylor alone.
- 6.10. In the light of the foregoing, the PSD Board agreed to negotiate a ‘drop hands’ settlement of the matter, which meant that each side paid its own costs. Neither Kensington Taylor nor Babtie chose to pursue the matter any further and in light of this the Law Officers of the Crown advised in mid-2012 that it was reasonable to interpret this as meaning that all parties regarded the matter concluded.

7. Total Cost of the Project

- 7.1. The details of the final project costs are as follows:

Construction Contract	£23,701,623
Design Team Fees	£1,723,899
Project Management Fees	£385,081
Legal Fees	£499,670
Total Project Cost	£26,310,273

8. Post-Project Implementation Review

- 8.1 The following summary is based on the findings of the internal PIR conducted by the IAU, following a review of historical Board of Administration and PSD documentation. Internal Audit reports are internal documents and as such are not public documents; however, in summary, it was found that:
- 8.2 The objective of the Airport terminal redevelopment project was to construct a high specification statement building of architectural merit that would last for at least 25 years. The terminal was to be efficient and easy to use, and to ensure maximum safety and protection for passengers. It was to be built in the shortest space of time and on budget, with minimum disruption to passengers.
- 8.3 Throughout the project there were a number of difficulties that impacted on the level of financial control the Board of Administration was able to exert over the project. This led to inadequate and less than fully effective management of the project, and significant escalation of costs.
- 8.4 The principal reason for this was that the contracts in place between the States, the consultants and the contractor, did not provide the States with the right level of protection and control over delivery. Contract administration was inadequate and key contracts remained unsigned until after the project was completed.

Liability for poor delivery was unclear and apportioning responsibility was complex, resulting in increased costs, claims and eventual litigation.

- 8.5 Another significant factor was inaccuracy in the costing assessments at a number of key points in the tender process. The pre-tender estimate was inaccurate, which meant there was a significant disparity between that and the tenders received for the construction phase of the project.
- 8.6 A cost reduction and value engineering process was initiated to reduce the tender price. However, some of the costings were not finalised before the contract was signed, which adversely impacted on the final contract cost. In addition, contract management was not effective as it did not provide the level of authority and control required to enforce timely delivery of the quality and standard necessary for this project. This enabled the consultants and the contractor to blame each other for omissions and failings on the project.
- 8.7 Notwithstanding these issues, the project delivered on its prime objective to provide a modern, efficient terminal to serve Guernsey Airport and the travelling public.

9 Lessons Learnt

- 9.1 The PIR has been reviewed by a number of senior staff from States Property Services, Guernsey Airport, the PSD and the Law Officers of the Crown.
- 9.2 These parties all recognise that, in the ten years since completion of the Guernsey Airport Terminal Construction Project, the experience gained from this Project and others has already resulted in significant positive changes to project management procedures.
- 9.3 A 'Lessons Learnt Summary' table has been produced which summarises how the specific learning points highlighted in the Guernsey Airport Terminal Construction Project PIR have already been addressed by modern project management practice employed by the States. The table is attached at Appendix 1.
- 9.4 The PSD Board noted the PIR and the Lessons Learnt Summary at its meeting on 03 April 2014.

10 Comment from the Public Accounts Committee

- 10.1 The PAC welcomes the conclusion of this project, which it has consistently monitored whilst the ongoing legal proceedings were being undertaken following the 2004 States Resolution.
- 10.2 The PAC believes that a number of important lessons can be learned from the PIR of the construction of the Airport Terminal Building.

- 10.3 Firstly, it is important to ensure that the management of the legal activities undertaken by the States of Guernsey is effective. The PAC acknowledges that substantial changes have been made in the way that central advice on legal contracts is provided since this issue arose.
- 10.4 The PAC feels it is essential that if a similar situation arises, the parties concerned should have absolute clarity in terms of the legal decision making process and specifically who is responsible for making these decisions. It is essential that these decisions are made with due consideration of both the costs and the risks associated with each course of action.
- 10.5 In addition, the PAC feels that it is essential that the lessons learned from major capital projects are effectively disseminated and embedded within all government departments. In particular, the PAC is keen to ensure that contingency funds are used when appropriate, rather than as additional project funding as required.
- 10.6 In summary, the PAC supports this Report from PSD and endorses the Recommendation.
- 10.7 PAC's separate findings in respect of the Walters Requête, which matter has been examined in conjunction with the States Treasurer, can be found in Appendix 2.

11 Recommendation

- 11.1 The Public Services Department recommends the States to:
- a) Note the contents of this Report;
 - b) Note the contents of the Public Accounts Committee's report, as appended to this Report; and
 - c) Sanction the overspend of £6,780,880 on the capital vote of £19,529,393 for the construction of a new Terminal Building and associated external works at Guernsey Airport, charged as capital expenditure in the accounts of Guernsey Airport.

Yours faithfully

P A Luxon
Minister

S J Ogier
Deputy Minister

D J Duquemin

R A Jones

P A Harwood

Appendix 1

GUERNSEY AIRPORT TERMINAL POST IMPLEMENTATION REVIEW

Lessons Learnt Summary

The following table summarises lessons identified from the Airport Terminal Project PIR, along with responses from the States Property Services (SPS) section of the Treasury and Resources Department in respect of current methodology.

Procedures and processes have been implemented over the past few years and are constantly being updated and improved. The SPS response is intended to put the issues raised into the current context for project procurement by the States of Guernsey and to demonstrate the changes during the 10 -12 years that have elapsed since the procurement of the Airport Terminal Project.

Lesson Learnt (Identified in the PIR)	Response (from States Property Services)
Projects should be supported by a clear, comprehensive and documented project brief and project scope outlining the project's objectives.	The current Project Board approval structure and gateway review process covers this requirement.
The project brief and scope should be sufficiently detailed to ensure that all key stakeholders are aware of the full extent of the project, including its objectives and all constraints.	The current Project Board approval structure and the requirement for the submission of the business case requires this to be undertaken in detail and then reflected in the States reports.
The project brief and scope should be appropriately authorised and should be revised and re-circulated at regular intervals to take account of any changes on the project.	The current Project Board approval structure and gateway review process covers this requirement.

