

2012

Why Pursue Economic Development?

- ❖ Stimulate Business Growth.
- ❖ Expand Job Opportunities.
- ❖ Enhance the Fiscal Base.
- ❖ Strengthen the Area Economy.
- ❖ Raise the Standard of Living for Residents.
- ❖ Increase the Competitiveness of Local Businesses.
- ❖ Increase the Tax Take for the Bailiwick.
- ❖ Raise the Islands Population Numbers to Achieve Sustainability.
- ❖ Decrease the Bailiwick Structural Deficit.

Acknowledgments.

This document has been prepared by the Chief Executive's Office of the States of Alderney, Mr Roy Burke, Chief Executive of the Island of Alderney, Mr Matthew Birmingham, States Member for Commerce Tourism and Marketing, in association with Islands Analysis.

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1. Introduction.

Historical Overview.

During the spring of 2011 the States of Alderney Policy & Finance committee resolved to undertake a process in order to develop a strategic economic plan for the Island of Alderney.

It has been perceived by many, that historically there has been an absence of focus by the States of Alderney (S.o.A), on the overall condition of the islands economy and this has led to a lack of co-ordinated strategic planning on economic matters.

The worldwide economic downturn that ensued after the banking crisis of 2008 seemed to bring into sharp relief, in the minds of many, the long term structural economic problems of the island, particularly in the gradual decline over decades of many traditional Alderney business sectors.

For example, the number of boats in the Fishing industry has been in sharp decline over the last two decades due to reasons such as reduced prices for catch and increased costs, particularly fuel. Despite this dramatic reduction in numbers in employment in this sector, fishing is still responsible for the majority of Alderneys physical export market. However, some in this business sector are now expressing concerns that the lack of young people entering into the industry may mean that shortages of on island skills, such as boat handling, may have started to occur.

Tourism has been suffering from similar difficulties under the combined attacks of increased competition after deregulation in the European airline market, which has lead to an increase in the number of low cost air fare destinations, whilst increases in indirect taxes have removed the islands previous perception as a cheap holiday destination. High cost of utilities and food, place extra pressure on this sectors profitability. As evidence of this the island has seen the loss of four significant hotels, (Grand Island, Connaught, Inchalla, Devereaux), over the last 30 years, whilst one remains currently closed (Chez Andre). This totals in excess of 150 beds and represents a reduction of well over a third in capacity.

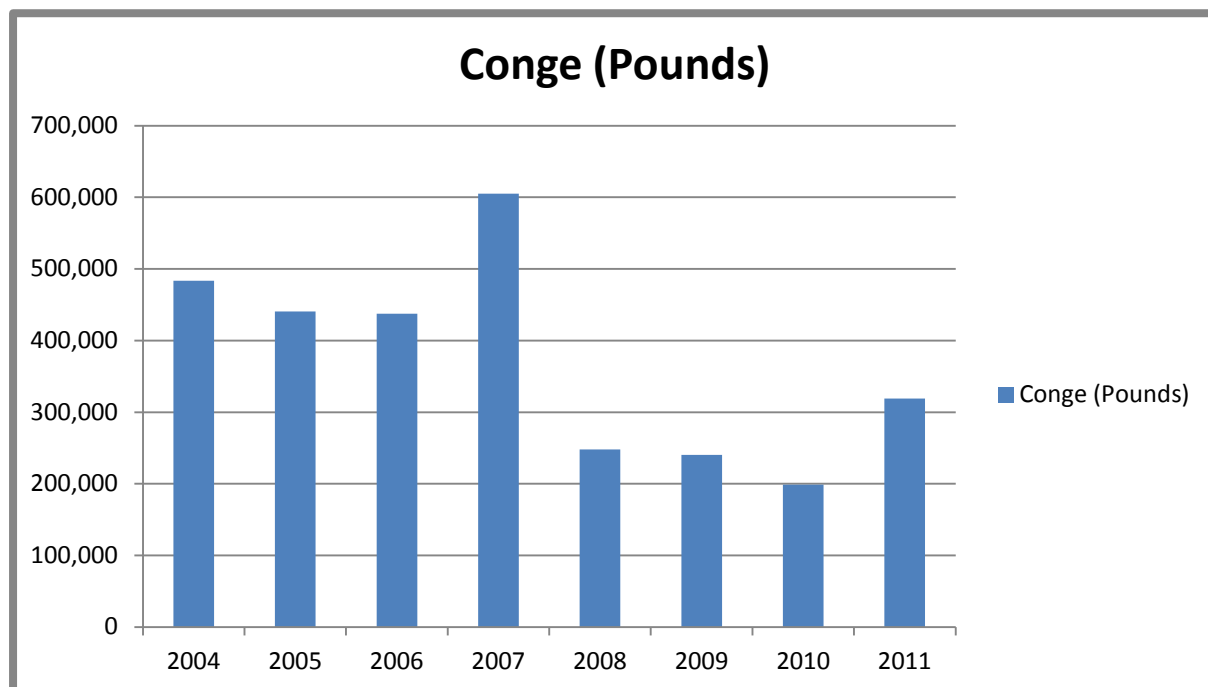
The agricultural and industrial sectors have all but vanished. The production of spring flowers and early season vegetables has totally ceased, along with quarrying and most on-island manufacturing, apart from some very small and specialist companies. The exception being the island farm which maintains island milk production and some associated dairy products.

Retail also has been shrinking over time as shopping habits have changed. The difficulties caused by increased competition from the internet and the problems of limited market size are well known.

The construction sector had remained fairly buoyant over the last 30 years and to some extent had taken up the slack in employment in the manual labour market caused by the contraction of other sectors, such as fishing, but the banking crisis and the subsequent restriction in available credit in the housing market has dramatically put the economic brakes on this sector. As the housing market has stalled, “churn” in house sales has reduced leading to decreased levels of building improvement work. The tightening of household budgets has also had an effect. This has lead to a make do and mend mentality, whilst at the same time an emphasis on paying down levels of personnel debt has come to the fore. The figures for conge in Alderney from the last eight years show the current low level of

turnaround in the housing market compared to most of the “noughties”. The current projected outturn for 2012 predicts a drop back to 2010 levels.

Figure 1. Conge Totals.



However, employment in the finance sector has continued to remain relatively solid. Jobs in back office roles, in areas such as trust company formation and gambling support, remain steady and from the perspective of government finance, the income received from gambling licensing has remained strong. But the recent changes in Low Value Consignment Relief and the drastic effect that this has had on the Channel Island fulfilment sector show the potential difficulties for economies that are inadequately diversified. That lack of diversity can mean that in a relatively short space of time, those economies can be severely affected by policies implemented by external jurisdictions. In such a situation, there can be severe implications for such a jurisdiction when there are sudden changes in the status quo. Alteration in the rules regarding gambling winnings returned to the U.S.A. in the mid noughties or the recent changes in rules relating to pension funds by the British government are just two examples of such external forces.

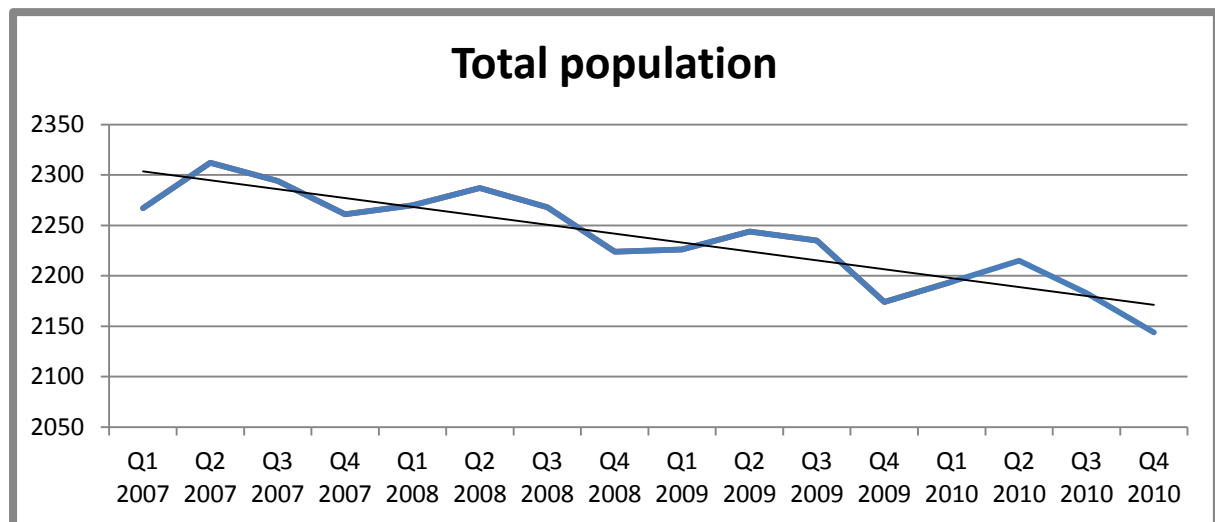
Simply put, overall it is not a wise course of action to place all of the islands economic eggs in one basket.

Therefore it is only sensible to take the view that action must be taken to try to solve some the systemic deficiencies present within the islands economy, especially in terms of managing the decline of traditional sectors, while at the same time attempting to diversify the islands economy as a whole to help “shock proof” it for the future.

Demographic Effects.

Recessionary periods in major economies will always show increases in un-employment figures as a direct product of reduced output. However, recessions in micro economies, (like Alderney), can manifest their effects in different ways. Here, as the local market has contracted, rather than seeing a growth in unemployment, depopulation of the island has occurred instead. The demographic figures show that the population has contracted by some 8% since 2007.

Figure 2. Population Totals



An additional effect of this depopulation is that demand for goods and services within the community begins to drop. The negative aspects of economies of scale can then start to take effect. Businesses close due to reduced level of demand, which in turn can lead to a reduction in competition. As turnovers drop, prices rise to compensate, which can lead to a stagflationary situation taking hold, with flat lined or reduced growth and inflating prices. The population may then continue to decline as it becomes uneconomic for the low paid to live within the island and thus emigration increases. If that population decline continues, house prices can potentially begin to reduce in value and then the economy starts to tailspin as confidence in the future of the economy drains away. Business confidence already is fragile as shown by the Island Analysis survey from 2011.

It becomes imperative therefore, to halt the economic decline before it gathers such momentum that the economy of the island as a whole begins to collapse.

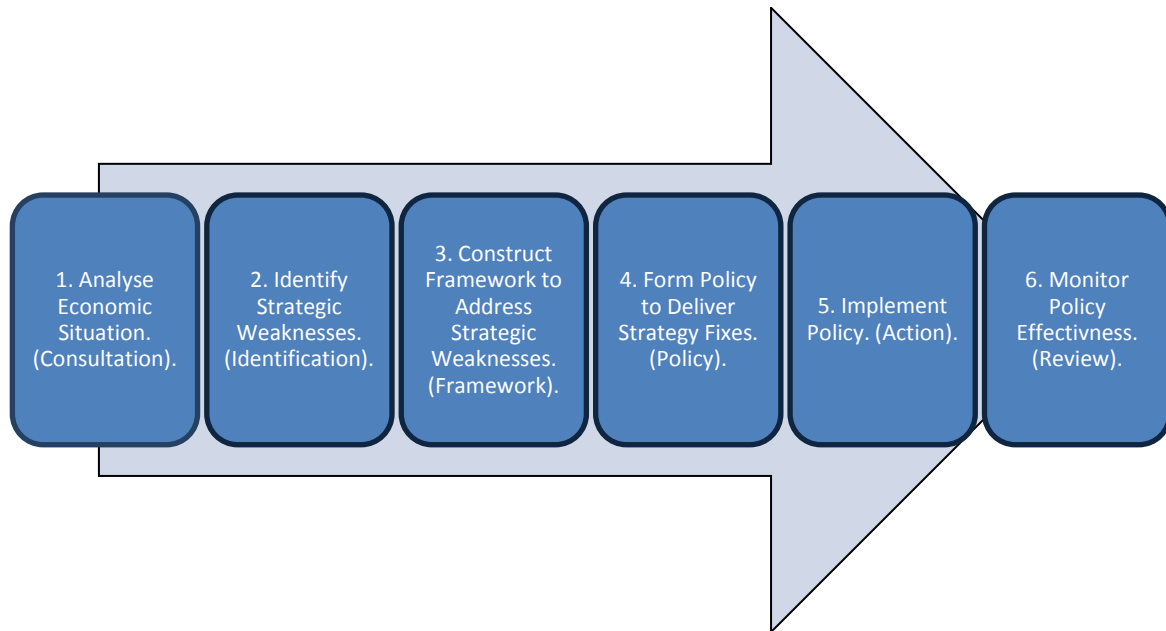
Before that point is reached, fundamental government action to halt the islands economic decline must take place. That action must be undertaken for two reasons. Firstly, to breathe economic life back into the island and secondly, to instil confidence in business that the future will be brighter to encourage re-investment back into the island.

