



**OFFICIAL REPORT**

**OF THE**

**STATES OF THE**

**ISLAND OF ALDERNEY**

**HANSARD**

**The Court House, Alderney, Wednesday, 16th September 2015**

*All published Official Reports can be found on the  
official States of Alderney website [www.alderney.gov.gg](http://www.alderney.gov.gg)*

**Volume 3, No. 6**

**Present:**

Mr Stuart Trought, President

**Members**

Mr Matthew Birmingham

Mr Neil Harvey

Mr Louis Jean

Mr Robert McDowall

Mr Graham McKinley

Mrs Norma Paris

Mr Steve Roberts

Mr Christopher Rowley

Mr Francis Simonet

Mr Ian Tugby

**The Greffier of the Court**

Mr Jonathan Anderson

**Business transacted**

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# States of Alderney

*The States met at 5.30 p.m. in the presence of  
Colonel Colin Mason, a representative of the  
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

[THE PRESIDENT *in the Chair*]

## PRAYERS

*The Greffier*

### **Tribute to His Excellency Air Marshal Peter Walker, C.B., C.B.E. the late Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey**

**The President:** Before we move to Item I this evening, people are probably aware that this evening the Lieutenant-Governor was supposed to be with us, and as you are all aware the Lieutenant-Governor very recently died. The Lieutenant-Governor was a very good friend of  
5 Alderney's and he gave very wise counsel to Alderney and he was very genuinely interested in Alderney. I am sure he will be missed with a deep sense of loss and remembered with great affection.

I would be pleased if you would all rise for one minute's silence for the Lieutenant-Governor.

10 *Members stood in silence.*

**The President:** Thank you very much.

### **Welcome to the new Greffier, Mr Jonathan Anderson**

**The President:** And one more announcement before we move to this evening's business: I would like to welcome our new Greffier here this evening.

15

**Two Members:** Hear, hear.

**The Greffier:** Thank you, sir.

20

**The President:** Mr Greffier, could you please move to Item I.

**The Greffier:** Certainly, sir.

Prior to Item I would you like me to complete the roll call for the purpose of the register?

25

**The President:** Yes, please do.

## ROLL CALL

*The Greffier*

# Billet d'État No 1 for Wednesday, 16th September 2015

## I. Chief Pleas

*Item I.*

*The States of Alderney is asked:*

*To allow Persons whose names are included on the Register of Voters and who have given due notice will address the States on matters of public interest.*

**The Greffier:** Item I this evening is Chief Pleas. No Chief Pleas have been received by me, sir.

**The President:** And there have been none received by myself.

## II. Speed Trials 2015 – Speed Trials (Alderney) Ordinance, 2015 – Item approved

*Item II.*

*The States is asked:*

*To approve the Speed Trials (Alderney) Ordinance of 2015.*

**The President:** Could you please move to Item II.

30

**The Greffier:** Thank you, sir.

Item II this evening is Speed Trials 2015. A letter has been received from Mr Tugby as Chairman of the General Services Committee and the States of Alderney is asked to approve the Speed Trials (Alderney) Ordinance, 2015.

35

**The President:** Thank you very much.

Mr Tugby, as Convener, were there any comments on this at the People's Meeting, please?

**Mr Tugby:** There were no comments on the subject, sir.

40

**The President:** As proposer would you care to stay on your feet?

**Mr Tugby:** Yes, I would like to propose this Item. It is just a formality, basically, it has been going on for a number of years. It is just a benefit to Alderney, and I recommend it.

45

**The President:** Thank you, Mr Tugby.

Do we have a seconder for this, please?

**Mr Rowley:** Yes, sir, I would like to second that. Thank you, and I have nothing further to add.

50

**The President:** Thank you, Mr Rowley.

Does any Member wish to speak on Item II?

Do you wish to speak on Item II?

55 **Mr Jean:** On the Hill Climb?

**The President:** Yes.

**Mr Jean:** Yes, I would like to.

60 **The President:** Please do.

**Mr Jean:** I would like to say how supportive, sir, I am of the Hill Climb and what it has meant to so many people both here and in Guernsey over the years.

65 It is now a well-established event in our calendar and this year there has been a change. There have been difficulties with bringing the vehicles in and what I am concerned about is we have had to begin to look at a degree of subsidy for the event.

70 Whilst this is something that I support, I think we have to keep a very careful eye on this as there could be a situation that could grow – and that, to my mind, could jeopardise the Hill Climb still further. Nothing should be done to jeopardise the Hill Climb – it is now an annual event and a popular one.

I support it and I think that all of us should give plenty of thought to how we can get the situation out of subsidy and watch the situation very closely. I was quite alarmed by the short notice for the increase in bringing the vehicles in.

75 Thank you, sir.

**The President:** Thank you, Mr Jean.

Does any other Member wish to speak on this?

Mr McKinley.

80 **Mr McKinley:** Mr President, fellow States Members, I may be misunderstanding this but this Ordinance has come out today, the 16th, and the Speed Trials start tomorrow on the 17th; if we had not passed the Ordinance a number of the vehicles that were already on this Island would have had to turn round and go back.

85 So perhaps next year we ought to discuss this a little bit earlier. Just a point.

**The President:** Does any other Member wish to speak on Item II, Speed Trials 2015?

Mr Greffier, would you please put that to the vote.

**The Greffier:** Certainly.

*A vote was taken and the results were as follows:*

<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAINED</b>
Mr Tugby	None	None
Mr Birmingham		
Mr Jean		
Mr Harvey		
Mr Simonet		
Mr McDowall		
Mr Rowley		
Mr Roberts		
Mrs Paris		
Mr McKinley		

90 **The Greffier:** Sir, the motion is carried.

**The President:** Thank you very much indeed.

**III. Alderney Electricity Limited –  
Capital funding for improvements to distribution grid –  
Item withdrawn**

*Item III.*

*The States of Alderney is asked to approve:*

*1. Granting Alderney Electricity Limited a maximum of £1.2 million over the three years 2015 to 2017, to be funded from the States of Alderney Capital Account.*

*2. Authorising the Chief Executive of the States of Alderney, in conjunction with the legal advisors of the States of Alderney, to agree and sign the Heads of Terms of Agreement and associated contracts.*

*3. Authorising the Chief Executive of the States of Alderney, in conjunction with the legal advisors of the States of Alderney, to agree and sign the fully repairing Lease on transfer of the assets.*

**The President:** We move to Item III of Billet 1, please.

95 **The Greffier:** Yes, sir.

Item III is the Alderney Electricity Limited, Capital Funding for Improvements to the Distribution Grid.

A letter has been received from Mr Neil Harvey, as Chairman of the Policy and Finance Committee and the States of Alderney is asked to approve, firstly, granting Alderney Electricity Limited a maximum of £1.2 million over the three years of 2015 to 2017, to be funded from the States of Alderney Capital Account; secondly, authorising the Chief Executive of the States of Alderney, in conjunction with the legal advisors of the States of Alderney, to agree and sign the Heads of Terms of Agreement and associated contracts; and thirdly, authorising the Chief Executive of the States of Alderney, in conjunction with the legal advisors of the States of Alderney, to agree and sign the fully repairing lease on transfer of the assets

**The President:** Thank you very much indeed.

Before we move to this Item, I must inform the public that, as declared on the Members' Declarations of Interest, there are several Members of the States who are conflicted on this Item as they are owners of shares. Quite clearly, under Rule 21 they are prohibited from either participating in the debate or voting on the issue.

I will name those Members. They are: Mr Simonet, Mr Jean and Mr McKinley on the fact that they own shares. Mr Birmingham is a director of that company and as a director his first interest under law has to be to the company of which he is a director, which is AEL, and he therefore is similarly barred from speaking or voting on this issue.

Mr Tugby, as Convener, would you please –

**Mr Jean:** Sir, sorry –

120 **The President:** Mr Jean – yes?