Lesson Learnt	Response
<p>All contracts and any clauses and amendments should be drawn up and reviewed by the States Law Officers to ensure that all legal contracts, including Letters of Comfort, are appropriate, and protect States' interests. Legal review should also include the structure of contracts, to cover different contract stages and supply chain/sub-contractor issues.</p>	<p>All major capital project contracts & contract correspondence are submitted to St James Chambers, which now has a team of specialist and experienced contract and procurement lawyers.</p>
<p>A clear, communicated and documented contract administration process should be in place to ensure that responsibilities and all stages are clear and finalised for signing and completion.</p> <p>Expressions of interest should be obtained via an open, transparent and documented competitive tender process. Tenders should be evaluated using clear, appropriate, communicated and evidenced evaluation criteria. Tender evaluation and screening processes should incorporate appropriate due diligence checks.</p>	<p>Gateway Reviews have now validated such processes on all major projects since 2009.</p> <p>States procurement rules dictate this approach, which are considered to be fully in accordance with best practice. The States of Guernsey not being in the EU do not slavishly follow the EU Procurement Directives on public contracts in all respects but are based on choosing those elements being best practice from those directives.</p>
<p>All contractual relationships should relate to separate, defined areas of work and should not automatically continue from one to another.</p>	<p>This now constitutes standard contract administration practice for the States using experienced construction professionals following competitive tendering for their services. Use of standardised schedules of services and terms and conditions of appointment reduce this risk dramatically.</p>
<p>Advertisements should be placed in appropriate trade media to encourage competition.</p>	<p>States procurement rules specify this approach.</p>
<p>All tender documents should be complete, checked for accuracy and prepared sufficiently in advance of the tender process to enable thorough checking.</p>	<p>This is the aspiration for all projects but it must be recognised that this is difficult to achieve in practice. The States would not knowingly go to tender with defective tender documents, and the use of project methodology seeks to ensure as far as possible that every item is checked and approved. However for technical reasons this may not always be possible particularly on more complex projects.</p>

Lesson Learnt	Response
<p>The tender process should not commence until all documentation is complete and tender documents should be issued to all tenderers at the same time.</p>	<p>Standard procurement process now dictates that all tenderers receive the same documents at the same time. The e-Portal facilitates this process. It is also quite common for tender circulars to be issued during the tender process to clarify points raised by one tenderer so as to inform all parties in the tender process.</p>
<p>The tender timeframe should be agreed in advance and communicated clearly to all stakeholders.</p>	<p>This is now a standard requirement and the tender documentation includes a project timetable. It is not just the time frames, but also the "Best value" tender evaluation process that is required, including the evaluation criteria, scoring panel and review/moderation meetings to be planned in advance of the tender.</p>
<p>All pricing documents should be complete and fit for purpose and should be reviewed by an independent individual of appropriate experience and calibre to ensure completeness and accuracy.</p>	<p>It is agreed that all documents should be sufficiently complete and fit for the intended purpose. It is not agreed that there is any value in an "independent" check as there is a serious risk of mixed responsibilities if there is a subsequent error. It is preferable to have clear lines of responsibility within the Project Board and pricing is usually a responsibility of the project manager working with the relevant member of the Project Board with financial responsibility for the project.</p>
<p>Appropriate selection criteria should be established when tendering consultant and contractor services to reduce the selection of inexperienced or poorly resourced companies.</p>	<p>States procurement rules require a best value evaluation process which achieves this.</p>
<p>The tenderers should be evaluated to ensure that they are of a suitable size and balanced to give a good level of competition. This should be a requirement for progression to the tender invitation stage.</p>	<p>States procurement rules require a standardised Pre-Qualification Questionnaire (PQQ) (please see Procurement Handbook) to address this issue.</p>
<p>Tenderers should be selected through a clear and open process supported by transparent assessment, interview and due diligence procedures to ensure that the most suitable contractor is chosen.</p>	<p>States procurement rules require a best value evaluation process which achieves this.</p>
<p>A clear, documented process should be followed in the event of acceptance, rejection and withdrawal of a tenderer.</p>	<p>States procurement rules require a best value evaluation process which achieves this.</p>

Lesson Learnt	Response
Tender evaluation criteria should ensure an equitable, transparent and open process through which tenders can be evaluated.	States procurement rules require a best value evaluation process which achieves this.
Tender evaluation criteria must be specific, challenging and fit States' needs. Tenders should be subject to a robust debate and decision-making process and should be approved by a Project Board.	States procurement rules require a best value evaluation process which achieves this.
Robust, independent challenge and clear process should be in place to ensure that errors, qualifications and issues are rectified and signed off in accordance with a clear, communicated timeframe and milestones.	This is now a function of the appointed Project Board working in conjunction with the appointed project manager.
A comprehensive risk register should be drawn up and risks should be allocated to risk owners.	Priced risk registers are a fundamental project document and required to justify the value of an appropriate level of contingency as well as identify & manage risk. This is now usually achieved by a specific risk workshop. New forms of contract used by the States such as NEC place the risk register as a key component in the administration of the Contract and which is required to be reviewed regularly. This is also done at regular Project Board meetings as part of the financial oversight of the project.
All relevant risks should be assessed (identified, costed and evaluated) and reviewed on a regular basis.	See above.
The risk register should be reviewed at regular intervals and reported on at all project meetings and a risk escalation mechanism put in place.	Standard agenda item for Project Board meetings and monthly project managers reports.
Any risk mitigation actions should be costed and risk action plans drawn up and communicated.	This forms part of risk register.
The contingency sum should be determined by the Project Board in line with accepted States' practice and the size and nature of the project.	It is not agreed that the contingency sum should be sufficient to mitigate the foreseeable risks. The contingency sum should be costed and determined by reference to the risk register, rather than arbitrarily set by the Project Board in relation to project size. The Project Board should however take responsibility for the continued review of the contingency sum and its disbursement.

Lesson Learnt	Response
<p>Levels of contingency and insurance should be set at the outset of the project and should be evaluated using a structured process, before construction proceeds.</p>	<p>States procurement Handbook documents levels of insurance and provides basis for evaluation with respect to individual project risks.</p>
<p>Appropriate project methodology should be used throughout the project to ensure effective project management. This should be consistent with States' approved methodology, and should be agreed, used and communicated to all project stakeholders.</p>	<p>There are now published States directives which provide guidance on managing projects. Prince 2 methodology is used as a base for project management practices.</p>
<p>A Project Board should be created with clear, agreed, responsibility, authority and accountability. Day-to-day decision-making should be delegated to ensure effective project management.</p>	<p>Published States directives require a Project Board to be established and the mandate records levels of delegated authority to project managers.</p>
<p>The Project Board should be supported by a clear, comprehensive and documented project brief clearly communicated to all stakeholders. This should include explanation of the project scope and should be set out in sufficient detail to ensure that all key stakeholders are aware of the full extent of the project, including its objectives and all constraints.</p>	<p>Latest SCIP processes are designed to improve and standardise business cases, which provide a good basis for a clear project brief, which is another fundamental project document.</p>
<p>All contracts should be complete, in place and signed prior to contract commencement, and should differentiate between project phases.</p>	<p>It is agreed that all contracts should be signed as soon after tender award as is practically possible. In some cases however works need to commence before signature, not because the contracts are not ready, but because there is a good reason why the contract cannot be signed. For example a planning consent or condition has not been completed or satisfied but there are good financial or other reasons for certain preparatory works or design to be started in the meantime. In such cases letters of intent may be used but these will (or should) contain the contract details. They are NOT to be used purely because the contract provisions are not agreed.</p>
<p>A clear, communicated and documented contract administration process should be in place to ensure that all stages, including all iterations and amendments, are completed in time for agreed deadlines.</p>	<p>This is basic contract administration for experienced construction professionals. The Project Execution Plan should provide the details.</p>