The island stands at a crossroads of co-ordinated action for a better future or inaction and potential long term decline.

Methodology.

In order to create Alderney's strategic plan the following methodology was adopted as shown in figure 3.

Figure 3. Methodology.



The first step required the analysis of the current economic situation. This involved the gathering of any relevant economic data that could be collated and then consultation with members of various political bodies, the business community and members of the public for their views and opinions.

As part of the first step, the S.o.A. engaged Island Analysis, (I.A), to assist in the gathering of data and for extra resource and capability. Data was also obtained from relevant States of Guernsey, (S.o.G.), departments. The results of this work are contained in the Island Analysis report, *Alderney: Economic Strategy Plan*.

I.A. were also used for obtaining information from other jurisdictions, (as part of the second and third steps), in order to get a comparative picture of Alderney's situation and to be able to place that in a wider context. It was felt that such comparisons would be useful, to quantify the scale of any potential problems that were highlighted in Alderney, against similar situations in other jurisdictions.

This comparison certainly has proved helpful, in the analysis of the island age demographic for example. Although many have been aware that the age demographic is skewed towards the over 50's the actual scale of the distortion only really becomes clear when comparisons are made to other jurisdictions. The comparative data is available in the Island Analysis report pages 19-21.

The consultative phase, that took place during the summer and autumn of 2011, included broad discussion with all sectors of the island to get the widest range of views possible. It was felt that the process should be as inclusive as possible in order for the general public to feel that it had a sense of ownership over the project.

After the initial public consultation phase, the second step undertook S.W.O.T. analysis of the issues identified to categorize the strengths, weaknesses, opportunities and threats in the island economy. The Island Analysis report, *Alderney: Economic Strategy Plan* deals with the collation of that information and indicates the major weaknesses identified in the Alderney economy by the process and some suggested directions that the S.o.A. needed to consider. Furthermore, it identified some areas to address as strategic priorities.

The third step, in the methodology shown in figure 3, is the underlying theme of this document.

It is the roadmap to address the fundamental issues that the consultation phase has raised and it deals with the construction of a framework that can shape policy creation, (fourth step) and then more importantly develop action plans to implement and deliver those policies, (fifth step).

Background and World Overview.

During the development of this process, many recurring themes have been identified, that apply not just to Alderney but to many island jurisdictions worldwide. There is an extraordinary level of commonality between the challenges shared by islands, no matter geographically where in the world they find themselves. Norfolk Island or the Hawaiian Islands in the Pacific ocean, St Helena or the Scilly Isles in the Atlantic, the Maldives in the Indian Ocean or the Falkland Islands in the South Atlantic. Each with different levels of economic development perhaps, but most sharing similar problems.

As part of this process, it was therefore essential that adequate analysis of other jurisdictions took place, in order for a direct comparison to be made between the problems that those economies face and similarities with the Alderney situation. From here, it was hoped that it would be possible to identify best practices that those other jurisdictions use with the view to duplicating them. Also to take some new ideas that can be adapted to help Alderney develop its economy.

Since the mid 1990's the United Nations (U.N.) has been undertaking investigative work based around the economic problems of what are termed Small Island Developing States, (S.I.D.S.). This work, although based predominately around the problems of underdeveloped island states in the Indian Ocean, Pacific Ocean and the Caribbean, still highlights many of the issues that apply to islands and island archipelagos worldwide, even in more developed areas such as Canada or as in our case, Western Europe.

Through this work the seven areas identified by the U.N. as the major challenges facing islands and island groups are those in the categories that follow. All these areas of concern have a greater or lesser degree of significance to each individual island or island group that the U.N. has studied. The degree of importance of each concern depends upon the many varied environmental, economic, geographic and social factors effecting each different island or island group respectively.

The seven identified areas are as follows.

1) Climate Change and Sea Level Rise.

This area of consideration is particularly significant to many low lying island archipelagos, such as the Maldives and in the U.N. context, it is a global problem requiring global solutions. Little can be done at local level relating to this threat, apart from work on sea defences. It is essentially an issue where the U.N. attempts to affect policy at inter governmental and global level.

2) Natural and Environmental Disaster Management.

Natural and environmental disaster management is of much greater concern to islands in the tropics and the Pacific rim. The risks of extreme weather events, such as hurricanes, or the dangers of volcanic activity and earthquakes, associated with tectonic plate boundaries are a more significant problem to islands in these geographical locations.

3) Coastal and Marine Resource Management.

All islands have to deal with some level of coastal and marine resource management. This can be as diverse as protection of coral reefs for south sea tropical islands, to the management of Alderney's R.A.M.S.A.R. site commitments on Burhuo. The over exploitation of the marine environment, especially the conservation and management of fish stocks or other ocean resources, either by the inhabitants of the islands themselves, or by external forces such as industrial fishing fleets, also are a consideration.

4) Energy Resources.

The problems of energy resources cover many different areas, from firewood shortages in some underdeveloped islands, to the problems of single source electricity supply and increasing demand on utility infrastructure in developed ones.

5) Tourism Resources.

Tourism is considered by the U.N. research into S.I.D.S. to be a major development resource for island groups. However, as well as opportunities through increased economic activity and job creation, it is also perceived to have threats, from problems such as soil erosion and over development.

6) Transport and Communications.

Most islands suffer, to one degree or another, from the same issues of relative isolation that lead to problems of cost for both importation of products and people and the exportation of goods, leading to competitive disadvantages with other economies.

7) Waste Management.

The disposal of waste is also viewed by the U.N. as an area that is a major problem for small islands. Limited land area and the difficulties of pollution in a small environment can lead to significant challenges for island authorities.

From the Western European perspective, such as Alderneys, the first two areas highlighted, those of (1) ***Climate Change and Sea Level Rise*** and (2) ***Natural and Environmental Disaster Management***, both have a much lower degree of priority of those threats identified by the U.N. Also in terms of this document and its aims, the level of relevance is significantly reduced.

However, whilst these areas may not have the same degree of significance in the Alderney case, they should not be totally overlooked. With one of the world's busiest shipping lanes to the north of the island and some potentially hostile seasonal weather conditions it must not be forgotten that an environmental crisis is still a possibility, although they are more likely to be manmade.

The sinking of the Ievoli Sun in 2009, carrying over 6000 metric tonnes of chemicals including styrene, isopropyl and methyl-ethyl-ketone, less than 11 miles offshore, showed that an environmental disaster remains a possibility. Also the effects of extreme weather events on Alderney's infrastructure such as a potential breakwater breach must be considered.

However, taking the U.N. areas of concern for S.I.D.S. in overview, it is without doubt that there remains much commonality between the problems of Alderney and many S.I.D.S., particularly in the following five areas.

In terms of economic planning, these five areas must be considered as each has an Alderney context that needs to be developed as part of any strategy.

1) **Environmental and Marine Resource Management.**

The consideration of the conflicting interests of commercial fishing operations and the demands of the tourist sector, the management of the islands tidal energy resource and its potential environmental impacts, the islands commitment to its R.A.M.S.A.R. site obligations and also the general ecological well being of the islands marine environment.

2) **Future Energy Resources and Production.**

The consideration of the problems of the cost of infrastructure for the commercial energy industry on a limited level, its inherent high cost due to economies of scale and its general dependence on fossil fuels for electricity production.

3) **Sustainable Tourism Development.**

This area is identified as one of the most important resources for S.I.D.S. for sustainable development. However, at the same time it is essential that this product is well managed and targeted efficiently and is environmentally sustainable.

4) **Secure Transport and Communication Links.**

The consideration of the problems of relative isolation, the maintenance of lifeline services, the expense of the operation of air and sea links and the significant importance of those links to the economies of islands.

5) **Sustainable Waste Management Policy.**

The difficulties presented by limited space and also the availability of disposal options.

Any economic development strategy must consider all of the above as part of its narrative.

However, each island or island group can also find themselves in very different political situations, with very different constitutional arrangements. In many circumstances this can give each island or island group specific economic advantages that they may be able to exploit.

Alderney does have areas of economic advantage that are important to identify, alongside areas of weakness. Although, ironically, these areas can sometimes be exactly the same.

For example, Alderney's offshore status as a crown dependency brings significant advantages to the formation of economic policy as a low tax regime. However, as has been seen with alterations to Low Value Consignment Relief, (L.V.C.R.) by the British government during 2011/12, those advantages can sometimes be tenuous and can be subject to shocks created by events or decisions taken in other jurisdictions.

However, any economic policy requires careful consideration of the advantages associated with these additional areas. They can be described as more traditional economic development policies associated with 1st world economic development. In the Alderney case, the two further areas that require well defined policy are....

6) Inward Investment Strategy through Business and Personnel Relocation.

Use the islands constitutional arrangements for the attraction of high net worth individuals and compatible businesses, to provide an external stimulus to the economy by using the financial advantages that exist to the island as a low tax regime.

7) Local Business Retention and Expansion to Strengthen the Economy from Within.

Consideration must be given to making the most of the existing economy, finding ways to improve and strengthen it by assisting existing commercial operations and identifying and developing new businesses to fill gaps that exist within the economic structure of the island.

However, all seven areas have complex inter-relationships. For example, there are obvious interconnections between transportation policy and tourism. The same applies for transportation and infrastructure or infrastructure and commercial development. The same again for waste management and environmental resources. Therefore, in order to co-ordinate policies it is necessary that the political and strategic framework that has responsibility for delivery of those policies is robust enough to enable co-ordinated policy implementation. It is also essential that it has the resources to do so.

Alderney suffers from a problem here, due to the structure of the Bailiwick Government. Many strategic policy decisions are taken at a States of Guernsey (S.o.G.) level. However, those policies may not deal with fundamental inadequacies in the local Alderney economy. In some cases these inadequacies have either...

- (a) Never been identified due to a lack of quantified analysis or,*
- (b) Have not been examined due to the inability of government bodies to produce adequate data to perform such analysis.*

In some cases, for example sustainable energy policy, they may never even have been considered for examination and thus have left a policy vacuum.

Therefore, it is essential that the areas of overall strategic control are clearly defined, areas where the economies of both islands have diverged and require different policy are identified and that gaps in delivery of economic policy are filled. For example, financial sector policy regulation is best run at the Bailiwick level, but it must also be treated as a level playing field. Alterations to company law in Guernsey need to be matched by Alderney. In other areas, such as the decline in population in Alderney, a relocation policy in Guernsey where the aim is to stabilise the level of population needs to be substantially different to Alderney's, with a reducing population and its need to attract new residents. Therefore, a different policy is required here at local level compared to the overall Bailiwick policy. It is important that areas of policy making that can be devolved down to the Alderney level are, and that policies at a Bailiwick level, that may be having a harmful effect on the Alderney economy are identified, addressed or adapted.