**Mr Jean:** May I raise a point of information?

**The President:** A point of order or a point of information?

125

**Mr Jean:** If you would like it to be a point of order... but it really is a point of information.

**The President:** Let's hear what you have got to say.

130 **Mr Jean:** Okay.  
As you know I was concerned and I was against what happened, and I have sought advice –

**The President:** Are we talking about you not being allowed to speak or vote?

135 **Mr Jean:** The three Members who are not allowed to speak and now Mr Birmingham as well.  
I took the matter up with the Legal Chambers. Could I read out their reply and my e-mail?

**The President:** Yes, please do.

140 **Mr Jean:** Thank you.  
I wrote to Howard Roberts:

‘Dear Howard, I have a problem, I am hoping you can give me some advice. Only one day ago at 4.30 p.m. I was made aware...’

– that is, of course, two days ago now –

‘that, under the Rules of Procedure under Declaration of Interests, Members of the States of Alderney were to be prevented from speaking on an Item contained in the September Billet for Alderney, due for discussion tomorrow evening at 5.30 p.m. This Item is for the benefit of our Alderney Electricity Company: over a three-year period £1,200,000 from the States of Alderney is to be given to AEL for their substation rebuild programme. It is well known that my views are different and it is clear the States do not want my views to receive a public airing in our monthly States Meeting –’

**The President:** Mr Jean, could you cut to the chase.

145 **Mr Jean:** Sorry, okay that is fine, yes.

‘If you look at paragraph C it is the mention of “a corporate body over which he has a controlling interest”. I deny this. I am one of 10 Members of the States of Alderney being asked by the Board of AEL, which *is* the controlling body, to provide them, AEL, with £1.2 million. Only as one part of the whole of the States of Alderney I maintain that, provided I declare *my* interest which is as a minority shareholder only, I should be able to speak and vote as I am not part of the controlling body. I have mentioned previously that we, the States, cannot be the controlling body as the request did not come from us, it came from AEL, and the States is more submissive in this matter –’

**The President:** Mr Jean, can you cut to the point about whether you can participate or not.

**Mr Jean:** I am cutting to the chase, I am nearly there.

‘ – and it is expected to oblige the controlling body. I am sorry for the short notice but, as I have mentioned, the meeting is tomorrow night which means I would appreciate an answer before I go to the meeting.’

150 So, at the moment, three minority shareholders stand to be silenced by what I regard as a misinterpretation –

**The President:** Mr Jean, can you give us the reply, please?

**Mr Jean:** Okay, I’ll go to the reply. I have said enough, okay? I will go to the reply.

‘Thank you for your e-mail in which you raised a query stated to Rule 21(1)(c), in the Rules of Procedure 2010, as amended to September 2013. And the rule states: “On issues which relate specifically to the personal interest of a particular Member, his immediate family (child, parent, spouse, or partner) or a corporate body over which he has a controlling interest; e.g. planning permission, contracts, purchases, etc., the Member should declare his interest, take no part in the debate and not vote.”’

155 He goes on to say... and that is the quote from the Rules of Procedure 21(1)(c):

'As you point out in your e-mail this rule only applies to companies or other corporate bodies over which the Member has a controlling interest. Controlling interest is not defined, but it clearly implies the power to direct the affairs and decisions of a company, a 10% shareholding of itself. And this holding is not able to be confined with other direct family member or associate body interest such as a trust or nominee arrangement. It is not a controlling interest. I am directly aware that in fact the States of Alderney hold the controlling interest in Alderney Electricity Ltd. Since, under that rule, a holding in a company that is not a controlling interest does not mean you cannot take part in the debate and vote. You are not caught either by the earlier part of that rule which refers to the personal interest of the Member, and accordingly since you state that you have declared your interest I do not think that you are prevented by paragraph 21(1)(c) of the Rules, from taking part in the debate and from voting on the subject.'

I took up Mr Birmingham's situation as well and in the case of Mr Birmingham's shares, from what you say – I do not have any direct information on this, but I think you will find this correct – he would appear to hold the shares as a nominee for the States of Alderney –

160

**The President:** Mr Birmingham is not (**A Member:** A shareholder.) a shareholder – that is not the issue with Mr Birmingham.

**Mr Jean:** No, no, I know that –

165

**The President:** So this is nothing to do with Mr Birmingham –

**Mr Jean:** Okay, but he was also ruled out – recently, just ruled him out –

170

**The President:** Mr Birmingham ruled himself out, because he was a director.

**Mr Jean:** Okay, alright, well I am clearing it that he can speak if he wishes. Okay?

**The President:** Hang on, Louis – Mr Jean, sorry.

175

**Mr Jean:** I'm sorry.

**The President:** You are not clearing it at all, because he does not hold shares in the company.

180

**Mr Jean:** I know that – they are nominated to him by the States of Alderney.

**The President:** No, that is not the issue. The issue is that he is a director of the company.

185

**Mr Jean:** Well, I took it up anyway, and I cleared it that he may speak if he wishes. Okay? Shall I finish this? May I finish?

**The President:** Please go ahead.

**Mr Jean:** Oh, dear, where were we?

'If they have been allocated by reason of his position on the board, in my view he is not caught by Rule 21(1)(c) seeking to resolve the conflict between a Member's personal interest and those of the States of Alderney. If he is the nominated director, there would appear to be no personal interest which will conflict with his duty to the States of Alderney, as an elected Member.

I hope this will be of assistance to you, Martin Thornton.'

190

Of course, Howard Roberts was away. Howard Roberts, although away, was also contacted and thanked Martin Thornton, and was not critical of his reply.

Thank you, sir. So that means that for the three Members –



**The President:** Mr Jean, I thank you very much for the research you have done there –

195

**Mr Jean:** Thank you, thank you.

**The President:** That is not the advice which I have received so I am now in a situation where I have received conflicting advice from people who are qualified to give advice.

200

**Mr Jean:** May I suggest we defer the Item?

**The President:** No, I will decide what is happening –

205

**Mr Jean:** Let's see what you do, yes?

**The President:** Seeing as I am in the situation where I have got conflicting legal advice, what I am going to do is withdraw Item III from the Billet on this occasion, to be debated once this situation has been clarified.

210

**Mr Jean:** May I speak?

**The President:** Mr Jean. Yes, you may.

215

**Mr Jean:** That will be satisfactory to me, sir, and of course I am not at all against AEL and what I want to do is try to talk –

**The President:** Mr Jean, this Item is now off the Billet –

220

**Mr Jean:** Okay, fine, fine, I know how you are. Fine, good.

**The President:** Thank you.

**IV. Questions and Reports –  
Policy and Finance Committee –  
Chairman's Report – Alderney Air Links**

*Item IV.*

*Report on Alderney Air Links from Mr Neil Harvey, Chairman of the Policy & Finance Committee.*

**The President:** Right, Mr Greffier would you please move to Item IV.

225

**The Greffier:** Yes, Item IV is Questions and Reports.

Only one report has been received and that is from Mr Neil Harvey, in his capacity as Chairman of the Policy and Finance Committee regarding Alderney air links.

**The President:** Thank you very much indeed.

230

Mr Tugby, as Convener, were there any comments on this?

**Mr Tugby:** Yes, there were a number of comments on this one.

235 A contributor calculated that by the time Aurigny have bought new Dorniers they will have to spend approximately £26 million, and he wanted to know where the money would be coming from.

Mr Harvey replied that it would be funded by taxpayers and the States of Guernsey.

240 The same contributor stated that due to the recent problems freight had been suffering, as he had been advised that he needs to order medication at least a month in advance instead of the usual 10 days, because the pharmacy could not guarantee to have the medication in stock due to serious delays in freight.

245 A contributor asked what the basis of the agreement would be and Mr Harvey stated that the aim is to hold Aurigny to account for a specific level of service, the number of seats and frequency of flights – and that the first bid by Aurigny, based on the 2014 levels, was not accepted as the service had already deteriorated by then. Therefore the service levels would be based on 2013 levels.

He also said that a user group has now been established – which is long overdue.

One contributor asked whether the MOU was merely a document with no weight, and Mr Harvey stated that it cannot be legally binding but that Aurigny will be held to account. The States of Guernsey will have to report quarterly and explain the variants in their service levels.