Lesson Learnt	Response
<p>Project programmes should be drawn up, agreed and communicated and a Project Manager should be mandated to coordinate timely project completion. Project programmes should be realistic, updated regularly, agreed and communicated. Project progress should be reported regularly, at least monthly, against the agreed programme.</p>	<p>Time is a fundamental dimension of project management, progress reported monthly in project manager's report to the Project Board. Contractually contract programmes may not necessarily be a contract document, although in newer forms of contract being used by the States such as the NEC they are and there is an obligation on the contractor to update the programme regularly.</p>
<p>The Project Board should specify and enforce clear stage boundaries, and implement a methodology for regular review against progress. These stage boundaries should include conditions for sectional and final contract payments.</p>	<p>This is basic contract administration for experienced construction professionals.</p>
<p>The Project Board, with the Law Officers should put sound, enforceable risk-based contractual arrangements in place with all responsible parties.</p>	<p>It is agreed that a schedule of services for each consultant should clearly define roles & responsibilities at each stage of the project development. GC Works 5 Appendices are usually adopted as the basis for defining the schedule of services regardless of the contract form for appointment. In certain specialised projects such as in the Schools programme for Education, specific forms of consultants contracts with schedules have been developed and used.</p>
<p>The Project Board should have sound, documented, risk-based objectives regarding use of the contingency sum, and clear contingency use authorisation and approval guidelines.</p>	<p>Project execution plan and costed risk registers facilitate this objective.</p>
<p>The Board's quality requirements should be agreed, documented and signed off by all parties prior to commencement of the contract. Changes to specification should be accompanied by adequate information and be subjected to further scrutiny and approval.</p>	<p>This is basic contract administration for experienced construction professionals, together with the processes in the Project execution Plan.</p>
<p>For a major project of public significance, the definition of quality should be linked to recognised quality measurement standards in all key areas, with appropriate conditions regarding timely completion.</p>	<p>This is agreed as an aspiration. Improved business cases should address this item.</p>

Lesson Learnt	Response
<p>The project contracts should stipulate the remedy for defects, including responsibilities and timeframe.</p>	<p>All standard construction and bespoke contracts do stipulate the remedies. In terms of consultant appointments, the remedy is to recover loss for all loss that directly flows from the breach of the duty of care to the standard required of a competent professional experienced in projects of the size and complexity for which they are appointed. They are required to hold professional indemnity insurance. Mediation is also included in contracts as a form of alternative dispute resolution*.</p>
<p>User satisfaction should be recorded at appropriate intervals using suitable metrics and measured.</p>	<p>Now a requirement of the Post Implementation Review, early identification of stakeholder groups makes this easier to manage.</p>
<p>Evaluation of what could be improved should be recorded at the completion of the project.</p>	<p>Now a requirement of the Post Implementation Review.</p>
<p>A project with significant public impact should include a clear, specific and documented consultation process in its timeframe. Contracts should be clear regarding remedy and ownership of responsibilities throughout the life and warranty period of the project.</p>	<p>Stakeholders and associated communication plans a fundamental project management document. Standard and bespoke forms of construction contracts do so. Consultant appointments set out the services to be provided. Also please see above at*.</p>
<p>Contracts should also be comprehensive regarding duration and warranties, so that contractual responsibilities continue into the post delivery stage. The contract should specify the remedy for poor performance.</p>	<p>All standard construction contracts make these requirements. Consultant appointments require a duty of care to the standard required of a competent professional experienced in projects of the size and complexity for which they are appointed. The Services specify the responsibilities of consultants and provide a remedy for damages for direct loss flowing from the breach. Consultants are required to hold professional indemnity insurance.</p>
<p>The Project Board should have mechanisms in place to objectively identify potential issues early on and to deal with these issues.</p>	<p>Regular risk register reviews, adequate reporting and appropriate project team will address this as a matter of routine with oversight by the Project Board.</p>
<p>For a project of high public significance, a stakeholder feedback mechanism should be in place for the post delivery period.</p>	<p>Now a requirement of the Post Implementation Review</p>

Lesson Learnt	Response
<p>Project objectives developed during the feasibility stage should be re-evaluated at the commencement of the project.</p>	<p>Gateway review process and business case development encourages and polices this aspect.</p>
<p>Achievement of project objectives should be linked to clear, measurable performance indicators.</p>	<p>Certain projects particularly non-building/engineering projects lend themselves better to the inclusion of key performance indicators. Construction contracts require the contractor to build by reference to the contract documents and are signed off by the Contract Administrator once in his opinion the works have been constructed to the standard and specification of those contract requirements.</p>
<p>A 'lessons learnt' evaluation exercise should be carried out following project completion.</p>	<p>Now a requirement of the Post Implementation Review.</p>
<p>Projected spend should be linked to key milestone achievements within the construction programme. Clear milestone controls and approvals should be implemented before invoices are paid.</p>	<p>This is basic contract administration for experienced construction professionals, processes are set out in the Project execution plan.</p>
<p>The Project Board should rigorously enforce regular management information and financial reporting from the contractors and consultants.</p>	<p>This is basic contract administration for experienced construction professionals, processes are set out in the Project execution plan.</p>
<p>Professional services should be subject to robust and independent selection and negotiation.</p>	<p>Best value project team selection achieves this objective provided that experience competent professionals undertake the evaluation.</p>

PUBLIC ACCOUNTS COMMITTEE

GUERNSEY AIRPORT TERMINAL CONSTRUCTION PROJECT – REVIEW

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

19th September 2014

Dear Sir

1. Background

- 1.1. This report has been produced by the Public Accounts Committee to satisfy the requirements of the Walters Requête. As per the requirements of the Requête, the Committee has also consulted with the States Treasurer.

The resolution from the Requête dated 2nd February, 2004, signed by Deputy E. W. Walters and seven other Members of the States is outlined below:-

“To request the Public Accounts Committee (having taken advice from the Law Officers on the risk of prejudice to the States in any litigation or arbitration which may arise out of the project) to review, together with the States Treasurer, the process leading to the award by the States of the contract for construction of the new terminal building at the States Airport to Hochtief, with particular attention to the adequacy of any financial checks carried out on Hochtief on behalf of the States, and to report to the States thereon.”

- 1.2. The Board of Administration submitted a States Report outlining the need to redevelop the terminal building at Guernsey Airport in November 2000 (Billet d’État XXII) and the States approved the project in principle.
- 1.3. Following a competitive tendering exercise, the contract for the project was awarded to Hochtief (UK) Construction Limited (Hochtief) and work on the Project commenced in July 2002 with a target completion date of July 2004. Actual completion was achieved in November 2004.
- 1.4. As the construction progressed problems emerged relating to sub-contractual relationships between the firms undertaking the construction work. Concept Developments, one of Hochtief’s sub-contractors, who in turn sub-contracted to a number of suppliers, went into liquidation during the Project. A number of the

local suppliers were left without full payment which clearly caused hardship to those individuals and companies.

