



BILLET D'ETAT FOR 22-11-2006

Date: 22nd November, 2006

Members of the States:

I have the honour to inform you that the Meeting of the States will be held at 5:30 pm on Wednesday 22nd November 2006. This will be preceded by the People's Meeting, which will be held on Wednesday 14th November 2006 at 7:00 pm in the Island Hall.

Sir Norman Browse

President

Item I Occupiers' Rates 2007

The following letter has been received from Colonel Walter, Chairman of the Policy and Finance Committee:-

"You will be aware that at the end of each year the States must, by Ordinance, set the level at which the Occupiers' Rate is to be charged for the following year.

As I reported in the Budget report in October "with waste disposal costs in Guernsey set to increase substantially in 2007 a further increase in the region of 5% will be necessary in 2007".

The budget predicts that the cost of waste disposal in 2007 is expected to be £492,300, an increase of £42,000 over 2006, with income from Occupiers' Rate at £370,000. Although it must be said that these two items are not necessarily linked, it has previously been agreed that the cost of dealing with our municipal waste through export and recycling has to be met at least partially by Occupiers rates.

In view of the above my Committee has agreed that a 5% increase will be necessary in 2007.

I therefore enclose a draft Ordinance entitled "the Occupiers' Rate (Level for 2007) Ordinance, 2006" and would be grateful if you would lay this before the States with appropriate propositions.

P.F. Walter

Chairman"

The States is asked to approve "The Occupiers' Rate (Level for 2007) Ordinance, 2006".

Item II An Island Plan: Phase 1 - Sustaining Alderney's Future

The following letter has been received from Colonel Walter, Chairman of the Policy and Finance Committee:-

"I am pleased to be able to inform you that the group of States Members and Civil Servants who have been working on the above are now able, following the final stage of public consultation (for which purpose a draft was made available), to submit to the States the version of it now to be laid before the States.

The plan is to be welcomed. It gathers together in a single document information and proposals relating to the major issues which the States must address in sustaining Alderney's future as a viable and flourishing

small community. As such, it is an important tool but, as its title suggests, it is also only a first step in the vital process of moving towards a States which concerns itself more with policy and less with the day to day administration of the Island. It is necessary now to move on to formulate, prioritise and, most importantly, implement policy in the areas with which the plan deals. Those areas are, in summary, Population and Immigration, the Economy, Housing, States Revenue and Expenditure, Transferred Services and the Breakwater, the Environment and the Constitution.

As is made clear in the plan it is not so much intended to be a series of resolutions which the States is bound to rigidly adhere to as a set of choices which the States must address. It is hoped that all States Members will agree with the process whilst not necessarily agreeing with everything which the plan contains or proposes. Choices are as much to do with rejecting options as adopting them. As the plan states: it is more an agenda for the future than a detailed road map of that future. What happens from now on is for the States to decide - but decisions must be made and the plan is an important part of that process. It is, in short, intended that it will be a focus for the formulation of policy. In draft form it has been welcomed by virtually all of the large numbers of the public who have submitted their views and made contributions, some of which have been incorporated in the plan and all of which were useful. While some differed from proposals in the plan in some specific areas of detail there was a high level of approval of the process itself.

I shall be grateful if "An Island Plan: Phase 1 - Sustaining Alderney's Future" is placed before the States at its next meeting together with an appropriate proposition.

P F Walter
Chairman"

The States is asked to receive "An Island Plan: Phase 1 - Sustaining Alderney's Future" and to resolve that it now be used in moving onto the next phase: the formulation, prioritisation and implementation of policy in the areas covered by it.

(Note: Copies of the Island Plan: Phase 1 will be available for purchase (£3.00) from the General Office, Island Hall and a copy will be available for viewing at the Library.)

Item III Incinerator

The following letter has been received from Mr Pengilly, Chairman of the General Services Committee:- Since 1999 my Committee has been pursuing a waste strategy for the Island, which would result in the end to the uncontrolled burning of all waste at the ImpÃ´t site and the selective recycling of materials which it was both economically and environmentally justifiable to carry out.