250 A contributor asked whether there would be any chance of price reduction, even by subsidy. Mr Harvey said that price is one thing that is being discussed along with asking for extra flights, weight lists, etc.

255 The same contributor then said that Aurigny keeps on repeating the figures of £900,000 loss, but they refuse to divulge actual figures. Mr Harvey said the financial relationship between Alderney and Guernsey is currently under review and he hopes that eventually this information will be public. A contributor queried how any subsidy would be split between the States of Alderney and the States of Guernsey, and Mr Harvey advised that subsidies are also being discussed.

260 Another contributor asked why the Aurigny accounts are confidential and also when there would be an update on airport improvements in Alderney. Mr Harvey stated that there are no precise dates from the States of Guernsey, but that funding for the improvements has to go through a lengthy process. Alderney's liaising group is pressuring the States of Guernsey, and he added that Mr Harvey had also written to Treasury and Resources regarding runway improvements. The contributor asked whether Mr Harvey was hopeful or confident about the situation, and Mr Harvey replied that it was frustrating that there are two issues, one in Aurigny and the other is vehicles and runways – but that both issues are dealt with separately in Guernsey. ALG is trying to bring these two issues together, as one cannot exist without the other. He can advise Aurigny has said that, by January 2016 they will be running a Dornier-only operation.

270 The same contributor then asked how much understanding there is generally in the States of Guernsey about the difficulties in Alderney. Mr Harvey replied that the visits that the Deputies organised by Mr McKinley and Mr Jean have helped enormously, and opened the eyes of those who have visited. Four more Deputies are coming next week.

275 The contributor asked if there was any merit to appoint a member of the public as non-executive director of Aurigny, and Mr Harvey advised that from a legal aspect this would definitely not be advisable.

That is it.

**The President:** Thank you, Mr Tugby.

280 Do any Members have questions for Mr Harvey on this report?

Mr Simonet?

**Mr Simonet:** I will have available questions if you have finished, but Mr Harvey has not read his report yet, so...

285 **The President:** Do you want to present your report in full?

**Mr Harvey:** Thank you, Mr President – and as we seem to have had a slight hiatus in the proceedings tonight there is probably time, and it is not a very long report; although I am grateful to Mr Tugby for detailing the report from the People’s Meeting which covered many of the same areas.

I will read the report, with your indulgence.

The purpose of the report is to update the States on recent discussions and actions with both the States of Guernsey and Aurigny to review, improve and sustain air links to and from Alderney.

295 Background: the vital need for effective air links for Alderney to maintain and encourage economic activity, to stabilise and hopefully increase our population and to preserve our unique community, is increasingly being recognised both here and in Guernsey. However, the long-overdue transition from Trislanders to Dorniers is proving extremely problematic, with far too many ‘crisis’ situations where we are left with only one elderly aircraft to service our two routes for passengers, medivacs, mail and freight. Whilst we have no legal control over the actions of Aurigny, as members and taxpayers of the Bailiwick we seek to influence their actions, both directly and through their shareholders, Treasury and Resources Department.

300 Memorandum of understanding: hitherto the only control exercised over Aurigny has been through a set of Shareholder Objectives, which as far as Alderney services are concerned refer only to maintenance of lifeline routes to and from the Island, without any definition of those. After an extended period of lobbying, we now have a draft memorandum of understanding setting out for the first time numbers of flight rotations, seats and fare structures on Alderney routes, and for which the management of Aurigny can be held accountable. These will need to be approved by Treasury and Resources Department and Aurigny, and of course the Policy and Finance Committee here in Alderney. They will by no means be the final word in our attempts to secure a better deal for our Island, but they will include a quarterly review mechanism, formation of an Aurigny ‘User Group’ and a closer working relationship between our Tourism and Marketing Department and the Aurigny Income and Commercial Team.

305 We have indicated clearly to Aurigny, and Treasury and Resources, that when capacity permits we will look at new, or re-open, routes particularly to Jersey on a carefully targeted basis, and to boost flights for special events and shoulder months where we believe there is scope for increasing traffic. Some of this may involve subsidy or charters from our own Economic Development funds, subject to the usual sign-off procedures.

310 Aircraft and Infrastructure: it is readily recognised that the memorandum of understanding is merely a document, with no weight beyond the ability of Aurigny to meet the obligations contained in it. They have publicly stated that they hope to have an Air Operators Certificate – without which they cannot carry passengers – for the second Dornier by the end of September, and to receive the third new Dornier by the end of the year to become a Dornier-only operation in 2016. Not all of this is within their control but we believe they fully understand the urgency of achieving this position. Doubts remain in the minds of some as to whether three Dorniers can satisfactorily meet the various demands placed upon the services, and certainly if we are successful with our economic development strategies it is not difficult to see a case for retaining four aircraft, with possibly two New Generation aircraft and two used models. Such an arrangement could of course have benefits for Aurigny beyond the two existing Alderney routes.

320 Conclusion: although all-too-frequent service problems cause distress and concern to passengers and families alike, we do believe there is a real possibility of material improvement in our air services. This is probably the key issue facing the States of Alderney in its efforts to stimulate the Island’s economy, rejuvenate its population and provide reassurance to our residents.

335 Thank you, sir.

**The President:** Thank you, Mr Harvey.

Do any Members have questions for Mr Harvey in this report?

Mr Simonet.

340 **Mr Simonet:** Yes, Mr President, I have four or five questions that have been repeatedly put to me by members of the electorate and perhaps I should ask these questions one at a time?

**The President:** Please do.

345 **Mr Simonet:** Yes, thank you.

I thank Mr Harvey for his report.

Who will be in the Aurigny User Group? What will be its remit? Realistically, what influence can it have on Aurigny management?

350 **Mr Harvey:** Thank you, sir.

I have to be totally honest and say I do not know who will be in the user group but I expect that there will be some sort of advertisement by Aurigny in due course, seeking people to join the user group – and they fully understand that we want Alderney to be represented on that user group.

355 Again, its remit will have to be clearly defined. User groups are established for many large organisations and utilities across Western Europe – I think it is disgraceful, frankly, that there has not been one already. There has been no mechanism for debate with Aurigny about the deficiencies in their service. Indeed, whilst I accept that the memorandum of understanding is merely a piece of paper, I have to say in the last 18 months we have had more direct dialogue  
360 with Aurigny – myself and the Chief Executive, and others – than we have had in the previous 18 years.

So, we are at least talking to them, which has got to be a useful step forward; and I think they are *slowly* beginning to understand that they have to engage with the politicians, the civil servants and, most of all, the people who use them.

365

**Mr Simonet:** Thank you for that reply, Mr Harvey.

How realistic is it that Aurigny will be willing – or able – to offer new routes at capacity, given the well-established limits of its investment in new aircraft?

370 **Mr Harvey:** The limits to investment in new aircraft are not yet determined. They have made public, obviously, where they are at the moment, that they have agreement from the States of Guernsey to the purchase of one new aircraft. I believe they are looking at accelerating the purchase of a second new aircraft, but nothing is fixed and for all time.

375 I have to say that the memorandum of understanding – or more importantly, the numbers that underpin it – have been slightly delayed; we had hoped that they would be available this week to put to Policy and Finance next week. We are now told that will not be possible because there is some further work to be done with Treasury and Resources.

380 Whilst the memorandum of understanding and appendices will contain their numbers of seats and the frequency of rotations, that clearly has to be translated into financial consequences, and it is that debate that they are continuing with Treasury and Resources in Guernsey at the moment. When we looked at the first numbers for seats and rotations, we were not satisfied and we said we did not feel it was enough. They showed them in relationship to the 2014 numbers and we said that was, again, not satisfactory because as far as we are concerned  
385 in 2014 the service had already begun to deteriorate quite severely. So we asked them to restate the figures as against the actual 2013 schedules.

We went further and said, 'What is the capacity on marginal cost with the aircraft you expect to have? How many flights could you operate throughout the year?' And that, again, is some information we are waiting for.