Apart from identifying the structural weaknesses of the island's economy and developing plans to address them, it is also important that the weaknesses of the governmental structures that are tasked with the delivery of economic growth are identified and addressed.

These weaknesses can be identified in three main areas.

a) Responsibility.

Which political bodies are tasked with the responsibility for the various areas of concern identified in the future economic strategy and has such tasking been adequately undertaken?

b) Capability.

What is the capability of the various governmental bodies to deliver strategic plans and has any assessment taken place of their ability to implement those plans?

c) Resource.

What resources are available to each of those bodies to implement strategic plans, from where are those resources allocated and to which bodies should they be allocated to?

Therefore, the first step, before the implementation of any economic plan, is to ensure that solid political structures and defined responsibilities are in place to develop and progress any economic plans that the island wishes to adopt.

This is the subject matter of the rest of this document along with some proposed action strategies that can be examined to boost the Alderney economy as a whole.

2. Formation of an Economic Steering Group.

One of the major recommendations of the consultation work undertaken by I.A. is that an economic steering group should be formed as a matter of priority. The following identifies a proposed course of action for the formation of that group and how it would best fit within the current S.o.A. committee structure.

The S.W.O.T. analysis undertaken by Island Analysis identifies many of the weaknesses of the Alderney Economy. However those weaknesses can be considered as being in three distinct areas.

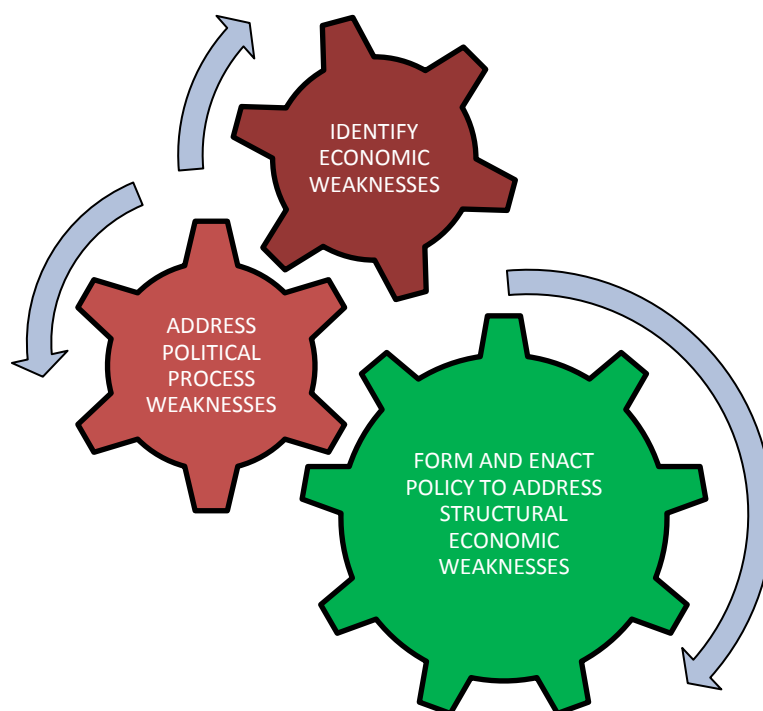
- 1. Structural economic weaknesses within the economic framework of the island which can only be solved by coherent policy formation and then implementation.***
- 2. Weaknesses in the governmental structures leading to the failure of identification of the economic weaknesses themselves.***
- 3. Weaknesses in the political bodies that conduct the processes of coherent strategy formation to act upon those economic weaknesses that have been identified within the island economy.***

These bodies need to be in place to develop and implement policy. But they also require the relevant tools to be able to identify the relevant problems in order to enable them to formulate coherent policy.

Any attempt to solve the later would be compromised without the former.

Therefore the first link in the process of addressing the weaknesses identified is the formation of the relevant bodies.

Figure 4.Economic Weakness Interaction.



There are two bodies, which are proposed by the Islands Analysis consultation report. They are the following.

1. States of Alderney Economic Steering Group.

This body should be formed as part of the States of Alderney governmental structure. Its role should be the co-ordination of policy formation and implementation on a local level in Alderney.

2. Joint Alderney / Guernsey Socio-Economic Group.

This body can co-ordinate issues at a Bailiwick level, where Bailiwick policy leads to a conflict of economic priority between the two islands.

The first body, the States of Alderney Economic Steering Group and its proposed structure is dealt with in this chapter.

Chapter three goes into greater detail detailing a proposed remit for the group itself.

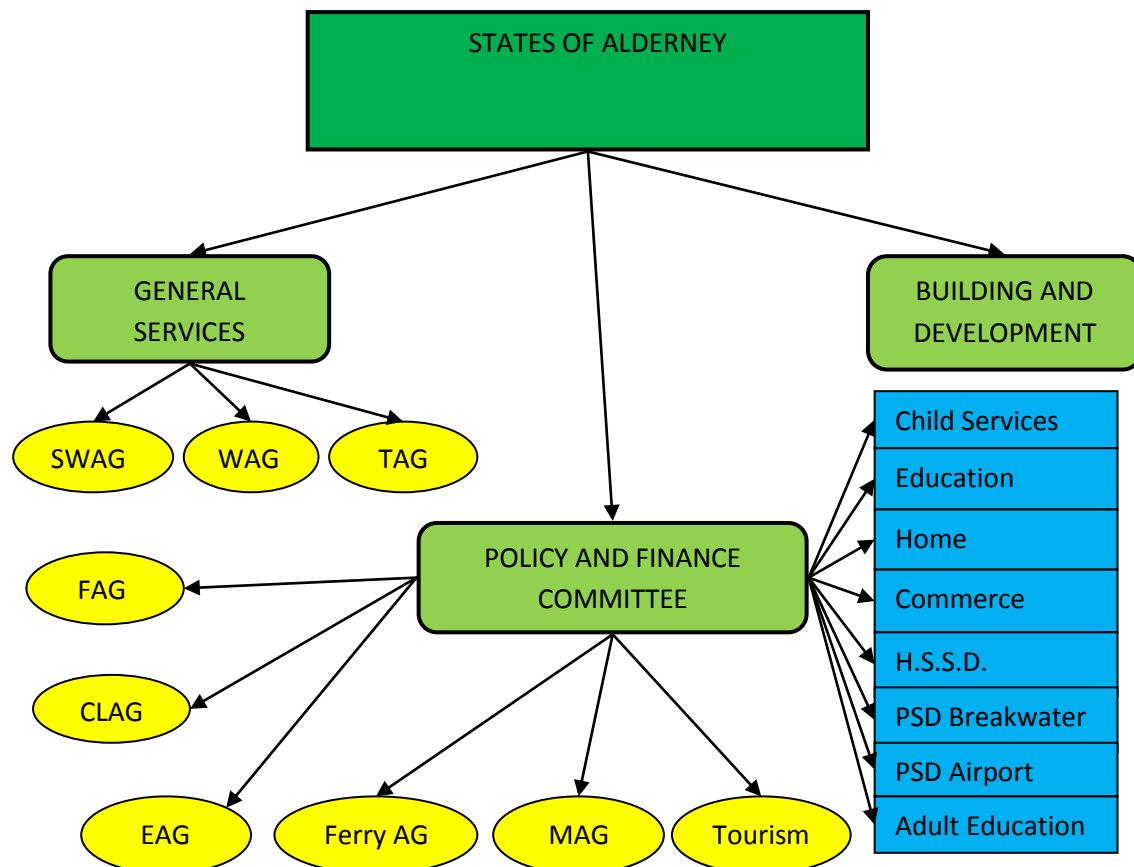
Chapter four goes on to deal with a series of proposed action plans based around eight specific areas identified by the work of other economic delivery groups and economic research bodies including areas such as tourism, transport and energy policy.

The second body, the Joint Alderney/ Guernsey Socio-Economic Group is dealt with in chapter five.

Current Structure.

Fig 5. shows the current structure of States Committees, (green rectangles), and how the Advisory Groups, (yellow ovals), report back to the Policy and Finance Committee and the General Services Committee. It also identifies some of the individual roles, (blue rectangles), tasked to individual States members, (e.g. Child Services).

Figure 5. Committee and Advisory Group Structure

**Key.**

SWAG – Sewerage and Water Advisory Group.

WAG – Waste Advisory Group.

TAG – Traffic Advisory Group.

FAG – Financial Advisory Group.

CLAG – Constitution and Legislation Advisory Group.

MAG – Marina Advisory Group

Tourism – Tourism and Marketing

Representative.

Ferry AG – Ferry Advisory Group.

EAG – Employment Advisory Group.

In order to create an effective economic steering group, some minor restructuring of the current Advisory Group structure would be required.

When you study the economic development steering groups of other jurisdictions there is a level of commonality between all of them in terms of the areas of responsibility with which they are tasked. A good example to take from a jurisdiction that has similar constitutional arrangements to Alderney would be the Economic Development Department of The States Of Jersey.

This body's primary areas of responsibility are identified in the States of Jersey Economic Development Business Plan 2011.

1. **Transport Strategy.** *This is through the operation of Jersey Airport and Harbours.*
2. **Enterprise Strategy.** *Business development strategy for job creation and growth.*
3. **Financial Services.** *Responsibility of the financial services sector.*
4. **Tourism and Marketing.** *Co-Ordinated tourist branding*
5. **Rural Economy.** *Support for Agricultural and Fisheries sector*
6. **Policy and Regulation.** *Ensure a stable regulatory regime exists.*
7. **Consumer Affairs.** *Environmental health and monopoly issues*

Of course, these areas share many areas of commonality where co-coordinated policy making is essential. An obvious case is an overall transport strategy in association with tourism and marketing.

However, in the Alderney case many of these roles are tasked independently of each other. For example, the Airport representatives and the Ferry group are both dealing with transport strategy but from different directions. Both of these have a bearing on tourism strategy which is also tasked separately. The Marina Advisory Group, (M.A.G.), as another example, has been dealing with issues that have a bearing on tourism, enterprise and economic development matters. The Employment Advisory Group, (E.A.G.), is tasked with work permit legislation, which has an impact on all areas of economic development matters. The A.G.C.C. representative deals with feedback from the gaming sector which is the islands major financial service sector. Meanwhile, A.E.L. effectively deals with energy policy for the island, but this has cross over issues for long term infrastructure planning.

It can be easily seen that these areas of commonality require significant cross co-ordination to produce a coherent approach.

However, the current structure leaves each of these roles needlessly isolated. Each role or group has the responsibility for reporting back to the Policy and Finance committee. But the structure and operation of the Policy and Finance Committee leaves little opportunity for the cross co-ordination of approach that is required to maximise the impact of a broader strategic approach to the economic issues that the island faces.

In effect, it can create single issue policy making, on an issue by issue basis rather than an overall co-ordinated holistic strategy.

This situation is unhelpful, as it can lead to different groups or representatives inadvertently working at cross purposes to one another, or even duplication of workload.

Furthermore the current structure does not create a forum for "blue skies thinking". The creation of an economic steering group would allow for the better development of ideas and can investigate methods of expanding the islands opportunities in new and existing sectors of the economy. Here, the government can assist the private sector in evolving the future economy of the island.