As long ago as 2001 it was accepted by the States that my Committee's recommendation of on-Island treatment of waste by means of a thermal treatment plant was the way forward for the Island. Only the siting of the proposed incinerator was in question at that time.

Unfortunately, because of the relatively long lead-in time for this proposal, in 2004 pressure from outside the Island forced the States to sanction a trial of an off-Island disposal method to landfill in Guernsey, in order to cease what had then become selective burning in off-Island wind conditions.

This trial, based on the use of second-hand plant and rather coarse methodology commenced in December 2004 and continues to this day.

The trial did however have its use in that it has demonstrated the practical difficulties involved in exporting what is a noxious substance through a chain of sea and road transport to landfill (landfill of municipal waste itself is now considered environmentally unacceptable).

It has been also well publicised that within the period of this trial, gate prices for landfill at the Mont Cuet site have risen from around £33 per tonne and will be a minimum of £115 per tonne in July of next year. It

is also the stated policy of the Guernsey Public Works Department to, year-on-year, make further substantial increases.

The present overall costs of disposal of waste are escalating not only for this reason, but also due to substantial increases in the costs of recycling.

As all costs for waste disposal are a charge direct to the householders of the Island, this will inevitably lead to increases in local rates.

My Committee has however continued to support on-Island treatment, and during the intervening period commissioned international Danish consultants Ramboll A.S. who prepared reports on both the cost effectiveness and suitable methods of on-Island treatment. It is perhaps pertinent at this stage to state that Denmark disposes of virtually all of its municipal solid waste by incineration (the highest percentage in the E.U.) and by virtue of its many islands and small population is used to dealing with similar problems to the ones we experience.

These reports concluded that the purchase and installation of a small incinerator was not only feasible, but would be a lower cost option than the off-Island method (this was based on a maximum cost for gate fee for disposal of £102 per tonne). The on-Island option was also far less sensitive to uncontrollable off-Island costs such as shipping and disposal costs.

Having considered these reports and with knowledge of the catalogue of difficulties experienced during the off-Island trial, the Committee resolved in November 2005, to instruct Ramboll to prepare tender documents and procure tenders for a small on-Island incinerator.

Contained within the brief to Ramboll were three requirements:-

1. The plant should utilise proven techniques, and the manufacturer should be able to provide evidence of a similar sized working plant treating municipal solid waste.
2. The plant should be capable of operating efficiently and robustly under the envisaged Island usage regime (intermittent burning, capability to accept any feedstock etc.)
3. The plant should conform to the highest standards for restriction of dangerous emissions to the atmosphere, in order to protect the Island population and the general environment. This is generally accepted to be the EU Waste Incineration Directive - 2000.

Following worldwide enquiries, Ramboll in early 2006, presented the Committee with a list of 5 potential suppliers. On their recommendation, 3 suppliers were asked to submit tenders on the basis of a detailed specification and contract documents (one of these was the supplier of the recently installed incinerator at the PEH in Guernsey, burning all waste from the hospital).

Following a post-tender evaluation of the tenders received, Ramboll recommended that further negotiations should be pursued with Envikraft A.S. - a Danish manufacturer specialising for over 30 years in the manufacture and installation of small incinerators. This recommendation was accepted by my Committee. This process is now complete and a contract is ready for signing if the States so decides. Ramboll have on behalf of the States negotiated very favourable terms with the supplier, particularly in terms of prepayment conditions which are a normal part of a procurement contract for mechanical and electrical plant. Also included in this contract are very onerous guarantee proposals relating not only the performance, but efficiency and emissions to the atmosphere. These guarantees are backed by financial bonds and ultimately, on non-negotiable non performance, by an ability to cancel the contract by the States.

The Envikraft offer has obviously involved the company in substantial pre and post tender work. There still remains however substantial design work drawings etc. to be completed prior to commencement of manufacture. These works need to be progressed before building and civil engineering works associated with the plant can be finalised. It is, as normal in such contracts, proposed that Envikraft be paid an initial sum of 5% (normally 10%) of the contract value to complete these works. This sum will be covered by an on-demand bond should they default. At a time 3 months from the signing of the Contract (the "long-stop

date"), Envikraft would have completed these works and at that time the States could, with no further obligation, withdraw from the contract.