390 Clearly, if there is marginal capacity there with the number of aircraft they anticipate having next year, then we would look to press them on the issue of new routes – and in particular re-opening, probably on a seasonal basis, the Jersey route. Again, maybe on a six-month trial basis.

All of these extra flights have a cost and a risk, and Treasury and Resources in Guernsey are quite clear that there is a finite sum of money to subsidise Aurigny, which is where we look at the issue of 'if push comes to shove'... Yes, of course it is Aurigny's responsibility to meet our requirements, but if we want to re-open a new route we may, as we did in October 2013, need to consider doing a limited charter to prove that the route is effective – and I think that would be a perfectly legitimate use of the economic development fund.

400 **A Member:** Absolutely.

**Mr Simonet:** Thank you for that answer.

In your statement, when you are saying that the long-overdue transition from Trislanders to Dorniers is proving extremely problematic with far too many crisis situations, how can you be confident that the long-term plan outlined in your report will not be delayed beyond 2016 – or materialise at all?

405 **Mr Harvey:** I cannot. *(Laughter)*

**Mr Simonet:** And finally, Mr Harvey, in your conclusion you reached a tone of optimism –

410 **Mr Harvey:** Of course.

**Mr Simonet:** If your reasons for optimism are ultimately seen to be unfounded, what alternative plan do you have to fix this problem which, by your own estimation, is the key issue facing the States of Alderney – or is your plan simply that you expect the States of Guernsey to do the right thing by Alderney?

415 **Mr Harvey:** We have looked, as a collection of States, at the possibility of alternative plans, or contingency plans. We have looked at the possibility of engaging with other operators and we have come to the conclusion that at the moment that is not viable.

The only other operators who have expressed interest are what is termed a 'virtual airline' possessed of no assets, leasing an aircraft as and when they need them, *certainly* without the financial security of the States of Guernsey, or the Bailiwick of Guernsey. So although there may be a part to play for such operators, in terms of replacing Aurigny there is no other option at the moment – I say 'at the moment'.

425 The memorandum of understanding is merely a step along a process which will *probably* within 18 months or so – one is always reluctant to put timescales on these things – lead to a public service obligation, because the legal advice for the States of Guernsey is that the public service obligation is the correct way to go to ensure that there is no element of uncompetitive behaviour. What that public service obligation will do, will be to specify the services that Alderney needs by way of air services, and we will put it out as a public offering to airlines throughout Europe, possibly throughout the world.

430 Frankly, I am not holding my breath: there are fond notions that easyJet, Ryanair, Richard Branson or somebody would love to come along here and take over Aurigny's route. It is nonsense, of course. We are a very small Island with very limited services and just the regulatory infrastructure for running that is fairly substantial, so I do not think it is realistic to hope that there will be a queue of people wanting to take over our air services.

440 But we will always look at the opportunities that may arise and there are some niche opportunities that arise from time to time. It may well be, for example, with Jersey route that if we say to Aurigny, 'We would like to run a six-months trial of weekend services to and from Jersey' and Aurigny say, 'No, we have not got the capacity to do it' we can look elsewhere; and we already have other operators who might be interested in running that, as it does not compete directly with Aurigny's main routes.

445 But anything that we do that affects the existing traffic between here and Southampton, and here and Guernsey – if it affects it to a significant extent – is going to rebound on Aurigny and they are going to cut their service. So it is not just a simple question of saying, 'We can replace a bit of this' because it will not work like that.

450 So... a long way round, I think we can make progress on new routes; it is going to be a slow process. I think we will continue and I feel we *should* continue to press for more aircraft, I am not convinced that three Dorniers will be sufficient; and I know there are many in the industry – some in Aurigny, and I suspect and hope some in Guernsey – who will support that view.

455 But I think what is important at the moment is to get the Dorniers functioning as quickly as possible, the new ones will be significantly more efficient and effective than the older ones but, quite frankly, having flown a number of times in the older ones I think they offer a far better service than the Trislanders. And, I am sad to say, everybody has a great deal of empathy and concern and sympathy for Joey, but things move on – and it is time we moved on with this one.

**Mr Simonet:** Thank you, Mr President.

460 Just in conclusion I would like to thank Mr Harvey for his detailed replies.

**The President:** Thank you, Mr Simonet.

Does any other Member have questions for Mr Harvey?

465 **Mr McDowall:** Yes, Mr President, if I may.

**The President:** Mr McDowall.

470 **Mr McDowall:** Just two or three points of technical clarification, rather than questions – may I be permitted to make them?

**The President:** Yes, please do.

**Mr McDowall:** Thank you.

475 First of all, the accounts of Aurigny are not published at the moment – they are confidential. If the States of Guernsey had moved to international financial reporting standards they would not be allowed to do that, without a heavy qualification to their accounts. They passed a motion to move to international financial reporting standards in 2012 and they have done *nothing* since – I think it is disgraceful.

480 The second point is that, as a result of that, they would have to disclose the losses on the routes – and I think this is an important point to bear in mind. So pressure should be put on the States of Guernsey to move as soon as possible to international financial reporting standards for their accounts.

**The President:** And the question is?

485 **Mr McDowall:** The question is... *(Laughter)* Mr Harvey: when do you think the States of Guernsey will move to international financial reporting standards?

**The President:** Thank you.

490 **Mr Harvey:** Thank you, Mr McDowall, I feel inadequately qualified to answer the last particular question... but the issue of lack of transparency in Aurigny's accounts is one that is getting increasing air again – which I think is a good thing too. And indeed the need to eventually move to more transparent accounting is apparent in our discussions with T&R, when we have discussed subsidies and the sort of support that Aurigny provides to Alderney.

495 So, I think the clamour for that transparency will grow. It is a double-edged sword, it will show up things that some people may not wish to be shown up – but you have to take it warts and all. I think if any action arises I would venture to suggest the Alderney representatives in Guernsey should push for it as well.

500 **The President:** Thank you very much.  
Mr... ask a question?

**Mr McKinley:** Well actually just to give an answer to a question there – if I may.

505 **The President:** The purpose of this is so that you can ask questions –

**Mr McKinley:** Well, could I just amplify a response, if I may?

**The President:** Yes, yes – go on.

510

**Mr McKinley:** The Guernsey accounts were due to be debated in the Guernsey States meeting at the end of July and they were not debated because there was too much on the agenda. So they will be debated at the first part of the September debate, which is of course at the end of this month.

515 As a matter of interest we are going to ask the question, 'Why is it that Aurigny's accounts... and what other companies' accounts actually, are kept confidential?' And we are also going to ask questions about international financial reporting standards which Mr McDowall and I, and Mr Jean, have discussed already. So we hope to bring that subject up.

520 As a matter of interest we might get them to disclose the fact that Aurigny, I understand, is in debt to the tune of £51 million (**A Member:** Yes.) to the States of Guernsey.

**The President:** Thank you, Mr McKinley.  
Does anybody else wish to ask a question of Mr Harvey?

525 **Mr McDowall:** Yes. (*Interjection*)

**The President:** Go ahead, Mr Birmingham.

**Mr Birmingham:** Thank you, Mr President.

530 Does Mr Harvey agree with me that it is vital that the local health professionals – particularly the St John Ambulance Service – are included in the proposed user group to help in aid of the proper operation of medivacs? I think their advice must be important and should be taken on board.

535 **Mr Harvey:** I think that is an excellent suggestion, as I would expect from Mr Birmingham. There are certain anomalies as regards medivac, there is no legal agreement between Aurigny and HSSD on medivacs – it is a practice which has grown up, thank heavens, over a number of years; and I know that, too, is something that slightly concerns St John's and other people.

540 So I think there will be a move towards having a proper formal agreement in respect of medivacs. Certainly, I am pleased to say that nobody, anywhere, has hinted in Guernsey at any withdrawal from medivac, so one would hope that the service there is as safe as anything in life

can be. But, yes, I quite agree: I think to have somebody representing that aspect of the air service would be very good.