- 1.5. This led to the Walters Requête being lodged and approved by the States in March 2004 which sought to examine the process which led to the award of the contract to ensure it was robust and well managed. The Requête sought particular attention to be paid to the adequacy of the financial checks carried out on Hochtief given the subsequent financial issues between the various parties.
- 1.6. Following conclusion of the Project in November 2004, the Public Services Department (PSD) decided to engage the UK legal firm Eversheds to pursue compensation from Babbie and Kensington Taylor (see Appendix 1).
- 1.7. An extended and protracted legal dispute ensued. Ultimately the dispute was resolved through a 'drop hands' settlement whereby all parties bore their own costs.
- 1.8. In July 2012 PSD, as advised by the Law Officers of the Crown, informed the PAC that legal proceedings had concluded and a review could take place.
- 1.9. In February 2013, officers from PSD and the PAC Chair met and discussed how to proceed with the Post Implementation Review of the project. A decision was taken to commission the Internal Audit Unit (IAU) to undertake this review to provide value for money, while retaining independence.
- 1.10. This approach was agreed by the PSD Board at its meeting on 20th June 2013 and by the PAC at its meeting on 21st June 2013.
- 1.11. The IAU team commenced work on the post implementation review in the autumn of 2013 which was completed in the spring of 2014.

2. Key Findings

- 2.1.1. Prior to awarding the contract to Hochtief the Board of Administration fully recognised the need to carry out financial checks on the chosen off-Island contractors.
- 2.2. The selected bidder Hochtief, had limited assets. Therefore, as part of the contract, the Board of Administration sought a Parent Company Guarantee (PCG) from Hochtief AG – Germany's largest construction firm.
- 2.3. It is important to note that the checks carried out by the States were focussed on the financial standing of Hochtief – the party with which the States had a contractual relationship.
- 2.4. The financial situation of the sub-contractors was not investigated as no such contractual relationship existed with the sub-contractors or the sub-sub-contractors. This is in line with contemporary and current practice.

- 2.5. It is important to note that this scenario could occur again. Sub-contractors continue to be vulnerable to the financial failure of the companies with which they are contracting and need to ensure they put their own contractual protections in place.
- 2.6. In order to reduce the possibility of this problem happening again a number of recent capital projects use the relatively new concept of a 'Project Bank' whereby both the contractor and the client (i.e. the States) jointly operate a bank account into which monies are paid as the project progresses and from which payments to key sub-contractors can be made directly on the joint signature of the contractor and the client. This has been trialled effectively on the Belle Greve Phase V wastewater project.

3. Recommendation

- 3.1 The Public Accounts Committee recommends the States to note the contents of this Report.

Yours faithfully

H J R Soulsby
Chair

M K Le Clerc, Vice Chair
S A James MBE
P A Sherbourne
P A Harwood

Mrs G Morris (Non-States Member)
Mr P Firth (Non-States Member)
Mr J Dyke (Non-States Member)
Mr P Hodgson (Non-States Member)

Appendix 1 (to the Public Accounts Committee Report)

Contract Details

The key firms involved in the construction of the new terminal building were:

- Hochtief (UK) Construction Limited – Main Construction Contractor
- Kensington Taylor – Lead Consultant and Project Architect
- Davis Langdon Everest – Quantity Surveyors
- Babtie (now called Jacobs) - Civil, Mechanical and Electrical Engineers
- BAE Systems (Operations) Limited - provided the Project manager
- Concept Developments (Wiltshire) Limited – subcontractor for Hochtief

The States had a JCT Standard Form of Building Contract with the main contractor, Hochtief (UK) Ltd (a subsidiary of Hochtief Construction AG).

There were no direct contractual arrangements between the States and Hochtief's sub-contractors or secondary sub-contractors.

Concept Developments (Wiltshire) Ltd. was one of the principal sub-contractors for Hochtief. It provided various groundwork activities and general labour staff. Concept Developments in turn sub-contracted to local firms including local hauliers and plant hire companies.

- (N.B. The Treasury and Resources Department notes the States Report from the Public Services Department. As set out in its June 2014 States Report entitled “States Capital Investment Portfolio”, over recent years, the States have moved from a position of cost over-runs and delivery delays in major projects to more recent examples of well-run and managed projects which generally deliver on time and on budget. The States have recently approved the introduction of a Project Development and Approval process which should ensure that appropriate consideration is given to the reasons for a project, its scope and benefits and its deliverability before work commences.**

The introduction of the States Capital Investment Portfolio approach to project assurance and approvals has resulted in a more disciplined approach to project scope and increased accountability. The Project Assurance Reviews which are completed at key stages during a project examine time, cost and quality issues and are a trigger if projects exceed agreed control limits. The Treasury and Resources Department is committed to training and supporting senior project leaders within Departments to deliver complex projects and avoiding an over reliance on external consultants.)

- (N.B. The Policy Council notes with considerable concern both the findings of the Public Services Department’s Post Implementation Review (PIR) on the Guernsey Airport Terminal and the appended States report of the Public Accounts Committee.**

However, the Policy Council recognises that the severe failings of the project occurred during a period prior to the implementation of the current States’ processes for the development and management of capital projects and programmes; including but not limited to an early options appraisal stage, the initial business case phase and prioritisation through States Capital Prioritisation processes, noting also the important project assurance reviews and financial monitoring which now occur during the life-time of all similar multi-million pound capital projects.

The Policy Council also acknowledges the importance of a role played by a fit for purpose procurement process for such capital projects and the ongoing developments to further enhance the States’ corporate procurement function. The Policy Council is of the view that the current more in-depth analysis and robust processes to which projects of this type and the relevant sponsoring Departments are now subjected, and the close working with Treasury and Resources Department at key stages in such projects, should substantially mitigate the risk of failures of the nature identified in this PIR reoccurring in similar large capital projects in the future.

The Policy Council is of the view that the adherence to the current robust processes implemented by the States since the Guernsey Airport Terminal project provide, and should continue to provide, the citizens of Guernsey with assurance that value for money is sought in all capital projects in a manner that is proportionate to the risks and the resources available, whilst remaining aligned with all of the objectives of the principles of Good Governance which the States has also adopted since The Guernsey Airport Terminal project.

The States are asked to decide:-

XII.- Whether, after consideration of the Report dated 11th August, 2014, of the Public Services Department, and the appended Report of the Public Accounts Committee dated 19th September, 2014, they are of the opinion:-

1. To note the contents of that Public Services Department's Report.
2. To note the contents of the Public Accounts Committee's report, as appended to that Public Services Department Report.
3. To sanction the overspend of £6,780,880 on the capital vote of £19,529,393 for the construction of a new Terminal Building and associated external works at Guernsey Airport, charged as capital expenditure in the accounts of Guernsey Airport.

COMMERCE AND EMPLOYMENT DEPARTMENT

**REAPPOINTMENT OF AN INDUSTRIAL DISPUTES OFFICER AND
APPOINTMENT OF DEPUTY**

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

16th September 2014

Dear Sir

1. Executive Summary

- 1.1 Under The Industrial Disputes and Conditions of Employment (Guernsey) Law, 1993 (The Law), the States of Guernsey is required to appoint an Industrial Disputes Officer and a Deputy Industrial Disputes Officer.
- 1.2 The terms of appointment for the current Industrial Disputes Officer, Mr Michael Allen Fooks, and the Deputy Industrial Disputes Officer, Mr Neil Carrington expire on 31st December, 2014. Both have indicated a wish to be reappointed for a further term.
- 1.3 The Department recommends that the States re-appoint Mr Fooks as Industrial Disputes Officer and Mr Neil Carrington as the Deputy Industrial Disputes Officer for a period of two years.
- 1.4 Given that both were previously appointed through open recruitment and assessment processes and have served the Island well, the Board considers it appropriate to recommend their re-appointment for a further term.