If this project proceeds the incineration plant will be located within the main ImpÃ´t quarry, with a small waste reception building above the quarry to facilitate automatic top loading of the incinerator. Waste will be transferred from the reception building to the incinerator by means of a "walking floor" installed in a trench. This will minimise operator involvement. The loading and burning process will be computer controlled and via a modem the system will be capable of being supervised and checked by the Envikraft engineers in Denmark. Essential running spares for an initial 2-year period are included in the contract. The Envikraft offer however is for the incineration and waste delivery plant only. Previous attempts to include building and civil engineering works into a Contract have led to an inflated total scheme cost as the supplier is not an expert in these fields and has allowed financially for the greater risk thus involved. Budget costs for these elements of the project have therefore been obtained locally for the civil engineering works and with a previously used steel framed building manufacturer and erector with experience of the Island for the building to house the incinerator. These costs will be confirmed during the period up to the long-stop date. There are also costs involved in the provision of a new electricity supply to the site, which have recently been confirmed as being substantially higher than previously indicated by Alderney Electricity Limited. These works will however also consolidate the electricity supply to this part of the Island.

Total costs are:

Civil costs - based on reasonable estimates and local rates £80,000

Building costs - based on budget quotation from John Reid & Sons £175,000

Provision of electricity supply (budget costs AEL) £130,000

Incinerator and associated M & E plant £1,400,000

Contingency sum £65,000

£1,850,000

The Policy and Finance Committee, at its meeting of 2nd November 2006, agreed that as things presently stand up to 50% of the cost of the project should be funded from the Alderney Gambling Control Commission reserves, while the States of Guernsey Treasury and Resources Department have in principle agreed to make a recommendation to the States of Guernsey to fund the balance with a loan based on the Treasury interest rate. However, in view of the lead-time involved and potential slippage (not presently envisaged) in the capital programme, the position to be reviewed in light of the circumstances when expenditure is incurred.

The States are therefore asked to approve the following: -

1. Enter into a contract with Envikraft AS, with a "long-stop" date as described (in a total value not to exceed £1.4m).
2. Subject to recommendation by Ramboll AS approve the continuation of the Contract into the construction phase.
3. Instruct the General Services Committee to seek tenders and let contracts for the associated Civil and Building works in a sum not to exceed £260,000.
4. Instruct the General Services Committee to enter into negotiations with AEL to provide an electricity supply to the site in a sum not more than £130,000.
5. To confirm that as things presently stand 50% of the funding of the project would be funded from the gambling surplus.
6. To request the Treasury & Resources Department to lay this matter before the States of Guernsey with a request to vote a sum not exceeding £1.85m for the purchase, installation and ancillary works for an incinerator as described above and to approve up to 50% of this sum to be financed by a loan from the States of Guernsey.

7. That the funding arrangements be reviewed in light of the circumstances when expenditure is incurred. I shall be obliged if this you would lay this before the States at its next meeting together with an appropriate propositions.

B A E Pengilley
Chairman"

The States is asked to resolve the following:

1. Enter into a contract with Envikraft AS, with a "long-stop" date as described (in a total value not to exceed £1.4m).
2. Subject to recommendation by Ramboll AS approve the continuation of the Contract into the construction phase.
3. Instruct the General Services Committee to seek tenders and let contracts for the associated Civil and Building works in a sum not to exceed £260,000.
4. Instruct the General Services Committee to enter into negotiations with AEL to provide an electricity supply to the site in a sum not more than £130,000.
5. To confirm that as things presently stand 50% of the funding of the project would be funded from the gambling surplus.
6. To request the Treasury & Resources Department to lay this matter before the States of Guernsey with a request to vote a sum not exceeding £1.85m for the purchase, installation and ancillary works for an incinerator as described above and to approve up to 50% of this sum to be financed by a loan from the States of Guernsey.
7. That the funding arrangements be reviewed in light of the circumstances when expenditure is incurred.

Item IV Questions and Reports

Issued Friday 10th November 2006

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