545 We, of course, will have no control over the user group, but we can certainly make suggestions.

**The President:** Thank you very much.

Mr McDowall, do you have another question?

550 **Mr McDowall:** I do, indeed, Mr President.

Subsequent to the report, Mr Harvey, Aurigny have advertised for two new non-exec directors. Would you encourage members of the public who are appropriately qualified here to apply for such posts?

555 **Mr Harvey:** Absolutely, but I think what is important to recognise, as we have already touched on in a different context, is that for a director of a company – whether non-executive or executive – their prime responsibility is to that company.

There is no question about it that the existing board of Aurigny would be failing in their duty if they did not try and recruit the best possible people for the roles. Therefore, I suspect people – quite apart from being on the States, like myself with an amateur interest in aviation – would quite properly be disbarred from it. They are looking for people with – I would suspect – fairly high level business experience, I guess, ideally in the aviation world; and with relatively recent experience. I would expect those would be the sort of people they should be looking for and, as I say, they would be failing in their duty not to do so.

560 – quite apart from being on the States, like myself with an amateur interest in aviation – would quite properly be disbarred from it. They are looking for people with – I would suspect – fairly high level business experience, I guess, ideally in the aviation world; and with relatively recent experience. I would expect those would be the sort of people they should be looking for and, as I say, they would be failing in their duty not to do so.

565 If such a person happened to be in Alderney, I think it would be an extremely wonderful thing that they should apply because, again, we have no involvement in the process, applicants will have to apply to Aurigny – and if somebody from Alderney is successful I think that would be very good.

Thank you.

570

**The President:** Thank you very much.

Does any other Member have any other questions for Mr Harvey?

Mr Jean?

575 **Mr Jean:** Would Mr Harvey agree with me that subsidy is always a difficult route to go down? Last year in 2014, on 9th December, a press release came out from Gavin St Pier talking about the activities of the Aurigny sub-group. It mentioned the £3½ million annual deficit in Guernsey falling to £1.45 million, because more passengers had flown with Aurigny through cost reduction.

580 My concern is – and why I asked the question, that subsidy is a difficult route to go down – that it may well be the same applies here; and, as you know, I submitted a submission to the Scrutiny Committee along those lines, building a case around it for Alderney.

What I am trying to get at is: it may not be the right solution for us to start looking at subsidising even new routes, at the same time it might be better to wait to see the results of the Scrutiny Committee hearings – which I believe are due out any time, in fact I thought it was due on 12th September but I have yet to see them. I know that it is due very soon and really we should wait to see those results.

585 Would he agree?

590 **Mr Harvey:** I think, although it is somewhat outside the remit of the report, clearly nothing is going to happen immediately about new routes anyway. So I think that just the normal sequence of events means that Scrutiny Committee will be reporting – whatever they do report – probably before we get into any serious debate with Aurigny about new routes. I mean, for heaven's sake,



they have to service the existing routes better than they are doing at the moment before we can start talking about Jersey, or anywhere else!

595

Of course subsidy is a difficult concept: I think it is probably quite correct at the moment that if there was not the subsidy there is, the fares would be significantly higher. But I am also a subscriber to the view that if you price things properly, more people will use them. One of the arguments we are trying to get across to Aurigny is, for example, that our large number of second-homers here means that there is a fair degree of flexibility and demand – and that if the prices are right then there is a likelihood of driving up the traffic just from that reason alone... the people who used to come three or four times a year and now come once every two years.

600

So I believe there is a possibility there if you selectively target some price reductions. But clearly what Aurigny are *not* going to want to do – or certainly T&R, because they will call the shots at the end of the day – is give an across the board price reduction to Alderney... As I am sure you are well aware, anything like that would require the agreement of the full States of Guernsey because it will effectively be new costs that they are accepting.

605

So it is not a decision for Aurigny alone, it is a decision for T&R and probably the full States of Guernsey. So it is an argument that you might well end up having with them yourselves.

610

I think the use of subsidies to start something off, such as the Jersey route, is quite right and proper. It may not even be a subsidy, as we did with the trial we ran two years ago when we chartered the aircraft for a six-week period. So we said, 'We believe we can make this work.' We took the risk – I think the actual cost to the States was negligible because actually the load factors were very high on the charters. So that is one case where we as the States said, 'We believe this will work; you are doubtful about it; alright, we will shoulder the risk.' It cost us nothing and it proved that there was a demand there.

615

So that is the sort of mechanism that we might well be looking at in the future – but all of these things will depend upon the availability of sufficient aircraft, clearly, to cope with the demand.

620

**Mr Jean:** Thank you very much, Mr Harvey.

**The President:** Mr Rowley.

625

**Mr Rowley:** Yes, thank you very much for your report, Mr Harvey, just one brief question: to the best of your knowledge does anyone on the current board of Aurigny have any previous experience in aviation? Or, for that matter, T&R?*(Laughter)*

**Mr Harvey:** Well again, I have to ask Mr Rowley to think of a question I have no answer for.

630

I do not know exactly who is on the board of Aurigny; one would hope they have people with that sort of knowledge. *(Interjection)*

I think it has been widely publicised that the chairman, I believe, is standing down. My understanding is that he was recruited because of his knowledge of large businesses and how to run them efficiently and effectively, so it is debatable whether that has really worked... But it is not easy finding people who are experts in aviation with a successful track record because, quite frankly, aviation is an extremely difficult sort of business to be in, especially if you do not have the huge economies of scale (**A Member:** Yes, yes.) that Virgin or easyJet – or somebody like that – have.

635

So running small airlines is a *very* difficult sort of business, and whilst there is not much sympathy for the management and board of Aurigny at the moment I think, being realistic about it, they have not got an easy job. They may not be doing terribly well at it, but it is not an easy job.

640

**Mr Rowley:** Okay, thanks.

645

**The President:** Thank you, Mr Harvey.

Does anybody else have any questions for Mr Harvey on this report?

Thank you very much, Mr Harvey, for answering the questions – (*Interjection*)

There is one? Sorry, Mr McKinley.

650

**Mr McKinley:** No.

**Two Members:** Mr Roberts.

655

**The President:** Mr Roberts? Sorry. (*Interjections*)

**Mr Roberts:** I think yesterday really summed up the service we are getting from Aurigny –

**The President:** Is this a question for Mr Harvey?

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**Mr Roberts:** It is a question, yes.

**The President:** Good, excellent.

665

**Mr Roberts:** I think it was 10 passengers went down to Guernsey... States Members to the Lieutenant Governor's memorial. Each and every one of them had to travel privately, because Aurigny could not get you down there – and it sums everything up.

Medical patients suffer the same thing every day, but we saw that yesterday as a group. The management at Aurigny have no regard for Alderney's future whatsoever – it has gone down and down. There was one aircraft at the end of August – one aircraft serving this Island.

670

I will ask Mr Harvey: has he any confidence at all in the management at Aurigny who currently run it, with regard to Alderney?

**The President:** That is not actually part of his report but I will allow it to Mr Harvey's discretion as to whether he answers that or not. (*Laughter*)

675

**Mr Roberts:** Right, well, that is the question.

**Mr Harvey:** I guess it is like two men in a rowing boat in the middle of an ocean: one of them has read a book on navigation and the other has not. Who do you have confidence in?

680

Do I have confidence in the management? I have to have, because who else are we going to look to? We draw their mistakes, their errors, their problems – and there are many – to their attention. You have done so yourself today in your usual direct style, Mr Roberts, and I commend you for doing so.

685

There has been talk about motions of no confidence in the management and the board of Aurigny – I have to say that is fine, but where does it lead? It does not really particularly lead anywhere.

Of course we hope that there will be an improved board in the future. I think one of the encouraging signs is that Treasury and Resources who, 18 months ago, said that a service level agreement – or memorandum of understanding as we now know it – they were perfectly happy that we do that but we should just do it directly with Aurigny and they did not want to get involved. Well, frankly, that was going to lead nowhere.