2. Background

- 2.1 Section 1 of The Industrial Disputes and Conditions of Employment (Guernsey) Law, 1993 (The Law) requires the States to appoint an Industrial Disputes Officer (IDO). Section 2 of the Law requires the Industrial Disputes Officer to appoint a Deputy Industrial Disputes Officer (DIDO), whose appointment is subject to the approval of the States.
- 2.2 The current terms for the Industrial Disputes Officer Mr Michael Allen Fooks and the Deputy Industrial Disputes Officer, Mr Neil Carrington end on 31st December, 2014. Both are seeking re-appointment for a further term.

2.3 In 2007 the Department recommended the appointment of Mr Fooks a period of five years. He was re-appointed in 2012 for a term of two years at which time Mr Carrington was appointed as Deputy Industrial Disputes Officer. During that two year term it was hoped to complete a review of the Industrial Disputes Law. A part of that review was to consider the appointment process for the IDO and DIDO to see if any changes or modifications were required.

2.4 Although work has commenced the full review has not been completed and it is likely, in the light of the current workload of the section, that this will not be finalised until well into 2015. Therefore, the Department considers the most appropriate course of action is to maintain the status quo, which is serving the island well, until the review is complete.

3. Recruitment and Selection Process

3.1 Both IDO and DIDO were subject to a robust selection process when initially appointed. To ensure a strong element of independence, and impartiality in the selection process for the posts, the Department advertised the appointments, and established a selection process for suitable applicants. The processes were similar to that used in 2008 and 2010 to select members for the Employment and Discrimination Tribunal Panel.

3.2 The short listed candidates for the roles were interviewed by a panel made up of The Principal Employment Relations Officer, Commerce and Employment Department, and a senior industrial relations and dispute resolution specialist from the Advisory and Conciliation and Arbitration Service (ACAS), and the Candidates were assessed against the key criteria and skills identified for the positions, with a part of the interview being based on analysis of a typical, but hypothetical, industrial dispute situation.

3.3 The Panel formed recommendations and these recommendations were used by the Department to select the Industrial Disputes Officer who in turn used these recommendations to decide who he would nominate as the most suitable candidate for appointment as his Deputy.

4. Term of the Appointment

4.1 The Law requires the States to appoint the Officers "*for such period as the States may direct.*" The Department is committed to reviewing the Law in the next year which may result in changes being made.

4.2 The IDO Mr Michael Fooks will reach the age of 70 in January 2015 and the normal Departmental policy approach for appointments of this nature would bar him from serving for a further (5 year) term. The Department has reviewed this policy in the light of the current circumstances and concluded that the situation is exceptional and as the proposed term of office is shorter than the norm (that is two years instead of five), this policy should be set aside for this re-appointment.

- 4.3 Having weighed up the options, the Department has concluded that a two year term is appropriate for both of these appointments.

Conclusions

- 4.4 **The Department recommends that the States re-appoints Mr Michael Allen Fooks as Industrial Disputes Officer for a period of two years, with effect from 1st January 2015.**

Mr Fooks has been involved with industrial relations for most of his working life, both as a staff representative and, in the last 25 years, as a manager. He was appointed IDO in 2008 by the States following a number of years as Deputy IDO. He has been closely involved with the ever changing dynamics which have, and continue to affect industrial and employment relations and the Island's business and public sectors

- 4.5 **Mr Fooks proposes to re-appoint Mr Neil Carrington as his Deputy.**

Mr Carrington is currently Chief Executive of a local company specialising in the area of employment, particularly in the Maritime and Energy Industries. He has a background of working with Unions within the Maritime industry and brings with him significant experience of liaising with staff, management and union representatives, all of which been useful in the role of Deputy Industrial Disputes Officer over the last two years.

The Department supports Mr Fooks' proposal and recommends the States to approve the appointment of Mr Carrington for a period of two years, with effect from 1st January 2015.

5. Principles of Good Governance

- 5.1 The Department believes that the proposals in this report comply with the relevant principles of good governance as defined by the UK Independent Commission on Good Governance in Public Services (Billet d'État IV of 2011).

6. Recommendations

- 6.1 The Commerce and Employment Department recommends the States:
- (a) to reappoint Mr Michael Allen Fooks as Industrial Disputes Officer for a period of two years with effect from 1st January, 2015, and ending 31st December, 2016, and
 - (b) to approve the reappointment of Mr Neil Carrington as Deputy Industrial Disputes Officer .

Yours faithfully

K A Stewart
Minister

A H Brouard
Deputy Minister

D de G De Lisle
L B Queripel
H Soulsby

Advocate T Carey
Non-States Member

(N.B. As there are no resource implications in this report, the Treasury and Resources Department has no comments to make.)

(N.B. The Policy Council supports the proposals in this States Report and confirms that the Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

XIII.- Whether, after consideration of the Report dated 16th September, 2014, of the Commerce and Employment Department, they are of the opinion:-

1. To reappoint Mr Michael Allen Fooks as Industrial Disputes Officer for a period of two years with effect from 1st January, 2015, and ending 31st December, 2016.
2. To approve the reappointment of Mr Neil Carrington as Deputy Industrial Disputes Officer for a period of two years with effect from 1st January, 2015, and ending 31st December, 2016.

PUBLIC SERVICES DEPARTMENT
MERCHANT SHIPPING LEGISLATION

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St. Peter Port

17th September 2014

Dear Sir

1. Executive Summary

- 1.1 The main purpose of this Report is to ask the States to approve several amendments to the provisions governing pilotage in Guernsey waters. The most significant of these amendments would update the conditions for the issue of general and special pilotage licences. These amendments are necessary as a consequence of changes in related legislation and professional standards. Put simply, some of the existing requirements are outdated and refer to superseded legislation, and in consequence are no longer appropriate or useful. The proposed changes are designed to promote flexibility whilst ensuring high standards are retained, making the relevant provisions fit for purpose in the 21st century.
- 1.2 The other recommended amendments relating to pilotage are minor technical and tidying up provisions.
- 1.3 The Pilotage Board, which is appointed by the Public Services Department under the Pilotage Ordinance, 1967 to ensure the provision and proper management of the pilots providing maritime services in local waters, has considered the relevant issues. At its meetings on 8th August, 2013, and 24th June, 2014, it approved the proposals relating to pilotage set out in this Report.
- 1.4 The Report also asks the States to approve a minor amendment relating to the Boats and Vessels (Registration, Speed Limits and Abatement of Noise) Ordinance, 1970, to address an anomaly in the legislation.

