

DELIBERATIONS OF 18-06-2008

Date: 17th June, 2008

DELIBERATIONS OF THE MEETING HELD ON
WEDNESDAY 18TH JUNE 2008

AT 17:30 HOURS

Present: Sir Norman Browse

Mr B Pengilley

Mrs L Maurice

Mr R Willmott

Miss B Benfield

Mr B Walden

Mr C Williams

Mr I Tugby

Mrs E Bennett

Mr F Dean

Mr J Richards represented His Excellency The Lieutenant-Governor of the Bailiwick of Guernsey.

Item I The Electricity Concession (Rates of Charge) (Alderney) (Amendment) Ordinance, 2008

The States resolved to approve of "The Electricity Concession (Rates of Charge) (Alderney) (Amendment) Ordinance, 2008".

(Proposed by Mr Willmott and seconded by Mr Williams.)

(Approved by a majority, all in favour except Miss Benfield who abstained.)

Item II The States Water Supply (Rates of Charge) (Alderney) Ordinance 2008

The States resolved to approve of "The States Water Supply (Rates of Charge) (Alderney) Ordinance, 2008"

(Proposed by Mr Walden and seconded by Mr Williams.)

(Approved by a majority, all in favour except Miss Benfield who abstained and Mr Pengilley and Mrs Maurice who voted against.)

Item III The Housing (Exemptions) (No.2) (Alderney) Ordinance, 2008

The States resolved to approve of "The Housing (Exemptions) (No.2) (Alderney) Ordinance, 2008".
(Proposed by Miss Benfield and seconded by Mr Dean.)
(Approved unanimously.)

Item IV The Union of the Comoros (Freezing of Funds) (Alderney) Ordinance, 2008

The States resolved to approve of "The Union of the Comoros (Freezing of Funds) (Alderney) Ordinance, 2008".
(Proposed by Mr Willmott and seconded by Mr Williams.)
(Approved unanimously.)

Item V Questions and Reports

Mr Williams gave the following report on Waste Strategy:-

"In June 2007, the States resolved to pursue autoclaving as a means of dealing with our Municipal Solid Waste and to yield a significant saving in our revenue waste disposal costs. If the project failed, the option was to consider a small energy-from-waste incinerator.

Members will recall that EHSL wished to install and run a plant, taking responsibility for processing agreed materials and removing all by-products from the island for a fixed gate fee in £/Tonne. In addition, EHSL was to "clear the site" if the plant failed to perform adequately. That is what we call "wrapping the risk" i.e. no risk to Alderney.

Although funds to enable EHSL to carry out the project eventually became available from Bollegraaf, a reputable maker of recycling machinery, "wrapping the risk" was not forthcoming. Discussions with EHSL were therefore terminated in January.

Subsequently, the technology was offered by several credible companies, but again, none would "wrap the risk". Because the technology is not in commercial operation yet, it cannot be seen processing MSW in a meaningful way.

One year on, the Waste Advisory Group of the GSC has decided that the autoclave route has too great a risk associated with it at this time. Therefore, WAG has recommended to GSC that we should wait until the process is operating in a municipal environment, and only then consider whether it meets Alderney's needs and financial constraints.

For the small energy-from-waste incinerator to be financially and environmentally viable, the energy created must be used productively. The proposal was to site such a unit at York Hill, at the centre of three potential facilities capable of using the hot water produced, i.e. Hospital, School, and eventual Sports Centre. The Hospital and School would require capital expenditure and agreement from Guernsey and we will write to HSSD and Education Department to see how such a proposal would be received. However, WAG feel we should wait for the Sports Centre project to materialise when an incinerator could be planned in as the heat source.

Meanwhile, we await developments, including seeing what Guernsey do. Our effort must be to further reduce the tonnage to Mont Cuét using existing manpower levels. In 2008, the expected spend on materials going to Mont Cuét is £165,000. The public can help by recycling more and, in particular, by

removing glass from their black sacks. Many residents and businesses have embraced recycling, but not all! Every tonne of glass that goes to Mont Cuët costs us all £165!

Will this work? It already has to a degree:

Waste disposal costs:

Using 2004 as the baseline, when costs were £254K, 2005 = +53% [£388K]; 2006= +23% [£478K]; 2007= +4% [£498K]; and at the end of May, the annualised cost for 2008 is estimated to be +4% [£520K]. Thus the sharply increasing cost curve has flattened.

If we are to moderate the increase in occupiers rates, then everyone must help. We all know the cost of living is rising. This is one activity where residents can help save money!"

Mr Willmott gave the following report on Alderney Electricity:-

"The public will be aware of some States resolutions passed at the recent AGM of AEL and some resignations of non executive directors that immediately followed the passing of those resolutions. Naturally the States regrets this and has written to the directors concerned thanking them for their past service to AEL and the Island. I most certainly do not wish to inflame the situation but I think some background information might be helpful.

The resolutions did not come out of the blue and were in fact the result of some months of dialogue with the company. Nevertheless I think it fair to say that they came at the end of a period of somewhat strained relations between the States and the directors of AEL. This has been partly due to a misunderstanding, and some disagreement, of the legitimate role the States has in relation to the company, as custodian of the majority shareholding in the company held on behalf of the people of Alderney.

A resolution of last September's P&F clearly stated the States view of the position, which as the States nominated director I had requested. At that meeting P&F RESOLVED unanimously that the States Director to the AEL Board, appointed by the Committee, represents the States as major shareholder and, thereby the people, is accountable to the Committee for reporting all matters of importance materially affecting the business of AEL and for transmitting Policy and Finance Committee resolutions affecting the company to AEL. It was noted that the Committee had no wish to interfere in the routine management of the company.