690

Now they are saying, 'Let's get on with this because we want this to be able to hold Aurigny to account. And we have to take them at their word, that a memorandum of understanding with some hard measures that we will be reviewing performance against on a quarterly basis – if not more frequently – allows us to say, 'Yes, you are meeting this requirement' or 'No, you are not.' T&R will be party to this agreement and they ultimately hold the purse strings and the shares, so

695

I believe they will hold Aurigny to account – and I guess ultimately T&R's decision will relate to board composition as well.

700 So, do I have confidence in the management of Aurigny? My answer is: I have to have because there is no-one else – but that does not mean I am happy with it.

**The President:** Thank you, Mr Harvey.

Does anybody else have any questions for Mr Harvey on his report?

705 No? Right, thank you very much.

## Billet d'État No 2 for Wednesday, 16th September 2015

### I. Amendment to the Duty on Long Leases (Alderney) Law, 1994 – Duty on Long Leases (Exempt Dealings) (Alderney) Ordinance, 2015 – Item not approved

*Item I.*

*The States is asked:*

*To approve the Duty on Long Leases (Exempt Dealings) (Alderney) Ordinance, 2015*

**The President:** Mr Greffier, can we move to Billet No 2, please?

**The Greffier:** Yes, sir.

710 Item number I is the Amendment to the Duty on Long Leases (Alderney) Law, 1994. A letter has been received from Mr Harvey in his capacity as Chairman of the Policy and Finance Committee, and the States of Alderney is asked to approve the Duty on Long Leases (Exempt Dealings) (Alderney) Ordinance, 2015.

**The President:** Thank you very much.

715 Mr Tugby is Convener; were there any comments on this Item?

**Mr Tugby:** Yes, sir.

720 A contributor asked to what extent have AHA driven this Item. The Chief Executive advised that this has been carried out on the request of the Housing Association, as duty does not apply in Guernsey and therefore they wish to make it a level playing field, so that it does not apply in Alderney either.

Another contributor asked would the land still be owned by the States of Alderney. The Chief Executive advised that this relates only to the disposal of the leasehold interest and the freehold interest is retained by the Alderney Housing Association.

725

**The President:** Thank you very much.

Before we move any further there was some confusion with regard to what was referred to as '4% conge'. Before we get into that debate I would ask the Greffier to clarify for all the States Members and members of the public, exactly what that penalty tax refers to.

730 Mr Greffier.

**The Greffier:** Thank you, sir.

735 The purchase of a leasehold interest with return in excess of 21 years is currently governed by the Duty on Long Leases (Alderney) Law, 1994. Under that law purchasers of long leaseholds are required to pay leaseholder duty calculated as a percentage of the transaction value.

740 The applicable percentage is defined within the Duty on Long Leases (Variation of Rate and Ratio) (Alderney) Ordinance, 2003. Using the example provided in Mr Harvey's submission, the applicable percentage rate would be 4% of leasehold duty, which is split equally between the States of Alderney and the States of Guernsey. Transactions at higher values attract a sliding scale of applicable duty and differing ratios as between the States of Alderney and the States of Guernsey.

745 The purpose of the Ordinance before the States today is to remove that obligation to pay leasehold duty on specific transactions. The mechanism to achieve this is to include those transactions which fall within approved schemes and in which Alderney Housing Association is one party, within the exemptions classified in section 14 of the Duty on Long Leases (Alderney) Law, 1994.

I hope that assists, sir.

750 **The President:** Does any Member want further clarification on that issue?

**Mr Jean:** No, I do not require further clarification but what does interest me because of the late publication of the Billet, I am concerned that there are questions in the pipeline which have been asked by other members of the public, and I think that we should give time and thought to answering those. (**A Member:** Hear, hear.) Because of the late notice of the Billet I am not at all happy about voting this through at the moment until those points are clarified, if I may say, sir.

Thank you.

760 **The President:** Well you have made your point. It was at the People's Meeting and there has been an opportunity for people to ask questions, and to approach the States Members since then if they wish points to be raised at this meeting.

Mr McKinley – is this to do with the 4% tax?

765 **Mr McKinley:** No, it is just a follow up to Mr Jean's question.

**The President:** Can you save that for the main debate, because you will have ample opportunity to speak on that in the main debate.

Right, Mr Harvey as proposer.

770 **Mr Harvey:** Thank you, sir, and I am grateful to the Greffier for his clarification of the names we have applied to things because as I understand... it was my simple understanding of the law really... and I am sorry to hear there was an error in the Billet, but it was really about what we actually call the 4%.

775 Yes, this is an Item which has been brought to us by the Housing Association, arising from their launching of the Partial Ownership Scheme, a scheme deigned to help people who might otherwise have difficulty getting on to the property ladder, in helping them to do so.

780 It is a slight anomaly of our law which was changed in 1995, I understand, that the leases that would be granted under this scheme would attract duty. Had those leases been granted by the States of Alderney there would have been no duty as we would have been exempt; had there been leases granted, or tenure granted, by the Guernsey Housing Association, again there would have been no duty paid. So it would have borne rather harshly on those people trying to get on to the property ladder through the scheme in Alderney.

There is not a great deal more to say, other than it does put them on a level playing field with people applying in Guernsey. The issues raised with us have been the subject of some e-mail correspondence, and one of the correspondents refers to the fact that the law was changed in

785 1995 because it was realised that people were buying long leases rather than freeholds to avoid  
duty. Well, this is a minor easement of that situation and things do change over the period of  
20 years. So I think it is an entirely legitimate and proper thing to do, to help those people get on  
the housing ladder.

Another point raised was, 'Is this unfair to those in the private sector?' – where it is an  
790 unfortunate fact that any scheme to help people will always leave some people the wrong side  
of the fence. But I think those people who are genuinely struggling to buy their own property are  
much more likely to go through the Housing Association Scheme and to benefit from this  
relaxation of the duty, should we decide to pass it.

So I commend it to my fellow States Members. It was discussed at Policy and Finance back in  
795 April and there was broad support for the measure then and I would suggest that we now  
support it by way of an Ordinance.

Thank you.

**The President:** Thank you very much, Mr Harvey.

800 Mr McDowall usually seconds.

**Mr McDowall:** Yes I do, thank you very much indeed, Mr President.

I support any propositions that enable people to own their own houses: it is a matter that  
provides stability, prudent saving and it is something that has long been espoused, certainly in  
805 the UK and here. Getting people on to the housing ladder is extremely important.

I take the point that this provides some inequality in the private sector, and in a debate for  
another time I would certainly like to extend these sorts of concessions to *all* people who want  
to get on the housing ladder – it is part of my conviction in politics.

Thank you very much.

810

**The President:** Thank you, Mr McDowall.

Is there any Member that wishes to speak on this?

Mr Jean, do you wish to...?

815 **Mr Jean:** I would like to say that I want to support this but, as I have said previously, because  
of the lateness of the publication of the Billet and the fact that I did not receive it until Monday  
evening and did not know of the second Billet – and I do not know how that happened, but it  
did.

Anyway, the point for me is that I want these points addressed in more detail. I am  
820 concerned. I declare an interest, I am a private landlord – since private landlords have been  
mentioned – but I have no dealing in any leasehold, and never have had.

My concern is for the members of the public who have raised questions in this direction and I  
do not think that perhaps we are paying enough attention to it; and if we allow the Housing  
Association to cross into other territory and compete – and these are concerns that I have raised  
825 before – it becomes very difficult. I would have liked a bit more time for people's questions to be  
answered more accurately – though I do agree entirely with the sentiments of my good friend  
and colleague Mr McDowall, who points out that it is very important to provide housing.

The problems are exacerbated by the fact that the amount of people requiring housing... the  
pressure is not there like it once was, owing to the fact that there have been problems in that  
830 direction. This is something that probably the Housing Association never thought that it would  
encounter. I mean, in Guernsey the market is robust, they have got more and more call for social  
housing – it is required and needed, and there is a lot of pressure to get more of it on the go.  
Here, it is just the strangest situation for them.

I wish them well, but I cannot vote for this this evening – I am sorry, I just cannot.