2. Background to the proposed amendments relating to pilotage

- 2.1 The principal legislative instrument which governs pilotage in Guernsey waters is the Pilotage Ordinance 1967, which has been amended on several occasions. Section 12 of that Ordinance, as amended in 1984 and in 1992, sets out conditions of issue of Pilotage licences. The wording of the conditions is reflective of those times and is, in part, no longer appropriate.

2.2 The current wording of section 12 is set out in full in Appendix A.

3. Nationality

3.1 Section 12 provides, in part, as follows:

"The Pilotage Board shall not grant a licence in pursuance of the provisions of section nine of this Ordinance to an applicant unless –

- (a) in the case of a general pilotage licence or a special pilotage licence, as the case may be –
 - (i) he is a British subject or a national of a member State of the European Economic Community other than the United Kingdom, [...]"

3.2 This is problematic in several ways. First, the term "British subject" now has a very restricted meaning under the British Nationality Act 1981, applying only to a relatively small number of people who do not fall within the categories of British Citizen, British Dependent Territories Citizen or British Overseas Citizen. Second, and more fundamentally, nationality can no longer be considered a useful, appropriate or fair criterion for eligibility as a marine pilot. Consequently, the Department recommends that subparagraph (i) be repealed.

4. Age

4.1 Section 12 goes on to provide, at sub-paragraph (a)(ii), that a second condition of issue is that –

"(ii) he [the applicant] is aged 21 years or more,".

4.2 While less objectionable than the nationality requirement set out at subparagraph (i), the Department considers that this criterion too is outdated. Age *per se* is not a useful yardstick by which to assess a marine pilot; it is only indirectly linked to genuinely relevant factors such as experience and qualifications held. Furthermore, the limit of 21 years of age is of no relevance practically in any case, as it is effectively impossible for an applicant to achieve the necessary experience and gain the necessary qualifications before he or she reaches his or her mid to late twenties. As such, the Department considers this requirement to be of no practical use or relevance, and consequently recommends that this subparagraph too be repealed.

5. Qualifications

5.1 Sub-paragraph (a)(iv) of section 12 deals with the qualifications an applicant needs to hold:

"(iv) he is the holder of a certificate of competence as master of a foreign going ship [...] granted in accordance with the provisions of Part II of the Merchant Shipping Act, 1894 or of such other certificate as the Pilotage Board may from time to time recognise as being of similar effect under any enactment for the time being

in force in any part of the British Islands or in any other member State of the European Economic Community, and"

- 5.2 The whole of this section, again, is outdated. The phrase "master of a foreign going ship" does not describe current certification and the relevant United Kingdom legislation addressing nautical competence is no longer the 1894 Merchant Shipping Act. A separate piece of work is being undertaken in order that Guernsey shipping legislation better reflects the acceptance and validity of British certificates of competency issued by the United Kingdom.
- 5.3 The Pilotage Board has given considerable attention to finding a solution to this particular issue. On its advice, the Department proposes that it be replaced with a requirement that the applicant be the holder of a certificate of competence as master of a ship of 500 Gross Tons or more, granted in any member State of the European Economic Area. It is considered that this formulation best balances the requirement for an appropriately high level of competence with flexibility, while also reflecting, so far as practicable and appropriate, the original intent of this provision.

6. Other recommended amendments to the Pilotage Ordinance

- 6.1 Section 4 establishes the Pilotage Examination Committee, which has the function of examining applicants for pilotage licences. It provides, at subsection (3), that in the absence of the Committee's President, or during a vacancy in that office, the Deputy States Harbourmaster shall preside over meetings of the Committee as Acting President. As the office of Deputy States Harbourmaster no longer exists, it is recommended that this function be performed by the Chief Officer of the Department instead. The Acting President has no original vote, only a casting vote in the event of an equality of votes (subsection 4). The Deputy States Harbourmaster has no other functions under the Ordinance.
- 6.2 Section 35 provides that the master of a vessel, other than an excepted vessel, when navigating in circumstances in which pilotage is compulsory and requiring the services of a general pilot must display a pilot signal; and describes a pilot signal as "a signal prescribed by rules made in pursuance of the provisions of section forty-five of the Pilotage Act, 1913". This reference is out of date, and it is proposed that it be replaced with a reference to the appropriate modern signal, flag GOLP, in accordance with the International Code of Signals, being a flag consisting of blue and yellow vertical stripes.
- 6.3 Section 37 provides that a general pilot, on boarding a vessel for the purposes of pilotage, shall give the master thereof a Pilot Boarding Note in the relevant form set out in the First Schedule to the Ordinance. The forms set out in that Schedule are now out of date. It is proposed that rather than update the forms in the Schedule, the Schedule should be repealed and section 37 amended so that provision is made instead for the Note to be in the form required by the Pilotage Board from time to time. This will enable amendments to be made more quickly and easily.

6.4 Finally, there is a typographic error at section 24(5)(c) which could usefully be corrected at the same time these other amendments are made – for "efficiency" there should be substituted "efficiently".

7. Recommended amendments relating to the Boats and Vessels (Registration, Speed Limits and Abatement of Noise) Ordinance, 1970.

7.1 The Machinery of Government (Transfer of Functions) (Guernsey) Ordinance, 2003 transferred the functions of various Committees under specified enactments to other Committees and Departments. In respect of the Boats and Vessels (Registration, Speed Limits and Abatement of Noise) Ordinance, 1970 ("**the 1970 Ordinance**"), it transferred the functions of the Board of Administration under that Ordinance to both the Public Services Department and the Environment Department, without specifying which particular functions should be performed by which Department.

7.2 The resulting ambiguity has caused no significant difficulties in practice, but it is clearly anomalous and unsatisfactory, and should be addressed. The two Departments have agreed that the relevant legislation should be amended to provide that all the duties and functions under the Ordinance are performed by the Public Services Department, as generally happens in practice already. The only recommended exception to this is the granting of permission (subject to any appropriate conditions) under section 8(1) of the 1970 Ordinance for a vessel to exceed a speed of six knots in the coastal restricted zones, as defined at section 8(2), which should be a function of the Environment Department, involving as it does the consideration of environmental factors.

8. Costs/Resources

8.1 No cost or resource implications have been identified in relation to the proposed amendments.

9. Consultation

9.1 The Pilotage Board has been involved in the formulation of these recommendations, and has approved them.

9.2 The Environment Department has been consulted about the proposed amendments relating to the 1970 Ordinance, and is content.

9.3 The Law Officers have been consulted on the proposed amendments and their comments have been taken account of in this Report.

9.4 The Department believes that it has fully complied with the six principles of good governance in the public services in the preparation of this Report (set out in Billet D'État IV, 2011 and approved by the States).