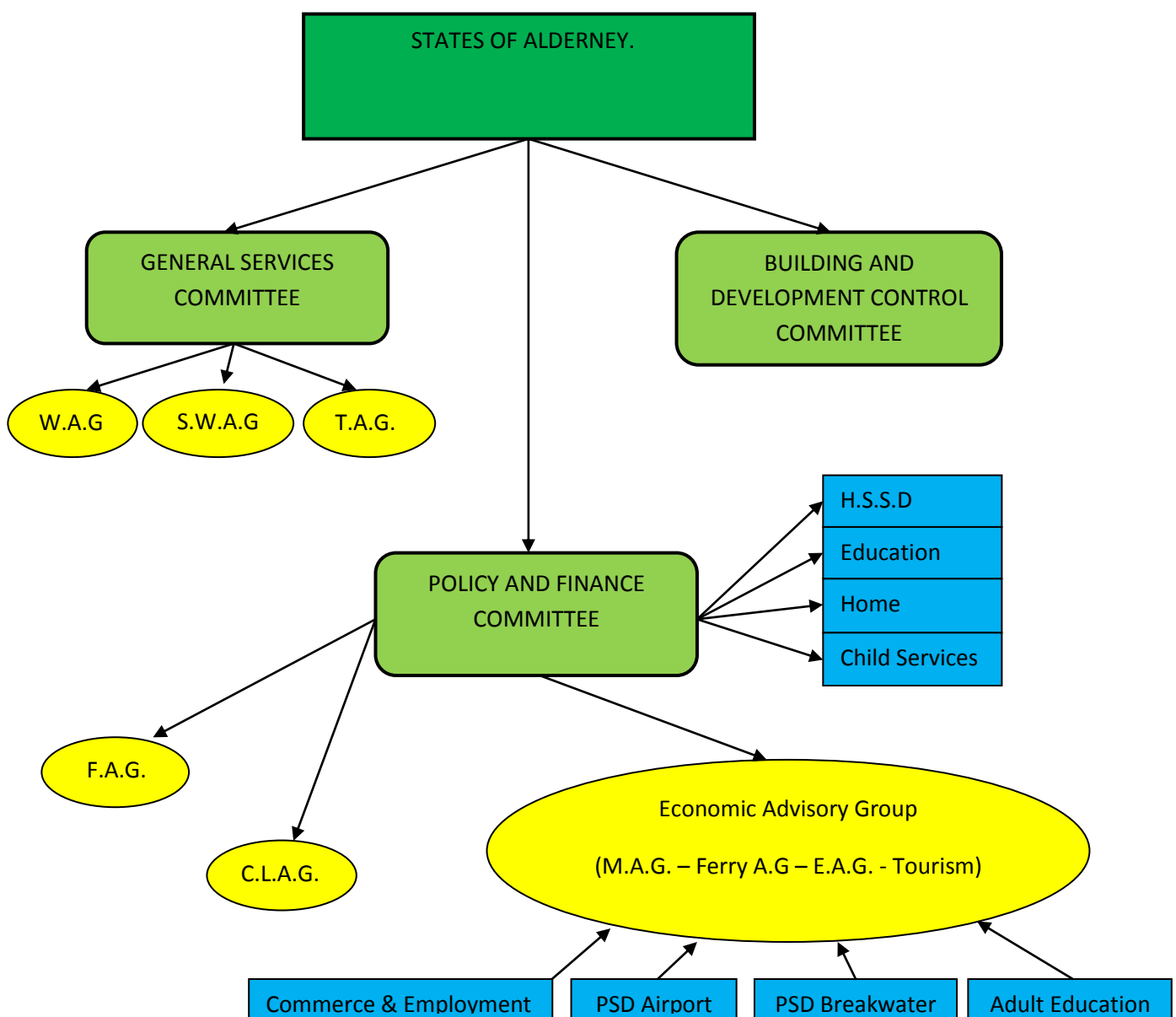
Proposed Structure.

It is suggested therefore that the current Advisory Group structure is re-formed and re-tasked.

The recommendation of this report is to form the economic steering body as suggested by the work undertaken by Island Analysis using the examples of other jurisdictions as the framework for its areas of responsibility.

Using the work undertaken by the United Nations on Small Island Developing States, (S.I.D.S.), as a basis for economic development and combining this with the structures of other jurisdictions such as Jersey and Prince Edward Island along with many others, the first step that must be undertaken is the re-structuring suggested in figure 6.

Figure 6. Proposed new advisory group structure.



Initially, what may appear to be a minor re-tasking of States roles, is the essential first step to a more co-ordinated and strategic approach for future economic planning.

The proposal is that a new body, the Economic Advisory Group (E.A.G.) is formed. This body should then absorb as part of its new role, a number of existing Advisory Groups in order that policy making can be expanded away from single issues and into a more cohesive framework.

The membership structure of this new Economic Advisory Group should then be made up of those members that currently have individual responsibility for those sections of States policy that have a bearing on economic planning.

This would mean incorporating the Employment Advisory Group, the Marina Advisory Group, the Ferry Advisory group and Tourism under the banner of the Economic Advisory Group.

This body should then formally meet on a monthly structured basis, in the same way that the Financial Advisory Group currently does. This will then allow for more regular and better structured reporting to the Policy and Finance Committee. The membership of this group should also include those members with responsibility for co-ordination with the States of Guernsey Commerce and Employment Department, the Airport liaison representatives, representatives for A.G.C.C. and A.E.L., adult education and any associated employment issues along with the representative for the harbour. In many cases some of these multiple roles are already tasked to the same individuals.

This new structure will then allow for the formation of more coherent strategic plans, where there are areas of intersecting policy.

Another advantage to this new structure is that as an advisory group rather than as a States Committee, the Economic Advisory Group would be able to co-op in members of the public who have experience in different sectors of the economy in the very successful way that M.A.G. has done in conducting its business. This allows for input from experienced professionals in areas such as energy, communication, finance, e-commerce, aviation, and shipping and in any new area of enterprise that the Economic Advisory Group can identify to expand Alderneys future economic prospects.

Recommendation. The formation of an economic steering group in the form of an Economic Advisory Group tasked with the development of the Alderney economy reporting back to the States of Alderney Policy and Finance Committee.

Recommendation. The Economic Advisory Group should be tasked with adequate resources to deliver economic action plans in specific areas to improve the long term sustainability of the Alderney economy.

However, it is essential that the Economic advisory group receives adequate quality civil service support.

Without doubt, there is a major issue surrounding the capability of the S.o.A. civil service to be able to develop and implement any action plans that are identified. Therefore, this begs the question, what is the most effective method of providing the best and most affordable support?

Most governmental economic development departments would be fairly heavily resourced in terms of civil service backup. However, with Alderney's limited resources this is not possible. Also, as the long term policies still require firming up it would be unwise for the S.o.A. to invest in employing such a resource until other options that may be more cost effective have been investigated.

Several possible options exist.

a) *Investigate the allocation of a dedicated States of Guernsey government officer to assist in economic development policy making.*

There is a strong argument that the fruits of economic development in terms of increased tax take will eventually accrue to the S.o.G. treasury. Therefore, it seems that a collaborative approach using an S.o.G. officer linked to either the S.o.G. Policy Council or the Commerce and Employment Department would be a sensible course of action allowing for well co-ordinated policy between the two governmental bodies.

b) *Create a States of Alderney researcher role by collaborating with educational institutions to develop an intern / graduate officer programme with the economics or planning departments of universities.*

The current cost of a university education may allow for a collaborative approach to the funding of areas of research of specific development plans by the funding of graduate projects or dissertations.

c) *Develop ties with governmental and private sector "not for profit" research bodies.*

Organisations such as the New Local Government Network, the Transitions Network or the Institute of Island Studies (U.P.E.I) already undertake collaborative research with governments, so it may be possible to tap into the existing knowledge bases that these bodies possess.

d) *Selected use of private sector bodies for collaborative marketing and economic development projects.*

Some private sector businesses such as banks or trust companies are constantly undertaking research in many areas relating to tax and relocation strategies. This may mean that there is the possibility to "piggy back" some policy formation or analysis onto private sector efforts.

The sensible course of action would be to initially develop a suite of the above options and then analyse the results of each over time. This would develop the most cost effective long term format of policy implementation. It is also necessary that the Economic Advisory Group develops the capability for a series of economic indicators to track the health of the Alderney economy. Some work has already been undertaken through the Chief Executives' office but it is difficult to ascertain figures for some indicators such as G.D.P. and it may be that we have to use indicative data such as figures for conge and freight data as a stopgap. However it is likely that the majority of such data will have to

come from Guernsey departments. Therefore the adoption of a co-funded Guernsey /Alderney economic development officer with a foot in both camps seems again to be the sensible option.

Capability is a major consideration for the adoption and development of any economic planning for the island.

As an interesting comparison is the Town of Totnes in Devon, (Pop 7000). They have undertaken a transition town programme for developing a new green economy. Their small team consists of three full time and nine part time staff. It is unlikely that in the current financial climate that anywhere near this sort of human resource would be available to the States of Alderney.

This capability issue is essential to solve, in an effective and cost efficient manner in order to progress any action plans for the future.

Recommendation. Develop adequate back office support to enact policy with specific emphasis upon a dedicated joint Guernsey / Alderney development officer as a link between the civil services of the S.o.A. and S.o.G.

Recommendation. Identify and task spare capacity within the States of Alderney civil service for dedicated clerical support for the E.A.G.

Recommendation. Investigate developing a States of Alderney economic research role using an intern or graduate training programme system linked to an educational body.

However, another course of action might be the formation of a dedicated Economic Development Department for civil service support to the Economic Advisory Group. However, this is an option that would be considerably more expensive, but may be more effective in terms of policy delivery.

An effectively staffed department of dedicated officers, with a reasonable budget delivering implementation in a cost effective manner may be a better solution in the short to medium term. Quite obviously, there is a potential increase in government revenue from the improved tax returns from the work of such a department. For example, a well operated relocation programme attracting a relatively small number of tax paying high net worth individuals could easily pay for the creation of that dedicated support in the medium term through increased income tax receipts.

Therefore, it seems sensible to develop a costed business plan for such a dedicated support body with the view of applying for an additional financial grant from Guernsey. Quite obviously, if a suitable case can be made that shows the increased revenues out way the associated costs, then quite simply it can only be a positive use of Bailiwick tax payers' money.

Recommendation. Develop a costed business plan for a funding application to the States of Guernsey for a dedicated business development department for Alderney.

3. The Remit of the Economic Advisory Group.

After identifying the need for the formation of the E.A.G., it is essential to ensure that the group has a general remit to which it can refer when conducting economic planning matters.

For example, developing a tourism strategy based on multiple hotel complexes, turning Braye Beach into Tenerife, or attracting dubious financial businesses that affect the reputation of the jurisdiction would obviously be inappropriate.

Therefore, it is important to ensure that the overall goals of the E.A.G. are transparent and that there are a series of long term aims, to which all action plans that the group develops adhere.

Initially, it is important to task the E.A.G. with an overall statement of intent that encapsulates its reason for existence and then to define its responsibilities in its endeavours to reach its development goals.

The following is a suggested statement of intent for the E.A.G.

The States Of Alderneys economic development mission is to ensure the quality of life now and in the future for island residents through the establishment of partnerships with the business community, educational providers and governmental entities to increase economic activity for the benefit of the local economy and the economy of the Bailiwick as a whole.

It should be the goal of the States of Alderney Economic Advisory Group to promote orderly economic growth for the island of Alderney in association with other bodies with the aim of creating a sustainable economy for the future of the island.

These goals should then be balanced with a series of overall objectives that should be taken into account when strategic plans are developed and also when action plans to achieve those objectives are formed. What follows are seven suggested objectives and their associated policy considerations.

Objective 1: Low Unemployment Rate and Increased Employment Opportunities.

The States of Alderney will pursue policies to create a diverse range of employment opportunities for all.

1.1: The States of Alderney (S.o.A) shall focus its economic development efforts on attracting and expanding clean, small-scale business to create a wide range of job and career opportunities.

1.2: The S.o.A. shall utilize existing industries, as a magnet to attract new industries, including support businesses to those located within the Bailiwick.

1.3: The S.o.A. shall encourage the expansion of existing business and the attraction of new businesses that are identified as target industries by offering appropriate assistance where possible.

1.4: The S.o.A. should construct a list of target businesses to attract and should consider as many different employment sectors as possible particularly that supplement the seasonality of the tourism industry.

1.5: The S.o.A. shall maintain constant contact with the various business sectors on a continuing basis to gain reports on the potential for expansion, the number of potential new jobs, as well as results, problems, solutions and other pertinent information.