For some years P&F had shown little interest in AEL. This it must be stressed was no fault of AEL.

Although there was a States Director on the Board there was little feed back to P&F and the company went its own way. This arrangement worked. But for many years there has been little capital investment and until last year, oil prices had been stable for a long time. In the last two and a half years everything has changed. The company has embarked on substantial capital projects in upgrading its tank farm, its generation capacity and now the distribution network. The States also had concerns about management succession, at the company, and had also indicated that it wished to become more aware of the strategic plans of the company and in particular it wished to be aware of capital expenditure proposals and pricing plans. The Finance Advisory Group was tasked with having these discussions and in March of this year it RESOLVED to approve the proposal that the Finance Advisory Group meets with members of the Board of Alderney Electricity quarterly, to review items such as: the Annual Accounts; future price increases; planned significant capital investments and financial implications; disaster contingency plans; an independent review of the company; the approval of appointments to the Board (including the Chairman) and an Island Power Generation Strategy and to report back to the Policy and Finance Committee.

That is now in place and the resolutions at the recent AGM were part of the outcome of that meeting.

All of the aspirations of the States in regard to AEL are consistent with the corporate governance role it feels is appropriate in the 21st century. During the commercialisation of Guernsey Electricity, for example, the National Audit Office recommended principles for the States involvement. These were: Clarity and transparency of objectives - for the business; and an approach which ensures greater clarity between the trade-offs in policy, regulation, customer and shareholder interests.

A shared vision for the business, based on agreed objectives, which are explicitly agreed by the shareholder, the Board and the management team.

An engaged and informed shareholder, exercising its key levers of influence (i.e. governance, appointments, strategy, incentivisation and performance monitoring).

An incentive framework that links rewards explicitly to profit and value performance over the long term.

Whilst AEL is smaller and different, and whilst Alderney most certainly does not want to incur the cost of a regulator the thrust of the NAO principles apply to AEL and its relationship with the States. It is against this background that the States has initiated a changed involvement. With the benefit of hindsight it might have done some things differently but it makes no apology for wishing to engage in strategic discussions with the company. That is not micro management.

The requirement that directors should be reappointed annually, and for which there were sound reasons in AEL's particular circumstances, has undoubtedly caused upset. Certainly it might possibly have been better presented and explained. The resolution was a request that the company put such changes into effect in time for next year.

On a positive note we are all aware that over the past five years the States has been actively involved in putting in place the right framework to maximise the potential of the tidal energy resource in its waters and has been successful in its endeavours to date through the work of the Alderney Renewable Energy Commission and that of Alderney Renewable Energy Ltd.

Mr Williams spoke about this last month and I am pleased to say that the first meeting of the Island Power Supply Strategy Group took place last Friday between AEL, ACRE, ARE and the States. It was an extremely helpful and productive meeting. Now more than ever everyone needs to be talking and I am glad that we are.

I am confident that AEL will be in a position to make some positive announcements about Board appointments towards the end of the next month. In the meantime I can reassure the public and AEL's loyal and hardworking workforce that the States is fully supportive of the programme that is already underway at AEL and that it does not have any desire or intention to manage the business on a day to day basis."

Mr Willmott was pleased to advise that the Option Agreement for Fort Tourgis had been signed with Verweij and Partners on 4th June. Verweij and Partners were fully committed to proceed with their scheme and hoped to begin mobilisation this time next year. Preliminary discussions regarding possible new arrangements concerning airport buildings would take place next month.

Mr Willmott reported on the recent Conference of the British Islands and Mediterranean Region of the CPA, which was held in Gibraltar and was attended by himself, Mr Walden and the Mrs Kelly, as Secretary. The theme for this year's conference was climate change. Topics discussed included climate change and energy, waste management, eco-tourism and biodiversity conservation, which were all extremely relevant to Alderney. It was clear during the talks that Alderney was ahead with its tidal energy project and many of the jurisdictions were keen to learn more. It was hoped that a forum would emerge as a result of this conference which would enable the smaller jurisdiction to learn from each other's policies. Group discussions further highlighted the need for international environmental agreements to ensure that nations meet their responsibilities for future sustainability. Mr Willmott took the opportunity to thank the Parliament of Gibraltar and its staff for providing a very interesting and well organised conference.

Mrs Bennett was delighted to report the States had appointed a new Youth Worker Ms Lisa Oates. Ms Oates would be co-ordinating Youth Services, including reopening the Youth Club in July, running a summer play scheme and initiating a lunch club. Mrs Bennett thanked the Youth Services Committee for their support during the past 18 months, which had been a very difficult period. Mrs Bennett wished Ms Oates every success.

The President was pleased to note that more reports were being made by States Members, some of which

would be included in full in the Deliberations, noting that it was important to keep the public up to date on key issues.

The President advised that disappointingly no candidates had been received for Mr Cox's vacancy and consideration would have to be given to how this would affect the forthcoming Annual Elections.

The President reported that the cannons raised from the Elizabethan Wreck last week had arrived at the Chatham Historic Dock Yard, which was probably their last port of call before they originally set sail all those many years ago. The President expressed his thanks on behalf of the States to Captain Pim De Rhodes, and Mr Mensun Bound, without whom this project would not have been possible. The cannons would be exhibited in the Tower of London, the publicity for Alderney and visitor potential was enormous, including the broadcast of a BBC Timewatch programme later in the year. The President hoped that some people from Alderney would be able to visit the exhibition and asked that everyone encourage their family and friends in the UK to go along.

It was noted that Alderney was hosting the Twinning Weekend this year which would be held on the 12th& 13th July 2008.

Meeting ended: 18:50

Issued: 20th June 2008