10. Recommendations

- 10.1 The Department recommends that the States approves the following proposals relating to requirements placed on applicants for a general pilotage licence or a special pilotage licence under section 12 of the Pilotage Ordinance, 1967:
- a) To repeal the requirement relating to nationality at paragraph (a)(i);
 - b) To repeal the requirement relating to age at paragraph 12(a)(ii);
 - c) To amend the requirement relating to qualifications at paragraph (a)(iv), by replacing the current requirement with a requirement that the applicant be the holder of a certificate of competence as master of a ship of 500 Gross Tons or more, granted in any member State of the European Economic Area;
- 10.2 The Department recommends that the States approves the following proposals relating to other provisions of the Pilotage Ordinance, 1967:
- a) To replace the reference to the Deputy States Harbourmaster at section 4(3) with a reference to the Chief Officer of the Department;
 - b) To replace the description of a pilot signal at section 35 with a reference to the appropriate modern signal, flag GOLF, in accordance with the International Code of Signals, being a flag consisting of blue and yellow vertical stripes;
 - c) To repeal the First Schedule, relating to the forms of Pilot Boarding Notes, and to amend section 37 so that provision is made instead for such Notes to be in the form required by the Pilotage Board from time to time;
 - d) To correct the typographic error at section 24(5)(c), by substituting "efficiently" for "efficiency";
- 10.3 The Department recommends that the States approves the proposal to provide that the Department perform all functions and duties under the Boats and Vessels (Registration, Speed Limits and Abatement of Noise) Ordinance, 1970, with the exception of the function of granting permission under section 8(1) for a vessel to exceed a speed of six knots in the coastal restricted zones, which it is proposed should be a function of the Environment Department; and
- 10.4 The Department recommends that the States direct the preparation of such legislation as is necessary to give effect to the above recommendations.

Yours faithfully

P A Luxon
Minister

S J Ogier
Deputy Minister

P A Harwood
D J Duquemin

R A Jones

Section 12 of the Pilotage Ordinance, 1967

Conditions of issue of pilotage licences.

12. The Pilotage Board shall not grant a pilotage licence in pursuance of the provisions of section nine of this Ordinance to an applicant unless –

- (a) in the case of a general pilotage licence or a special pilotage licence, as the case may be –
 - (i) he is a British subject or a national of a member State of the European Economic Community other than the United Kingdom,
 - (ii) he is aged 21 years or more,
 - (iii) he has had issued to him a pilotage certificate,
 - (iv) he is the holder of a certificate of competence as master of a foreign going ship [...] granted in accordance with the provisions of Part II of the Merchant Shipping Act, 1894 or of such other certificate as the Pilotage Board may from time to time recognise as being of similar effect under any enactment for the time being in force in any part of the British Islands or in any other member State of the European Economic Community, and
 - (v) ...
- (b) in the case of a general pilotage licence, he produces a certificate signed by a medical practitioner approved by the Pilotage Board that he is medically fit to carry out his duties as a pilot,
- (c) in the case of a special pilotage licence, he has, during the twelve months immediately preceding the date of the application for that licence, made at least 20 entries into, and at least 20 exits from, the port in the Islands which he wishes to be specified in that licence as master or mate of a vessel.

(N.B. As there are no resource implications in this report, the Treasury and Resources Department has no comments to make.)

(N.B. The Policy Council supports the proposals in this States Report and confirms that the Report complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)

The States are asked to decide:-

XIV.- Whether, after consideration of the Report dated 17th September, 2014, of the Public Services Department, they are of the opinion:-

1. To approve, in regard to requirements placed on applicants for a general pilotage licence or a special pilotage licence under section 12 of the Pilotage Ordinance, 1967,:
 - a) to repeal the requirement relating to nationality at paragraph (a)(i);
 - b) to repeal the requirement relating to age at paragraph 12(a)(ii);
 - c) to amend the requirement relating to qualifications at paragraph (a)(iv), by replacing the current requirement with a requirement that the applicant be the holder of a certificate of competence as master of a ship of 500 Gross Tons or more, granted in any member State of the European Economic Area.

2. To approve, in regard to other provisions of the Pilotage Ordinance, 1967,:
 - a) to replace the reference to the Deputy States Harbourmaster at section 4(3) with a reference to the Chief Officer of the Department;
 - b) to replace the description of a pilot signal at section 35 with a reference to the appropriate modern signal, flag GOLF, in accordance with the International Code of Signals, being a flag consisting of blue and yellow vertical stripes;
 - c) to repeal the First Schedule, relating to the forms of Pilot Boarding Notes, and to amend section 37 so that provision is made instead for such Notes to be in the form required by the Pilotage Board from time to time;
 - d) to correct the typographic error at section 24(5)(c), by substituting "efficiently" for "efficiency".

3. To agree that the Public Services Department perform all functions and duties under the Boats and Vessels (Registration, Speed Limits and Abatement of Noise) Ordinance, 1970, with the exception of the function of granting permission under section 8(1) for a vessel to exceed a speed of six knots in the coastal restricted zones, which should be a function of the Environment Department.
4. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

COMMERCE AND EMPLOYMENT DEPARTMENT

PUBLIC TRUSTEE ANNUAL REPORT AND AUDITED ACCOUNTS 2013

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

30th September 2014

Dear Sir

The Public Trustee (Bailiwick of Guernsey) Law, 2002 provides, in section 6(1) that the Commerce and Employment Department is required to submit the report and accounts to the States of Guernsey on the exercise of the Public Trustee's functions for the preceding year.

I am pleased to enclose a copy of her report and audited accounts for the year ended 31 December 2013.

Section 6 of the Law also provides that the Department may, at the same time, submit its own report commenting on the activities of the Public Trustee during this period.

The Department does not wish to add further comments on the activities of the Public Trustee.

I should be grateful if you would arrange to publish this submission as an Appendix to the next available Billet.

Yours faithfully

Kevin A Stewart
Minister

**REPORT OF THE PUBLIC TRUSTEE
TO THE DEPARTMENT OF COMMERCE AND EMPLOYMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

Introduction

1. Under Section 6(1) of The Public Trustee (Bailiwick of Guernsey) Law, 2002 (“the Law”), the Public Trustee is required in each calendar year to submit to the Department of Commerce and Employment a report on the exercise of his or her functions in the preceding year together with the audited accounts of the Office of the Public Trustee.

Appointments and Assets held in Trust

2. There were no appointments of the Public Trustee to act as trustee during the year, nor were there instances where the Public Trustee ceased to act as trustee. At the end of 2013, therefore, the Public Trustee remained as trustee of twelve trusts.
3. Although it is difficult to place an accurate value on many of the assets held in trust, it is estimated that their combined value is in the region of £9 million.
4. At the time of writing, there were no situations of which the Public Trustee is aware which are likely to result in further appointments being made in 2013.

Accounts and Auditors’ Report

5. The accounts of the Office of the Public Trustee for the year to 31 December 2013, together with the auditors’ report thereon, accompany this report.
6. Work levels during the year were similar to those of 2012. As in previous years, two interrelated trusts continue to present significant difficulties and account for the bulk of the Trust and company administration fees (£71,273) charged during the year by professional providers of trust services working on behalf of the Public Trustee.
7. These fees, together with the Public Trustee’s own charges make up the Trustee fees of £77,688 charged to the trusts.
8. Delays continue to be experienced in recovering amounts due to the Office of the Public Trustee, due to the lack of liquid assets in the trusts concerned. However, there are other trust assets the value of which can be realised, although the process of doing so is proving protracted.
9. Overall, the cost of the Office of the Public Trustee to the States, as measured by the grant received from the States, decreased from £17,390 in 2012 to £10,713 in 2013.