1.6: The S.o.A. shall foster a strong relationship with educational institutions to facilitate a quick response to employers needing training for existing and prospective employees.

1.7 As an employer, the S.o.A. shall employ local residents, use local services and retain local contractors, whenever possible.

1.8: The S.o.A. shall create a Commercial/Industrial database. This will consist of planning, zoning, land use, demographic, and other socio-economic information helpful to businesses desiring to relocate.

1.9: The S.o.A. shall promote commercial growth in areas designated for commercial and industrial development.

Objective 2: Diversified Economic Growth.

The States of Alderney will develop policies to diversify Alderney's future economic base.

2.1: The S.o.A. should maintain a current economic base study updating the study on a regular basis.

2.2: Based upon the conclusions of each updated economic base study, the S.o.A. shall adopt appropriate, or revise existing, economic development policies.

2.3: The S.o.A. shall designate sufficient land and property for future commercial/industrial uses and shall provide adequate infrastructure for these lands.

2.4: The S.o.A. shall ensure that adequate provision exists for premises for business and assist private developers to establish well planned commercial developments, within the islands commercial zoned areas.

2.5: The S.o.A. shall establish a list of target industries and evaluate this list at regular intervals in order to reflect the current economic needs of the island, as well as the actual marketing results of such targeting.

2.6: The S.o.A. shall focus its recruitment activities on businesses which are within target industries that provide year round employment opportunities.

2.7: The S.o.A. shall analyze the potential market of the internet and create a marketing strategy to attract e-commerce jobs.

2.8: The S.o.A. shall regularly review local economic conditions and determine the appropriate actions required to maintain economic growth.

Objective 3: Skilled Labour Force.

The States of Alderney will ensure that an adequate level of skills and training are available to business and individuals alike.

3.1: The S.o.A. shall work with all relevant States of Guernsey departments to expand training programs offered to the community.

3.2: The S.o.A. shall inform existing and potential employers of available employment training opportunities for their workforce.

3.3: The S.o.A. shall work with educational providers to enhance educational opportunities through the use of the internet.

3.4: The S.o.A. shall seek to attract additional qualified workers as required by the changing demands of the economy.

3.5: The S.o.A. shall work with employers to assist in the provision of apprenticeship and training.

Objective 4: Encourage Economic Development

The States of Alderney will construct a framework of policies, regulations and economic development incentives which encourage economic development.

4.1: The S.o.A. through its institutions shall maintain and improve the quality of life of its citizens by providing protection of the environmental, cultural and aesthetic features of the island.

4.2: The S.o.A. shall review and evaluate its land development regulations on a regular basis. Any regulations that might impede economic development will be considered and evaluated for possible revision.

4.3: The S.o.A. shall on a regular basis re-evaluate the size and location of its commercial/industrial zones through the land use plan review.

4.4: The S.o.A. shall make its policies, regulations, information and application forms available for public access through the States of Alderney web site.

4.5: The S.o.A. shall on a regular basis re-evaluate its economic development incentives by comparing its position with those of other jurisdictions.

4.6: The S.o.A. in cooperation with other bodies, shall collate information on businesses that are locating to the island, to be used for marketing purposes.

4.7: The S.o.A. shall provide assistance to relocating companies and individuals, both during the relocation process and afterwards as needed.

4.8: The S.o.A. shall develop and provide a community information package for new employees relocating to the island of Alderney.

4.9: The S.o.A. shall coordinate its economic development plans with the island's marketing plans.

4.10: The S.o.A. shall continually monitor the needs of the business community by working with the Alderney Chamber of Commerce and other business groups.

4.11: The S.o.A. shall support small business development in the community by working with small businesses and educational providers.

4.12: The S.o.A. shall analyze the viability of developing a business incubator on the island to support increased development of targeted industries such as an enterprise agency.

4.13: The S.o.A. shall create a formal expedited permit process for business and specific economic development projects.

4.14: The S.o.A. shall support the diversification of shippage links to develop access to the widest range of markets.

4.15: The S.o.A. shall support efforts to maintain high quality communications and internet links.

4.16: The S.o.A. shall continue to support green energy industry initiatives and programmes.

4.17: The S.o.A. shall continue to support efforts to place downward pressure on utilities pricing.

4.18: The S.o.A. shall investigate public/private partnerships in areas where it is uneconomic for the private sector to provide provision on island.

Objective 5: Intergovernmental Coordination.

The Island must develop and strengthen its links with neighbouring governmental and business bodies.

5.1: The S.o.A. will have a mechanism in place to ensure cooperation between Alderney and States of Guernsey agencies responsible for economic development.

5.2: The S.o.A. shall involve appropriate parties in any economic development project so that all entities are properly represented.

5.3: The S.o.A. shall co-ordinate and disseminate any new information to those groups that are responsible for implementing economic development projects.

5.4: The S.o.A. shall ensure an efficient permitting process among all government departments and agencies to facilitate a smooth transition for business relocating to the Island.

5.5: The S.o.A. in association with the Alderney Chamber Of Commerce, shall maintain an active relationship with the States of Guernsey Commerce and Employment Dept, the Guernsey Enterprise Agency and Guernsey business bodies.

5.6: The S.o.A. in association with the Alderney Chamber Of Commerce shall continue to develop links with the States of Jersey and Jersey business bodies.

5.7: The S.o.A. in association with the Alderney Chamber Of Commerce shall continue to develop links with French government authorities and business bodies.

Objective 6: Tourism Development.

The Island shall incorporate tourism as an essential component of its economic development planning and marketing.

6.1: The S.o.A. shall develop the Alderney Brand in order to effectively market all aspects of tourism in relation to the islands tourist product including events, environmental amenities and cultural offerings.

6.2: The S.o.A. in cooperation with local hotels and bed & breakfasts, shall market the island as a holiday and short break destination.

6.3: The S.o.A. shall follow an advertising strategy cross-selling tourism and economic development.

6.4: The S.o.A. shall monitor the frequency quality and cost of its transportation links.

6.5: The S.o.A. shall develop the required facilities for events to increase the breadth of tourism options.

6.6: The S.o.A. shall continue to support and develop high profile events to increase the breadth of the islands tourism options.

6.7: The S.o.A. shall continue to develop secure and diverse transportation links.

6.8: The S.o.A. shall continue to support improved facilities for yachts and yachtsman.

6.9: The S.o.A. shall continue to support its clubs and societies in the production and marketing of events.

6.10: The S.o.A. shall continue to support efforts to reduce the cost of transportation to the island.

6.11: The S.o.A. shall continue to investigate the economic viability of new transport solutions.

Objective 7: Improved Pro-Economic Development Perception

The Island will attempt to develop an enhanced reputation regarding its support of economic development.

7.1: The S.o.A. shall implement economic development plans that reflect community goals and preserve the present quality of life.

7.2: The S.o.A. shall develop specific plans to market the islands economic development potential and shall identify the most effective and cost efficient methods to inform potential employers of the islands opportunities.

7.3: The S.o.A. shall be responsible for tracking businesses that contact the island for relocation information and shall provide a regular report of the results of its efforts.

7.4: The S.o.A. shall produce information pertaining to residential, commercial and industrial property sales to determine current real estate trends.

7.5: The S.o.A. shall continue its efforts to maintain and increase the level of public and private funding for economic development.

7.6: The S.o.A. shall produce a brochures or similar e- product that provides information on the quality of living and pro-business atmosphere in Alderney.

Key Strategies.

A) Economic Advisory Group and Development Office.

The formation of an E.A.G. is essential for the co-ordination and delivery of economic policy set by the relevant governing bodies. It also plays the vital role of monitoring the overall effects of the policies and in collating the data to enable relevant bodies to assess the effectiveness of those policies.

B) Business Recruitment/Relocation Program.

Marketing activities play a key role in the economic development process. Outside of providing support for the expansion of existing businesses and facilities already located within the community, the major focus of the economic development program is to encourage the relocation of new businesses and wealthy individuals. Although effective marketing efforts may yield significant results with relocation of new businesses, marketing activities are often costly and may be ineffective unless they are directed in a coherent manner. As such, it is important to concentrate marketing efforts in areas that will result in the greatest benefit for the resources invested.

C) Economic Development Research.

In order to support local businesses and market Alderney to new companies, accurate information about the community must be available to key decision makers. Business leaders are keenly aware of the factors affecting the cost of development and daily operations. They continually weigh factors such as tax rates, utility rates, incentives, development costs and available labour against the option to lower these costs by relocating to other communities. Therefore, it is essential to list public and private services and activities that benefit businesses and to collate relevant economic data to monitor the effective delivery of any development initiatives.

The above remit is based around similar remits tasked to the economic development bodies of other jurisdictions. The States of Jersey E.D.D. is tasked in a similar way in the Jersey 2011 business plan while other authorities, such as some American cities, (e.g. City Of Leesburg), use a similar “Charter” idea for economic planning.

It is hoped that this method highlights the areas that the E.A.G. should always consider in policy formation keeping it on track but at the same time ensuring that the group retains a holistic overview of what it is trying to achieve for the island.

4. Proposed Areas for Strategic Action Planning tasked to the Steering Group.

After the formation of the E.A.G. and the adoption of its remit, the next step is to develop a series of formalised strategic plans in specific economic sectors.

Sustainable community, economic and employment development does not result from "quick fix" measures. It involves formulating a mix of initiatives related to the community's competitive advantages. International experience of community economic development strategies illustrate that there are at least six broad and inter-related approaches that may be of value to a community.

These are:

- ***Plugging the Leaks in the Local Economy.***

Actions that encourage greater loyalty in terms of purchasing by local residents and businesses.

- ***Retaining and Expanding Local Businesses.***

Actions which assist local businesses improve their productivity and market share.

- ***Fostering New Businesses.***

Actions that encourage and support the creation of new businesses to add value to existing products, to meet changing consumer demands, or to capture sales which might otherwise go to other communities, regions or countries.

- ***Attracting Outside Businesses and Resources.***

Actions that bring new investment, employers, investment and funding to the community.

- ***Enhancing the Job Linking Capacity of the Community.***

Actions that utilise community development processes and social networks to support the job search activities of unemployed people, to help fill job vacancies more quickly, to discover hidden job opportunities, to improve information flows regarding job creation assistance and to help counter attitudinal reasons why some employers may not be increasing their workforce.

- ***Marketing the Community.***

Actions that enhance the appeal and image of the community to potential visitors and new settlers. The media is a very important means of informing the community about a development program, its aims and its outcomes. Media coverage is a vital information, marketing and promotional opportunity which no community can afford to ignore. However, effective use of the media is a skill which needs to be constantly developed.

The United Nations work on Small Island Developing States, (S.I.D.S.), highlights the many areas of commonality in the problems of small jurisdictions. Using the IA work and again referencing the States of Jersey E.D.D., it is possible to identify the specific areas where strategic action plans may be required in relation to economic development.

Broadly they concern, generating direct inward investment, retaining investment, improving the existing economy and developing improvements to infrastructure and linkages within the local economy.

There are eight areas specific areas identified for action plans.

1. **Social Enterprise Action Plan.**
Local business development and support. Including retail, construction, agriculture and fisheries. Boosting the internal economy of the island.
2. **Business Development Action Plan.**
Look for new opportunities and expand existing business markets. Attracting inward investment from new business wishing to relocate.
3. **Relocation Action Plan.**
The attraction of high net worth individuals and essential staff and the promotion of the islands low tax status.
4. **Tourism Action Plan.**
Development and diversification of the islands tourism product.
5. **Transportation Action Plan.**
Securing existing links and the development of a long term sustainable strategy for the future.
6. **Utilities Action Plan.**
Ensure secure future energy supply, whilst dealing with problems of increased demand. Develop the best quality telecommunications links possible.
7. **Consumer Affairs and Retail Action Plan.**
Find new models for dealing with the long term decline of the high street and the problems of retail in remote communities.
8. **Waste Management Action Plan.**
Find creative solutions to deal with the problems of waste management.