835

**The President:** Thank you. Mr McKinley.

**Mr McKinley:** I think Mr Harvey and Mr Louis Jean covered most of the points that I would like to cover. It does seem very much in favour of Alderney Housing Association – who, I have to say, do a wonderful job.

840 We are not talking about an enormous number of houses either, but we are setting the precedent which for those who are able to put down, let's say £100,000, and therefore pay their 4% whatever tax you call it... surely they can also put down the £4,000. If they have got the £100,000 to put down to get the long lease agreement, they can manage the other £4,000. (A Member: Hear, hear.)

845 Those who are not able to do that, or decide that the property they are looking for is not available on the Alderney Housing Association – we are talking about the Butes Apartments – they have to go into the private market. This also conflicts as I think both, or all, have said, with the private estate agents as well... all buyers have to pay their conge. So there is a slight confusion about that.

850 I also believe the timing of the publication of this was actually too late for any *written* questions for the People's Meeting, because they have to be submitted by the Monday and I do not think this was out on that day.

The final question that I would just like to point out is that for some reason it is suggesting that this Ordinance, if passed today, be backdated:

'(2) The amendments made in subsection (1) shall have effect in relation to any dealing on long leases which has taken place in the period of 28 days preceding the commencement of this Ordinance.'

855 In other words, we are looking back 28 days. I do not know what other laws are put back 28 days, but if I were to commit a crime tomorrow and the next day the law changed then I am free of that crime, possibly. So I do not see why it is going back 28 days.

**The President:** Thank you, Mr McKinley.

860 Just as a point of order... please sit down... could the Greffier or the Secretary please confirm when this Billet No 2 came out, in order to ensure there was time for written questions.

**The Secretary:** It was e-mailed to everybody on the Tuesday – and at the same time I asked if anybody wanted a hard copy, for them to let me know.

865

**The President:** Thank you, and how many days before the States Meeting was that?

**The Secretary:** Oh...

870 **The Greffier:** One... eight, yes.

**The Secretary:** Eight.

875 **The President:** Eight, so that is sufficient time for written questions to be put in – just as a point of order.

**Mr McKinley:** Well, if I could just clarify, then... Two people have called me to say that they actually received their Billet by post, and I think some people are allowed to receive them by post, or have an arrangement to receive them by post. They actually received them on the Tuesday morning, the day before the People's Meeting.

880

**The President:** Okay.

**Mr McKinley:** That may be the fault of the Post Office –

885 **The President:** And how many days before the States Meeting is that? That would be eight days before the States Meeting.

**Mr McKinley:** Certainly eight days before the States Meeting, but in order to get written questions to the People's Meeting –

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**The President:** Oh, you are talking about written questions for the People's Meeting?

**Mr McKinley:** I am talking about written questions to the People's Meeting.

895

**The President:** Okay, yes, I understand.

**Mr McKinley:** So, in other words, there was little time for public consultation.

**The President:** Thank you.

900

Mr Simonet.

**Mr Simonet:** Thank you, Mr President.

I have an overarching issue with this Duty on Long Leases. These properties need to be affordable; this is the most compelling reason for their development. It is Alderney Housing Association's role to achieve affordability, *not* the Tax Authority's.

905

Such special treatment of one narrow group of purchasers as this proposal provides is unfair on other equally worthy groups of purchasers. Achieving affordability relies largely on the sale price; leasehold duty is but a very small percentage of the total cost to the purchaser. AHA can therefore better and more easily ensure affordability through the control of the sale price to their approved applicants.

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A reduction in sale price to the value of the required leasehold duty – a cash-back or discount scheme – is of course eminently achievable if Alderney Housing Association chooses to apply it. They are not choosing: they are choosing not to reduce the sale price because, in my view, their financial modelling is flawed. They are trying to apply wholly unrealistic valuations to the completed property.

915

In my view – and I have some experience in this area – I think their valuations are something in the order of 20% over the average market price for similar dwellings. This is creating a lack of affordability and thus unsaleability.

I have raised this issue with AHA several times during their meetings with the Policy Committee and they have promised to review their valuations, but to date they have not done so; and I know this very issue has caught the attention of other States Members. Alderney Housing Association is already subsidised by the taxpayer through a provision of grant – this scheme is effectively a further grant, but it is being secured through stealth rather than a direct request for an additional grant. They are asking the ordinary taxpayer to cover their own errors in developing a financial model that does not seem to work for Alderney.

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I would have more respect for their position if they could be more honest with the States and just say they need more grant in order to sell the properties at affordable prices in the Alderney market context. AHA forms an important part of the Island's housing and economic strategy and we must do everything we can to ensure its success. Therefore I propose that this proposal is rejected, but the States enter into a further dialogue with Alderney Housing Association to jointly consider a more transparent solution to the challenges presented by the sale of these dwellings to those who might benefit from the purchase.

930

Thank you, Mr President.

935 **The President:** Thank you, Mr Simonet.  
Does any other Member wish to speak on this subject?  
Mr Birmingham.

**Mr Birmingham:** Thank you, Mr President, and to fellow Members.  
940 I would like to take this opportunity to express my support for the good work of the AHA and also the hugely important role that I believe this body will play in the future of this Island – especially its ability to achieve a sustainable future with a growing population.

Alderney has tried social housing before in the shape of the Banquage scheme. They served the need of the Island for many years and were successful to a degree. The problem, however,  
945 was that while the principle of houses being retained by the States was a good one, the practicalities of that idea were not properly considered and this led to houses –which in principle should have been retained as local, affordable housing stock – instead being absorbed into the open market. If you follow that through the logical extension of that policy could only have led to one outcome, which was that you run out of building land.

950 This is why the future role of the AHA’s partial ownership scheme, I believe, is so important. I believe it is the only way that affordable housing for the low-paid can be provided without going down the route of a two-tier housing market. Some would deny the requirement for such social housing and quite simply in my view they are wrong. The 2014 e-census showed that only 3.5% of the Island’s housing stock is affordable housing, and if you compare this to the UK the proportion of social housing is closer to 16%. Even if the AHA doubled its housing stock over the  
955 next 10 years, it would still only increase that stock to at best nearer around 10%.

When you consider these figures, is it any surprise that the Island’s population is falling? Alderney has little unemployment but if you are low paid you cannot afford to house yourself. The result is that people emigrate. We need a housing strategy that addresses the affordability  
960 of the Island’s housing and I believe that affordability is the essential part of that strategy.

As Chairman of the BDCC, with the upcoming review of the land use plan next year, we are intending to undertake some work on housing strategy, so some of the conclusions from that can be into the spatial aspects of the land use plan. I think the step today is the first of many that are needed to help the Island community to grow so that Alderney has a sustainable future –  
965 and it has my full support.

In reality the charging of the duty on leasehold would just simply be a situation of giving with one hand and taking away with the other – so I slightly disagree with Mr Simonet in terms of the charging. As you say, it is another subsidy, but it would only end up being a circular one anyway, by the fact that we charge it. So I support the Billet Item as it stands.  
970

**The President:** Thank you, Mr Birmingham.  
Does any other Member wish to speak on this Item?

**A Member:** Sir, can I just make a request – sorry.  
975

**The President:** Mr Tugby.

**Mr Tugby:** Sir, a comment on what Mr Birmingham has brought up there, about the Banquage scheme... that solved the problem in the Alderney housing situation for at least  
980 40 years, and it did not flood Alderney with houses but it kept an awful lot of young ones staying in Alderney.

I voted on day one against the Alderney Housing Association, because it was only formed because the States of Alderney was not doing their job properly in maintaining the property, and it could have been resolved without any great difficulty. As regards the Banquage situation it was the States that allowed it to get out of hand – it just needed a slight modification to it and  
985



that scheme could have gone on for a number of years, which would have solved any housing problem in Alderney.

990 The money that we have given to the Housing Association... it would not have cost anywhere near as much to have cleared some more land for the Banquage scheme to continue. That is why if we keep making concessions to the Housing Association... I would like to know what they are actually valuing the properties at the present time – perhaps Mr Simonet could tell me what they are valued at.