Appointment of new Public Trustee

10. Subsequent to the year end, the term of office of the Public Trustee appointed by the States in 2009, Mr David Trestain, expired. In May 2014, the States appointed Mrs Catherine Rowe to succeed him.

Conclusion

11. As pointed out in previous reports, the Public Trustee is primarily a trustee of last resort and experience has shown that appointments are usually made to problematic trusts where other professional trustees are unable or unwilling to act. That and the fact that the Public Trustee may not, under the Law, charge fees to any individual trust in excess of actual costs incurred in administering it, mean that there are inevitable implications for costs.
12. However, the general low level of appointments to act as trustee since the Office of the Public Trustee was established in 2004 and current absence of new appointments is a positive factor in this respect may also be taken as an indication of the continuing good health and conduct of the trust industry in the Bailiwick.



C Rowe
Public Trustee
Bailiwick of Guernsey

19 September 2014

OFFICE OF THE PUBLIC TRUSTEE

STATEMENT OF ACCOUNT

31ST DECEMBER, 2013

LINCE SALISBURY

Chartered Accountants

Avenue House,

St. Julian's Avenue,

St. Peter Port,

GUERNSEY

OFFICE OF THE PUBLIC TRUSTEE

Office holder

The position of Public Trustee during the year was held by:

Mr D. Trestain

On 1st June, 2014, Mr D. Trestain resigned from the position and Mrs C. Rowe was appointed.

Statement of responsibilities for the preparation of financial statements

In accordance with The Public Trustee (Bailiwick of Guernsey) Law, 2002 the Public Trustee is responsible for the preparation of a statement of account for each financial year which gives a true and fair view of the state of affairs of The Office of the Public Trustee. She is responsible for selecting suitable accounting policies and, in preparing the statement of account the Public Trustee is expected to:

- * apply suitable accounting policies on a consistent basis;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts; and
- * prepare the statement of account on a going concern basis, unless it is inappropriate to do so.

The Public Trustee acknowledges responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of The Office of the Public Trustee.

It is the responsibility of The Office of the Public Trustee to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes. Thus The Office of the Public Trustee is responsible for safeguarding the assets in its care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Public Trustee reports that so far as she is aware there is no relevant audit information of which the auditors are unaware and that she has taken all steps to make herself aware of such audit information and to establish that the auditors are aware of that information.

INDEPENDENT AUDITOR'S REPORT TO THE OFFICE OF THE PUBLIC TRUSTEE

We have audited the financial statements of The Office of Public Trustee for the year ended 31st December, 2013 on pages 3 to 5 which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, under the historical cost convention and the accounting policies set out on page 5.

This report is made solely to The Office of Public Trustee. Our audit work has been undertaken so that we might state to you those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than The Office of Public Trustee for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of The Office and Auditors

As explained in the Statement of Responsibilities the Public Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards of Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to The Office's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Public Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Public Trustee's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of The Office's affairs as at 31st December, 2013 and of its result for the year then ended,
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been properly prepared in accordance with The Public Trustee (Bailiwick of Guernsey) Law, 2002.

22nd September 2014
Avenue House,
St. Julian's Avenue,
St. Peter Port,
GUERNSEY

Lince Salisbury Limited
LINCE SALISBURY LIMITED
CHARTERED ACCOUNTANTS

OFFICE OF THE PUBLIC TRUSTEE
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 2013

	Note	2013		2012	
		£	£	£	£
Income	1				
Grant from States of Guernsey	1, 3		10,713		17,390
Trustee fees			<u>77,688</u>		<u>110,213</u>
			88,401		127,603
Expenditure	1				
Audit fees		4,850		3,500	
Bank charges		60		64	
Office administration		902		663	
Public Trustee remuneration		10,344		10,061	
Movement in provision for doubtful debts		-		(1,771)	
Trust and company administration fees		<u>71,273</u>		<u>103,260</u>	
			(87,429)		(115,777)
Operating surplus before tax			972		11,826
Tax	2		-		-
Surplus for the year			<u>£972</u>		<u>£11,826</u>

OFFICE OF THE PUBLIC TRUSTEEBALANCE SHEET AT 31st DECEMBER, 2013

	Note	2013 £	2012 £
Current assets			
Debtors		290,149	214,019
Bank		<u>15,332</u>	<u>13,834</u>
		<u>305,481</u>	<u>227,853</u>
Current liabilities			
Potential liability - grants	3	268,252	162,142
Accruals	3	4,476	3,950
Creditors	3	<u>21,897</u>	<u>51,877</u>
		<u>294,625</u>	<u>217,969</u>
Net assets		<u>£10,856</u>	<u>£9,884</u>
Funded by:			
The Public Trustee Fund	4	<u>£10,856</u>	<u>£9,884</u>

The balance sheet was approved on 19 September 2014

C. Rowe

C. Rowe
Public Trustee

OFFICE OF THE PUBLIC TRUSTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER, 2013

1. ACCOUNTING POLICIES

Historical Cost Convention

The statement of account is prepared under the historical cost convention and in accordance with UK applicable accounting standards.

Grants

Grants from the States of Guernsey Commerce and Employment Department are included on a received basis. Grants have been recognised as revenue items where they are not expected to become repayable to the States of Guernsey. Where grants have been received and a corresponding debtor is considered recoverable from the underlying client the potential liability has been recognised.

Other income and expenditure

Other income and expenditure is included on an accruals basis.

2. TAXATION

The Office of the Public Trustee is not subject to States of Guernsey Income Tax.

3. CREDITORS AND ACCRUALS

	2013	2012
	<u>£</u>	<u>£</u>
<u>Creditors</u>		
Professional trust administration fees and Deputy Trustee charges from Commerce & Employment Department	£ 21,897	£ 51,877
	<hr/>	<hr/>
<u>Accruals</u>		
Audit fee	4,300	3,750
Public Trustee	171	195
Bank charges	5	5
	<hr/>	<hr/>
	£ 4,476	£ 3,950
	<hr/>	<hr/>
<u>Potential Liabilities - Grants</u>		
Grants from States of Guernsey	£ 268,252	£ 162,142
	<hr/>	<hr/>

The Grant from the States of Guernsey is paid in accordance with section 8 of The Public Trustee (Bailiwick of Guernsey) Law, 2002. Any amounts paid by the States of Guernsey to cover expenditure that are subsequently recouped from the structures within the responsibility of the Public Trustee become repayable to States of Guernsey. The potential liability due to the States of Guernsey represents the debts the Public Trustee expects to be recoverable from those structures. Disclosing this amount separately on the balance sheet reflects the understanding of the contingent nature of the corresponding debtor.

4. THE PUBLIC TRUSTEE FUND

	2013	2012
	<u>£</u>	<u>£</u>
Balance brought forward	9,884	(1,942)
Surplus for year	972	11,826
	<hr/>	<hr/>
Balance carried forward	£10,856	£9,884
	<hr/>	<hr/>