It is not the aim of this report to create the policy objectives for each of these strategies. That task should be the responsibility of the E.A.G. However there are important areas that each of these specific strategies need to address.

The following sections suggest some approaches which have been undertaken in other jurisdictions, in each of the preceding policy areas identified in association with the work with I.A. It is hoped that these ideas may be applicable to the Alderney situation and can form the basis of a comprehensive economic policy for the future.

1. Social Enterprise Action Plan.

Local Multiplier Effect in Small Economies.

A very important area of economic thinking for small communities and the economic strategies developed for them, concerns the circulation of money within that community and the importance of the retention of those monies for the maximum period of time

The retention of these monies is termed the “Local Multiplier Effect” (L.M.E.). The economist John Maynard Keynes developed the phrase in his 1936 book *The General Theory of Employment, Interest and Money*.

L.M.E. is a very valuable feature of local economies. It refers to how many times money is recirculated within a local economy, before leaving through the purchase of an import. The more times that money re-circulates within that economy, the greater the effect and the healthier the economy.

The New Economics Foundation has developed strategies to help maximise L.M.E under the banner of a strategy entitled “Plugging the Leaks”. The methodology that is employed is based around the following quote from their work.

“Plugging the Leaks was created to support people in communities to take a different approach to local economic development, one that can have a greater, more sustainable impact on their local economies than traditional regeneration initiatives.”

“Plugging the Leaks goes further than simply getting more money into the local economy through tourism, inward investment or funding. It re-generates the local economy from within, and takes advantage of the resources that a community already possesses.”

For Alderney, this should be a central plank for regeneration of the economy. This approach factors in areas such as public sector spending as a vital piece of the jigsaw of the Alderney economy.

“Public sector procurement can not only create a positive multiplier effect through opening up local employment and business opportunities in the way they commission and procure goods and services. It can also be used to create positive social and environmental outcomes for the communities.”

However, this does create some difficulties for governmental bodies that are tasked with strict financial controls, where the local option may not be the least expensive option up front.

However, L.M.E. would suggest that that spending or purchasing services within the community by a local government body may have many times the overall benefit to the local economy as that money re-circulates. So the small saving in government spending initially by going outside the local community can have a massive negative multiplier effect in the long run on the economy as a whole.

It is also important to consider more general economic considerations relating to the recessionary environment as a whole and the role of government within that framework.

Government Capital Spending Projects.

In normal recessionary environments, government deficits rise as public spending increases through higher social security payments. General practice would also follow that a government should attempt to stimulate the economy in periods of economic downturn. This is usually undertaken through one of two methods. For example, governments can use the tax system to stimulate consumer spending through tax cuts or to help increase private sector investment through tax breaks. Alongside this, a government can increase public spending to inject money into the economy. This is usually undertaken by investing on such things as large scale infrastructure projects or procurement contracts.

The current recessionary circumstances in the U.K., brought about by the banking crisis of 2008 and the subsequent “credit crunch” are currently compounded by an inherited structural government deficit, along with the overall total of U.K. government debt. This has meant that the ability of the U.K. government to spend its way out of recession has been severely restricted despite demands from certain sections of the U.K. political establishment to do so.

The overall recessionary situation for the Bailiwick is similar with the States of Guernsey squeezing department spending with a 2011 deficit in the £30 million mark. However, the S.o.G. does not have the same problems in terms of accumulated debt that the U.K. government has, with a robust capital reserve. This has allowed the S.o.G. to spend on large scale infrastructure projects such as the redevelopment of Guernsey Airport.

The S.o.A is in a similar situation in that while revenue spending is being held in check, there is a robust capital spending pot accumulated from the income from gambling licences. This income stream does give the S.o.A. the flexibility to undertake significant public spending programmes despite the recessionary environment. However, it is essential that the positive economic benefits from the potential capital spending that this allows the S.o.A. to undertake on dedicated infrastructure programmes are maximised, particularly whilst the overall economic situation remains stagnant.

Over the last five years the States has spend considerable sums on improvement to the water system on the island. Projects such as these can have the ability to input a high level of L.M.E. into the economy.

Over the short and medium term, it is vital that the S.o.A. identify those capital spending projects that have the highest overall financial impact in totality for the Alderney economy, and if possible accelerate those that it can. A series of small scale capital projects that utilizes local labour and capability can help stabilise the island economy over the short and medium term particularly in the construction sector. This sector is of significant importance to the island, particularly due to its high percentage of total employment. Larger scale projects may not have the same level of impact locally, as these may require the importation of skills of larger firms that leads to the leakage of the spending off island.

Recommendation: Identify capital spending projects that have a high level of L.M.E. as a short to medium term priority to help stabilise the local economy until the general economic climate improves.

The Housing Market and the Problems of Restriction of Credit.

One area of capital project investment that has the potential to be a major driver in the local economy and the construction industry in particular, is the development of social housing projects. Social housing policy in Alderney is now effectively the purview of the Alderney Housing Association (AHA). It is important that there is adequate support for the improvement and development of new housing not just due to the social implications of affordable housing in helping to reduce net emigration, but also because of the potential economic benefits in employment during a recessionary environment.

The Alderney housing market, in terms of new build, is itself suffering from the problems of credit restriction created by the financial crisis of 2008 and the knock on effects on the banks, in terms of mortgages and general restrictions on lending whilst they continue to attempt to re-capitalise their balance sheets. The cost of housing in Alderney relative to wages is high. This makes it very difficult for even relatively well paid individuals, couples and families to fund a mortgage for property on the island. Meanwhile increasing land prices has also make it difficult for the self build market and the same credit restrictions make it increasingly hard to fund.

From an economic perspective one of the most important inputs into the housing market are first time buyers. In the Alderney case it has become virtually impossible for 1st time buyers to put their first step on the property ladder due to the differential between the available credit to loan for a mortgage and the price of property on the lowest rung of housing ladder. This situation will inevitably lead to a stuttering housing market that is only driven by new residents, mostly of retirement age. This in turn fails to help improve the island's age demographic.

This then begs the question, as to whether there should be a local solution to easing the problem of the financial gap that exists between house prices and available credit for mortgages. Is there room for a locally facing credit union or building society to help put finance into the housing market by assisting new entrants and first time buyers onto the first rung of the housing market? Is it possible that this could be an extended role of the AHA to help put grease back into the wheels of the property market? This is an important consideration in helping reverse the current decline in population, particularly for already overstretched young families who simply are not able to foresee a future on the island, due to the impossibility of owning their own home.

Recommendation: Examine the methods available for diversifying the options for credit at the lower end of the housing market.

Developing Social Enterprise Projects.

The potential benefits of L.M.E. are not just limited to the public sector. Although the degree of individual investment from the private sector may be smaller, the total can be considerable.

Sometimes, the size of small island economies can lead to a vacuum in economic development in the private sector, due to the simple practicalities of economy of scale. There may be many small businesses that could be a positive addition to the overall make up of the island economy and would be of major benefit to the community as a whole, providing services that may not be currently available. The identification and establishment of these businesses could be a source of new jobs and aid in the diversification of the overall economy. This may also help in developing economic capability on the island, which may then help in developing the economy in general. However, some of these businesses may struggle to be profitable in isolation due to the restrictions of the overall size of the local economy. In many cases, the service that these local businesses may provide, is then lost off island. In the case of Alderney this is usually to Guernsey or the UK along with the associated economic benefits to the community.

Therefore, there is a strong argument that it is beneficial to identify businesses that could act as an incubator for the local economy and then if necessary supply government support for them. This could be termed “social or community enterprise”.

There are a number of areas where a “social enterprise” methodology may aid in developing new commercial interests on the island.

The agriculture and fisheries sector in Alderney is one area that has declined steadily over the years. However, it has been shown that in many rural communities local agricultural production can have a substantial level of L.M.E., benefiting the whole local economy, providing it is well co-ordinated. Some examples are buy local campaigns, or farmers’ box schemes or markets. Many local development projects use concepts such as Local Growers Associations to help local farmers and growers increase the profitability of their businesses. These ideas could help increase local agricultural production within the island leading to reduced off island purchasing. This in turn, would then lead to an increased circulation of money on island and a greater level of L.M.E. Agricultural production can also help the island with increased export activity, if successful products can be identified and supported.

For some islands, specialist production along with the use of clever marketing to create an apparently exclusive product can pay dividends. The classic example from the Channel Islands is the success of the Jersey Royal, turning a humble potato into luxury product. Similar clever marketing has been used in the south west of England where the unfashionable pilchard, associated with tins and tomato sauce, has now been re-branded as Cornish Sardine leading to an increase in demand and price as a quality product.

So, it can be seen from other jurisdictions that a forward thinking agricultural policy can still have benefits and should not be disregarded. The Isle of Wight, for example, has become the largest producer of specialist garlic in the U.K. In Sark attempts to develop vineyards for wine production are taking place. On the other side of the world, in Norfolk Island, the local government have undertaken the planting of fruit trees in public spaces to attempt to develop a fruit export business. The U.K. government also encourages local community agricultural projects in the form of community orchards and allotment development. The town of Totnes as part of its Transition Town Totnes plan has undertaken the planting of trees for nut production to boost the local economy with the aim of becoming the Nut Capital of the UK. Maybe not so “nuts”!

In Alderney there has been a recent revival in small scale animal husbandry and a growing use of allotments. Local production has very much come back into fashion and it should be encouraged.

Worldwide, in the fishing industry, Community Fisheries Associations are being used in various communities to undertake similar roles. This type of group is being taken up as the model for sustainable local fisheries in places as diverse as San Francisco in California to Cornwall in the UK. They also help with money retention within the local economy through effective local branding, processing and marketing. So, if it were possible to create an exclusive brand, or product, that can be used to command a premium price it could have a significant positive effect on the local fishing industry. Suggestions have been made regarding line caught fish and promoting this from the angle of sustainability. But, there may be other options, particularly in marketing. For example, rebranding all crab caught in Alderney waters in a similar way to the example of pilchard from Cornwall. Perhaps a rebrand to “Normandy King Crab” as a suggestion may be a method to create a new, more exclusive market and increased profitability for the industry.

As with agriculture, developing areas of sustainable fisheries should be considered. The practicalities of using the marine environment for shellfish production in areas that are suitable should be considered. For example, oyster production in Longis Bay has been tried before on a small scale.

It is without doubt that an on island engagement between the S.o.A., the public and relevant industries would be beneficial in the development of a forward looking and creative agriculture and fisheries policy. Many productive businesses in these sectors have been lost due to the gradual decline of those sectors, realisation far too late of the problems that they were facing and lack of government assistance and support. So it would be beneficial for the future of the island, its environment, and the local economy as a whole, to investigate methods to invigorate and exploit these underutilised island resources.

Recommendation: Develop a modern sustainable Agriculture and Fisheries policy for Alderney.

Expanding the Alderney Tourism Product.

Tourism is also an area where a social enterprise strategy can aid in helping widen the islands tourism offer. An example of this is the co-ordination that already occurs between the S.o.A. and the Alderney Wildlife Trust. The exploitation of the local fauna and flora for tourism has already seen some substantial benefits in diversifying tourism product, but there are many areas such as sea kayaking, rock climbing and geo-caching that can be developed further.

Furthermore, the development of complementary business in co-operation with existing sports clubs, such as clay pigeon shooting or increased use of the golf course using effective marketing to clubs and societies elsewhere also shows that a local social enterprise approach, would not only help the island economy but in turn help its clubs and societies to thrive, allowing them to invest in their facilities for the future.

Recommendation. Develop Alderneys' complementary tourism product using the islands existing resource of clubs and societies.

Further examination and discussion regarding developing island tourism product is dealt with later under section four of this chapter, (page 40), Tourism Action Plan.

Possible Pro Social Enterprise Policies.