**The President:** Is this a point of order?

995

**Mr Simonet:** Yes.

**The President:** Please stand on a point of order.

1000 **Mr Simonet:** Right, thank you, Mr President.

I cannot give you the exact figures but I did, at the time, carefully investigate the prices alongside the average price of property in Alderney and I judged them to be around 20% higher than I would expect them to be – and *that* is not affordable housing.

1005 **The President:** That was a point of order, thank you very much.

**Mr Tugby:** Sir, with paying part-mortgage on a property plus part-rent, I think it will still be out of the range of a number of the young local ones to actually get on that one. I know I keep harping on about the Banquage scheme, but that would have made a vast difference to keeping young people in Alderney, because if you give them the opportunity to own a house totally, then that gives them much more encouragement. But I think I will lose the vote on this one.

1010 But at the end of the day if we give the money to the Housing Association – which we are giving basically, by doing away with the duty – the money has got to come from somewhere else, so the rest of the Island is going to have to pay it in some form or other to replace the money that we are losing in duty.

1015 Thank you, sir.

**The President:** Thank you very much, Mr Tugby.

Mr McKinley, you have a point of order?

1020

**Mr McKinley:** Well, I want to ask a question – or ask you – whether we can vote separately on this. I want to really ask Mr Harvey, who proposes this, why we are considering backdating the Ordinance.

Sorry, I should stand to ask a question.

1025

**The President:** That is fine.

What will happen is that at the moment this will be voted for as it is written and as it is proposed – it will be voted for:

‘The States is asked:  
To approve the Duty on Long Leases (Exempt Dealings)...’

1030 – as written down here. There has been no requête, no amendment requested, so that it is how it will be dealt with.

**Mr McKinley:** Well, no, there is (1) and (2). (*Interjection*)

There is amendment (1) which is: 'The following amendments...' etc; and then there is (2) 'The amendments in subsection (1) shall have effect in relation... 28 days...' (*Interjections*)

1035

**The President:** There is only one resolution on the Paper.

**Mr McKinley:** So if we vote for all of this we are voting for the 28 days also?

1040

**The President:** Yes. If there were two resolutions on the Paper I would, as I have done in the past, allow them to be voted for separately in case the whole thing failed. But on this occasion –

**Mr McKinley:** I was just wondering if you could make an exception this time –

1045

**The President:** – there is only one resolution on the Paper. Does that answer your question?

**Mr McKinley:** It does answer my question, yes, Mr President.

1050

**The President:** Thank you very much.

**Mr McKinley:** Not the way I wanted it, but –

1055

**The President:** Does anybody else wish to speak on Billet No 2, Item I?  
Mr Rowley.

**Mr Rowley:** Yes, thank you, sir.

1060

Well, first of all I sort of half-agree with everything that people have said before me. I would just like to point out that – house prices and purchase prices aside – this will just put people on an equal footing with the less well-off in Guernsey, and also if they were to buy directly from the States here... So it is nothing unusual or revolutionary.

Thank you.

1065

**The President:** Thank you, Mr Rowley.

We have two Members left who have not exercised their right to speak. Do they wish to do so?

No? Mrs Paris?

1070

**Mrs Paris:** I do feel that although – as Mr Tugby has discussed the previous situation with Banquage – we are where we are (**A Member:** Yes.) and therefore we should be concentrating on what to do with our current problem. I think we have handed the properties over to the Housing Association and we have asked them to do something which we felt we were perhaps not as capable of doing as a body specifically chosen – and hopefully chosen on the basis of having good CVs – for doing this. They are now asking us to level the playing field with Guernsey and to support them in, I think, their considerable efforts to help solve our problems here.

1075

I feel therefore that we should perhaps give them the benefit of the doubt, that they know what they are talking about.

1080

**The President:** Thank you, Mrs Paris.

Mr Roberts, do you wish to speak on this subject?

**Mr Roberts:** Yes, please.

Just to say, the one thing that I am unhappy about is something Mr Simonet came up with, which was the pricings. It was not so much the pricings of the actual dwellings that they are

1085 setting, it is the pricings of the rental. AHA are supposed to be an affordable, cheaper rental and I do not believe they are, and I am unhappy with their rental. That is the point I want to make.

**The President:** Okay... which is not relevant to what we have on the Billet –

1090 **Mr Roberts:** Okay, it just slipped out. *(Laughter)*  
Thank you.

**The President:** You made your point – okay?  
Thank you very much.

1095 Mr Harvey, would you care to sum up?

**Mr Harvey:** Thank you, sir.

When I looked at this, having seen e-mails from several members of the public, I really thought this was a fairly simple, straightforward matter – but I should have known better.  
1100 *(Laughter)*

Mr McDowall, I thank you for your support and you hit the nail on the head when you said this is about helping people to own their own home and have a stake in the Island. And of course, yes, other measures could be looked at there to help people, and I suspect that some of those in the private sector will be buying freehold where the same rules do not apply. But yes,  
1105 you are quite right, we can never do enough to help people to buy their own homes.

Mr Jean, the late publication of the Billet: we are told this was within legal timeframes, so I think there is not much more we can say on that.

Mr McKinley, you felt that the arguments were all in favour of the AHA, and I would say no, they are in favour of the AHA's clients – the people who are struggling to buy their own homes.

1110 Mr Simonet obviously has some particular views about the way the AHA is run, and they have been aired in the past – and I am sure they will be aired in the future. I do not see that as a reason to throw out this small helpful measure, because at the end of the day the Housing Association is not a commercial profit-making concern, it is a concern set up at the instigation or with the support of the States of Alderney, for the reasons that Mrs Paris and others have  
1115 mentioned, that we were not managing our housing stock satisfactorily.

Mr Birmingham: yes, I think it is a dreadful reflection that only 3½% of our housing stock is affordable, and clearly we must look at measures to help people.

Mr Tugby, again, felt that the States of Alderney were not doing the job properly, but still seemed uneasy with this.

1120 Mr Roberts: yes, rent is not really the issue.

This is not about whether the Housing Association is doing its job properly, it is not about whether the decision taken several years ago to pass our stock of houses to the Housing Association was a good one – that is history. This is about helping people. There may be young people, there may be some who are not quite so young, who are keen to get a stake in the housing market and who are more likely to be good citizens and remain in Alderney paying their taxes and providing useful services. So I suggest that we treat it as such.  
1125

Yes, any tax that we offer a concession on means that there is a loss of taxation – if it is any consolation, only half of this tax is lost to Alderney, the other half is lost to Guernsey.

1130 Twenty-eight days pre-dating: I will be totally honest, I have no idea why it is in there, but it is clearly not separable from the Billet Item and I really cannot think it is a sufficient matter to reject this Billet.

So I ask the States Members to support the resolution.

**The President:** Thank you very much.

1135 Mr Greffier, will you please put Billet No 2, Item I, to the vote.

**The Greffier:** Yes, sir.

*A vote was taken and the results were as follows:*

<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAINED</b>
Mr Birmingham	Mr Tugby	None
Mr Harvey	Mr Jean	
Mr McDowall	Mr Simonet	
Mr Rowley	Mr Roberts	
Mrs Paris	Mr McKinley	

**A Member:** Fifty-fifty. *(Laughter)*

1140 **The President:** A most unexpected result to that. *(Interjections)* What an interesting meeting we are having this evening! *(Laughter)*

Right, I do not intend to use my casting vote to put this through, as I do not believe that there is sufficient support for it at the moment; in which case I will not be supporting it and the status quo will stand.

1145

**The Greffier:** Thank you, sir.

**The President:** As I said, I think that brings us to the end of a most interesting States Meeting. I for one am very glad to see Items coming up in report and being debated openly in public – I think it is very good. **(Several Members:** Hear, hear.)

1150

So I would like to thank all the States Members this evening for taking part in this, and I would ask the Greffier to please bring this meeting to a close.

**PRAYERS**

*The Greffier*

*The Assembly adjourned at 6.47 p.m.*