Some areas that can assist in a local social enterprise approach include...

- *Develop a small business advisory service to help support local groups or individuals to develop ideas into business reality.*
- *Workshop organisation to assist local entrepreneurs in the establishment of new local businesses.*
- *Organising a competition for new local business ideas.*
- *Ensure that there is adequate provision of local industrial or commercial workspace.*
- *Look into local loan sources, such as a local investment fund.*
- *Create an “Angel network” involving retired or semi retired business people who may wish to provide venture capital to be involved in the excitement of a new enterprise.*
- *Workshops for idea generation and entrepreneur training programmes.*
- *Initiate projects to foster enterprising spirit among the young people of the Island.*
- *Explore the potential of new business trends such as green tourism.*
- *Develop public/private partnership approaches in developing local business.*

However, for this method to be successful, it is essential that if gaps are identified by government in the local business structure, then solutions should be found in association with the private sector. It is also important that if local solutions with a major local multiplier effect are found then public sector investment must be considered, especially if there is a perceived substantial positive benefit to the community. Any programme to identify those potential businesses that could help plug Alderney’s economic leakage would require specialist input, as this capability does not exist within the structures of the S.o.A. or within the current capability of the S.o.A. civil service support.

Forming an economic development department within the S.o.A. could be one method to identify those businesses but this may lead to significant increases in the level of civil service support required to undertake such programmes. This may not be possible to either resource or may not be suitably cost effective.

Therefore, the other solution would be to outsource such a project to bodies with a greater level of capability. This could involve a partnership with the economics department of an educational body such as a university economics department or a relevant body such as the New Economics Foundation.

Recommendation: Develop a partnership with a relevant educational institute and/or government and/or private sector body to identify critical deficiencies in the makeup of the Alderney economy.

Recommendation: Form a local body for business development to help in the creation of new businesses to fill the gaps identified as critical deficiencies in the local economy.

Recommendation: Create a forum for the development of new business ideas to help diversify the local economy.

2. Business Development Action Plan.

This section concentrates on methods of creating inward investment to the island, either through the attraction of new business or creating the legislative framework to help attract new business sectors to the island. Alderney has proved successful at this approach in the past. The licensing of on-line gambling and the legislative framework for the exploitation of tidal power are 2 examples.

However, in order to more effectively exploit new opportunities the EAG should act as a “blue skies thinking” policy unit, by interacting more effectively with business and industry.

There are several key areas of policy that a business development action plan must address.

- *It is essential to ensure that there is adequate provision of good quality industrial land, office space, general workspaces and buildings.*
- *There has to be regular promotion strategies about the community and its advantages especially using the internet.*
- *Careful study of the local needs of the community to identify new services that could be attracted to fill gaps in the market.*
- *Targeted action to attract business that would be suited to the community and its future.*
- *Target professionals to establish business on island.*
- *Highlight lifestyle attraction as part of any campaigns.*
- *Ensure that there is full utilisation of any employment and training schemes.*
- *Encourage enhanced education services and facilities.*
- *Ensure that there is a high profile point of contact to act as an outlet for all government departments.*
- *Target the corporate sector for sponsorship.*
- *Identify back office support areas.*
- *Diversify the business base to help absorb external shocks such LCVR.*

In general terms Economic development initiatives can take 2 broad forms.

a) Economic Development Area Status.

This approach uses financial incentives aimed at attracting business to relocate to an area.

b) Economic Development Agencies.

These are used as facilitators to market an area to attract business to it.

In Alderney’s case we already have significant incentives that would attract business in the areas of low personnel taxation, relatively low local taxation, low crime levels and relatively high quality of life. However we lack any form of development agency to market the economic advantages that we possess or the budget to market them effectively.

Alderney’s problem is **profile** not the incentives that already exist.

Therefore the approach that is needed for Alderney is an economic marketing strategy for presenting the benefits that Alderney has and a more pro-active approach in identifying and connecting with those areas of business that would suit the islands demographic.

Recommendation: Analyse the existing S.o.A. marketing strategy and develop a new strand that incorporates business attraction.

Recommendation: Develop collaborative approaches with private sector companies and business relocation bureaus to identify and attract target businesses.



3. Personal Relocation Action Plan.

It is without question that Alderney has significant economic advantages over other jurisdictions with its relatively low personal tax structure and this should act as a major stimulus to the islands economy.

However there is a general feeling in many circles, not just locally, but with companies specialising in personnel relocation, that Alderney somehow slips under the radar of the high net worth individual seeking to locate to a low tax jurisdiction.

Careful examination of Alderney marketing strategy in this area is required as currently it is felt that the States of Alderney may have been too passive in its approach to this potentially important market. It has a significant impact in areas such as “churn” on properties, helping create a robust housing market, which in turn leads to higher governmental incomes through house sales taxes. It also helps boost population numbers which aids in the sustainability of the economy as a whole, especially in the retail sector and service industries. It also has an important effect for small businesses particularly the construction sector.

Improving relocation strategy could be approached in one of 2 ways.

- *Dedicated “In House” Marketing.*
- *Using Specialist Relocation Firms.*

The positives and negatives of both approaches need careful examination. It would be fair to say that there is not a standard approach in this area. Different jurisdictions approach the problem using either of the above methods. Jersey, for example, has a dedicated in house relocation team within the E.D.D. Guernsey have no active attraction policy at all.

Any “in house” approach may have a higher multiplier effect, but as most of any budget in this area will by definition end up going off island through advertising campaigns or attending specialist shows, it is questionable as to if the negative multiplier effect by going through a specialist relocation firm would be significant.

Above all it is necessary to identify the reasons why there seems to be a relatively weak pick up in high net worth individuals relocating to Alderney and to assess whether this is connected to any of the following.

- *Structural weakness in the local housing market in high end properties.*
- *Perception of the island as a backwater.*
- *Lack of retail experience.*
- *Quality of transport links.*
- *Lack of visibility.*

Whatever the reasons, it is essential that this important area must be analysed to help reverse the population decline that the island is experiencing, whilst at the same time helping to stimulate the local property market and in turn the local construction and service sectors.

Recommendation: Examine the feasibility of outsourcing to a specialist relocation company the development of a focused relocation strategy and to assess the cost effectiveness of any such program.



4. Tourism Action Plan.

The tourist sector is of huge significance to the islands economy, but it also fore fills a huge social function for the community in terms of the vibrancy of the local hospitality trade.

The islands tourist strategy currently relies significantly on the volunteer sector. If we look at the busiest parts of the tourist season, it would seem that in most cases it relates to many long running events such as Alderney Week, the Angling Festival, the Alderney Golf Open, the Air Race Weekend, the Alderney Hill Climb and Sprint to name but a few. All these events, many outside the traditional high season of the school summer holidays, have been brought about by the active role of the volunteer sector. Many of these events also aid in extending the very short high season that Alderney's tourist trade now has to work within. However, there is a definite case to be made, for a much more proactive role to be taken by the States of Alderney in events management and development in order to give a greater level of support to the great work undertaken by those volunteers whilst engaging in development of additional tourist product in parallel. This also supports a strong argument that the focus of the islands tourism product should be even further directed towards an events based strategy especially outside the six week summer season dominated by the arrival of summer second home owners. This approach has a number of significant advantages.

Firstly, it allows for a coherent strategy that focuses resources at specific events. This also allows for a financially measureable result, in terms of the boost to the economy from the relevant tourist numbers that a specific event brings in. The use of an events portal associated to the States of Alderney website can also help in an on-line marketing strategy by linking websites that may have an association to an event. An example would be linking motor cross association websites to the rock island trials event.

Secondly by attracting new tourists to those events it allows for the expansion of repeat business at other times from those new tourists by the use of focused marketing or using social media. Social media is a highly cost effective method for Alderney to develop in its marketing strategy. It can have high impact compared to cost and will gradually replace traditional hard copy marketing such as the current tourism brochure. In fact, the gradual phasing out of the hard copy should be considered and the funds directed at increasing social media and an internet based approach.

The I.A. report strongly recommends a review of the island's tourism strategy. In studying other jurisdictions and with our own knowledge of how events based tourism can be successful, it seems that a more focused events based strategy is the correct course of action. In a crowded marketplace for tourist destinations, relying on the old mantra that Alderney is a lovely place just simply will not hold. Alderney is now simply too expensive for the traditional family "bucket and spade" holiday. However, identifying events that mean that individuals can only travel to Alderney to attend or take part in those events, can virtually guarantee that tourists will visit. The recent Rock Island Trails event shows how this can be achieved whilst Alderney Week has proved successful for over 50 years. Some areas that could be considered for expanding the number events are the following.

- *Open Water Swimming.*
- *Road Cycling and Mountain Biking.*
- *Triathlon.*
- *Power Boating and Sailing Regattas*
- *Sea Kayaking and Canoeing.*
- *Military History.*
- *"Pot of Gold" style treasure hunts.*
- *Dark Skies Policy for Sky Parties.*
- *Shooting Events*

Prince Edward Island (P.E.I.) is one example of a jurisdiction that follows an events based strategy. By focusing resource at a significant number of key events spread through the season they maximise the impact of the financial investments made.

There is also another key strategy that P.E.I. employs that could have significant benefit to Alderney. P.E.I. controls the marketing and co-ordination of its tourism product very tightly.

This is a lesson that Alderney must learn, and there needs to be a system developed to maximise the impact of such an approach. However there is a relatively straightforward solution that could have significant benefits. That is the formation of an Alderney facing travel agency and events company. This could act as the focal point for all bookings for local businesses acting as a one stop shop for what could be termed the tourist's "Alderney Experience".

This may bring a series of significant advantages.

- *Increase buying power over areas such as ITEX fares and other tourist product.*
- *More convenience to the customer in the booking process.*
- *Increased information gathering capacity allowing for better marketing strategy.*
- *The ability to tailor the customers experience to their requirements.*
- *Improved visibility and selling of island attractions before the customers arrive.*
- *Increased booking fees for clubs or societies that make their facilities available to tourists.*
- *The policy fits with a social enterprise strategy aimed at re-circulation of money within the island.*
- *It can act as a travel club to Alderney residents enabling them to get access fare discounts.*
- *A convenient service to the islands more elderly population.*
- *It acts as an island events service, helping existing events in improving their product while at the same time developing new ones to expand the islands tourism product and extend the season.*

This "Alderney Redcoat" approach could have a massive positive effect in re-invigorating the islands tourism product, but the spinoff would be that it could be very cost effective as the incomes generated in booking fees may offset the cost of the agency in the long run.

Diversification of the Alderney tourism product where possible is an essential part of any plan.

One area in which Alderney leads the world in is in the regulation of internet gaming. Therefore, it seems obvious that this expertise should be used as a resource. Many tourist destinations use gambling as a major part of their tourism planning. Not far from Alderney, in continental Europe casino gaming is used as an attraction for tourism. For example, Dinard has a casino that not only generates substantial income for the local economy but also assists in raising the towns profile as a tourist destination through participation in major featured events on the European Poker Tour. Similarly, Aruba in the Caribbean and many other destinations worldwide do the same.

It seems an obvious course of action in any tourism action plan that this potentially economically significant option must be investigated, not just as a source of employment, but also as a potential income generator for the islands coffers.

Another aspect of the Alderney tourism product is its apparent dependence on the UK market (72%) as shown by the tourism survey results by IA. It is therefore essential to investigate means to diversify the reach of the tourism product particularly from France (18%) and the other Channel Islands (10%). It seems an obvious source of extra income to develop our tourism product from our nearest neighbours.

Raising awareness of the island within Guernsey and Jersey should be a relatively straight forward exercise by the use of well targeted marketing. The use of Channel Island media particularly local TV and Radio campaigns should be a relatively cost effective way of boosting visitor numbers. An interesting suggestion brought up from a tourism workshop as a creative suggestion for generating awareness is to undertake an advertising campaign using a phone-in competition to win an all expenses paid holiday in Alderney. This has a triple whammy effect of acting as an advertisement for the islands holiday industry, gathering data for a focused marketing campaign at those that express an interest and finally helping to pay for the campaign itself through the cost of the calls.

However, in looking at developing business from the other Channel Islands, it is essential that re-instatement of the Alderney - Jersey air link is pursued.

France maybe more difficult to develop, as currently our direct links are very limited. This issue would need significant attention, either by developing links to an airport such as Cherbourg or a more co-ordinated usage of the small ferry services. However, accepting payments in Euros and the use of translation technology to improve customer service can only help our image as being “Franco friendly”. For example, Smartphone translation applications are now readily available and are free.

One final issue regarding Alderney as tourism product is cost. Travel costs are expensive. This is something that we currently have to accept, as substantial subsidies for transportation cost such as those received by the Scottish or Greek Islands are simply not available to us. It is therefore essential that those costs that can be kept down are kept down, to ensure that the issue of travel expense for the visitor is offset by apparent savings elsewhere.

Food is relatively expensive due to those same transportation costs. Increased local production may help here. Accommodation is also not cheap due the dual problems of electricity cost (31.62 p per unit – Aug 2012) and increasing TRP.

One on island solution could be assistance for the hotel and hospitality sector through increased commercial discounting for utilities by A.E.L.

However, it is vital that government does not load extra cost on to this sector. Its viability is already threatened and burdening it with added expense is an irresponsible course of action.

In terms of image it also makes sense to try to appear to be cheaper at least in those areas that you can. V.A.T. free shopping was always a major marketing tool for the islands. But in truth the internet has reduced this advantage substantially and the introduction of sales taxes in Jersey show what seems to be slow erosion by channel island governments of a cheap destination policy. However duty rates on alcohol for the wine or drinks to go with a meal can be adjusted and Alderney in the past has had a differential duty rate on beers wines and spirits to Guernsey, as Sark still does. It may be that this differential should be re-introduced even if only to offset the increased shippage costs that are incurred by transshipment from Guernsey. It has to be remembered that in many cases, beers and wines are tied by agency agreements to specific companies, usually based in the larger island which quite often leads to transshipment costs through Guernsey rather than the cheaper option of direct shipment from the UK. This means that an extra leg of shippage automatically accrues to costs, forcing up the retail price. A differential duty rate would level this playing field.

Recommendation. Develop a new tourism strategy based upon on events led tourism.

Recommendation. Promote the formation of an Alderney facing travel bureau and events Promotion Company through a public private partnership.

Recommendation. Investigate increasing the scope of pan Channel Island marketing.

Recommendation. Investigate the feasibility and viability of casino licensing.

Recommendation. Consider the options relating to the freezing or reversal of rate increases in the tourist accommodation sector.

Recommendation. Investigate the viability of an Alderney differential duty rate.



5. **Transportation Action Plan.**

The problem of the comparative isolation of small islands means that transportation links, whether sea or air, are of the highest importance for the economic and social well being of the community. In particular, small islands are susceptible to the problems of their small geographical size, low population numbers and isolation from market centres. Limited resources and production capability means that their ability to export primary products is low. At the same time the level of importation of capital goods, such as fuel oil, or consumer goods, such as food, are very high. It is well documented by many research sources that the heavy burden of transportation cost is the single most important barrier to socio economic development for small islands.

In all small island cases, the differing transport options available provide essential lifeline links to island residents for both passenger and freight services. Firstly, they allow what normally would be unsustainable communities to survive through the import of goods and secondly, to interact with the rest of the world and function as a modern community. In addition, they have particular importance for the tourism sector, which in most cases is an essential aspect of small island economies due to their undiversified nature.

Some islands, due to geographical reasons, are restricted purely to sea-links, but Alderney is fortunate to have a fully functioning airfield allowing for commercial air services to operate. It could be argued that with this advantage, as well as a safe deep water harbour, that compared to some islands Alderney has the best of both worlds. However, the size of the island economy, the physical restrictions on the size of ships and aircraft able to service the island, the limited options for export leading to logistical and economic problems of empty legs of service and the effects of external factors such as fuel costs on differing methods of transportation are just some of the many problems that affect the viability of any services.

Air links.

One major area of concern, highlighted by the I.A. consultation report, was the vulnerability of the islands air transportation links and in particularly their future security. It was viewed that due to the variability of Channel Island waters and the potential disruption caused to services by poor sea conditions, particularly in the winter months, air links must be considered as the priority area of consideration for any economic strategy, ahead of passenger sea links. For the needs of Alderney, good quality air links are of huge importance for several reasons.

- *Relative ease of access to major population centres and transport hubs.*
- *Rapid transportation during medical emergencies.*
- *Rapid small freight links for the supply of emergency products or replacements.*
- *As an essential requirement for a diversified tourist industry.*

Alderney was the first of the Channel Islands to have its own operating airfield. Over the years the number of operators has gone up and down, the frequency of service has changed and the number of routes and destinations has altered dependent upon changing circumstances. In some cases competition has been trialled on routes but in nearly every case this has lead to the collapse or withdrawal of one or other of the competing operators. Examples are the collapse of Air Sarnia in the 1980's after a price war on UK routes, the withdrawal of Aurigny from the Alderney - Jersey route after the introduction of competition from Rock hopper and finally the withdrawal of Blue Island in 2011 from Alderney altogether.

However, this does pose the question of the viability of an “open skies” policy for small islands over monopoly or state run subsidised services. Taking a quote from the work *The Air Transportation Policy of Small States: Meeting the Challenges of Globalization* by Antoniou;

“Turning our attention to the question of market size and its effect on production, it is now widely recognised among air transport economists that airlines exhibit significant economies of scale and/or economies of scope and/or economies of density. Broadly speaking, economies of scale exist when the unit cost of production decreases as output increases. When these economies are confined to a particular route or city-pair, economists speak of economies of density, while if these are a result of adding new product lines or new markets we refer to it as economies of scope. These economies often find their origin in the indivisibility of infrastructures and the presence of excess capacity. The prime policy concern here is whether the entire network or parts thereof generate enough traffic to exhaust any economies of scale that may be present. Otherwise the network may not be able to sustain the presence of more than one efficient carrier, thus leading to what is also known as “natural monopoly.”

In observing the air links of Alderney, these economic theories are of vital importance when consideration is being given to the introduction of competition on the islands air transport routes.

In particular... “Thin” markets due to limited domestic markets impose high transportation costs on most of these countries. These conditions simply mean that service providers are usually (natural) monopolies and as a result, the economies of small states do not benefit from the effects of competition on improving efficiency, lowering costs, and spurring innovation” (Abeyratne 1999, p. 7).

In the past, inadequate analysis of these economic factors may have been undertaken when consideration was given to the introduction of competition on existing routes. In itself, this may have contributed to the collapse in the attempts to introduce that very competition. Consideration of all three of the economic theories mentioned above is also important for the connections of the Bailiwick of Guernsey as a whole. In the Alderney case, it would seem that the historical evidence suggests, that the economics of Alderneys’ air routes leans towards a “natural monopoly” case and that if competition is not a viable option in the Alderney situation, then this will have a significant impact on the development of any future transportation policy and also the role of Aurigny Air Services in the formation of that policy.

Since 1968, Aurigny Air Services has been the predominant airline servicing the island. Originally it was very much based on the principle of acting as lifeline specifically servicing the population of Alderney. Over time as the company grew and Aurigny developed routes out of Guernsey that in turn have been identified as essential lifeline routes in terms of air connections with London. Subsequently the airline was purchased by the States of Guernsey with the aim of protecting slots at London airports. Aurigny now acts as a state subsidised airline for the Bailiwick. But the question now is, where does Aurigny fit in the overall umbrella of Bailiwick air transportation policy? Currently the only existing guidelines are those relating to the Air Transport Licensing (Guernsey) Law 1995 and the policy statement issued alongside the law. This document does stress that while leaning towards an open skies policy and increased competition that...

“ Competition, however, is not the sole determining factor and the potential benefits of lower costs and more consumer choice will need to be balanced against the requirement for regulation to safeguard the interests of the users of the air transport services and where appropriate, Island residents. “ And...

“Consideration will be given to the likely short-term and long-term advantages and disadvantages that would result from the provision of the proposed services.”

However, this transport policy statement is very much Guernsey centric and does not make any recommendations regarding either intra bailiwick or inter Channel Island links. Also this policy statement was adopted prior to the purchase of Aurigny.

So the question for both the States now is...

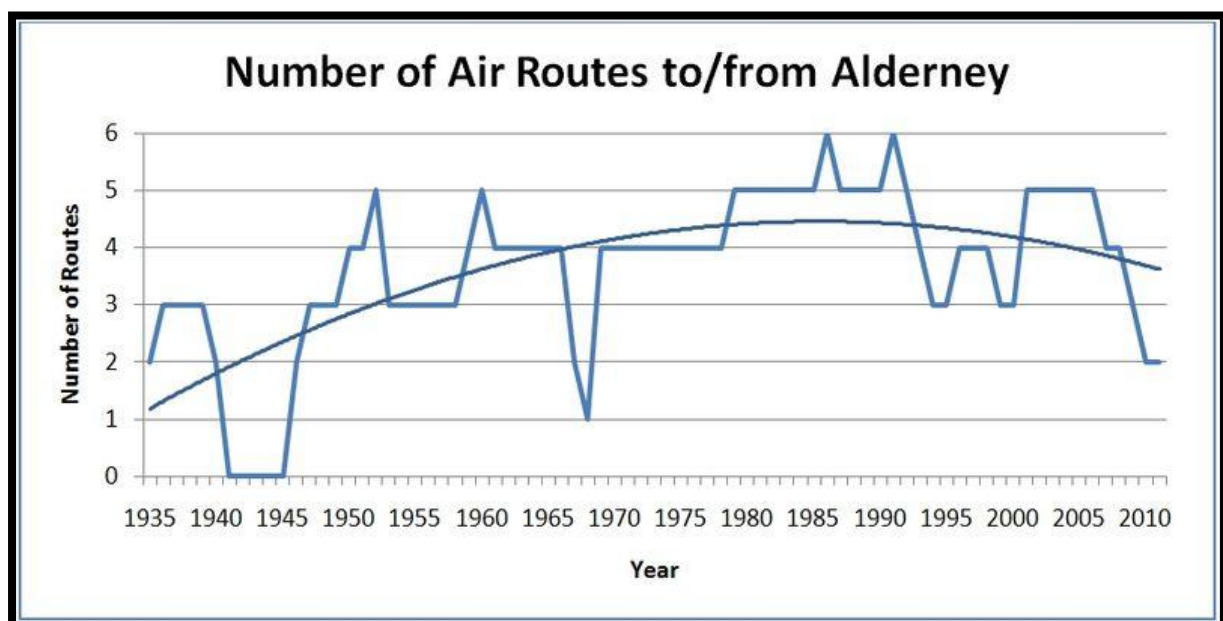
What is the exact role that Aurigny plays within the structure of a modern bailiwick wide air transportation strategy?

It seems that Aurigny currently fulfils the role of a flag carrier, but not as a flag carrier, as a protectionist measure for lifeline routes but at the same time is forced to be competitive in a liberalised market, a protector of lifeline services but with little or no political guidance, policy or structure to define the role and as a service provider to “natural monopoly” situations with no checks or balances relating to a monopoly control. These are four completely different and in some cases competing roles.

In the area of air links the I.A. report recommends that the States of Alderney should arrange for service level agreements with Aurigny to ensure the preservation of lifeline links to the island.

Aurigny themselves have undertaken a commitment with the States of Guernsey regarding certain lifeline links and they should be congratulated on this initiative. Included as part of those, are commitments to both the Alderney - Southampton link and the Alderney - Guernsey link. This is a very welcome development but it merely normalises the current situation for Alderney residents.

Figure 7. Alderney Air Routes



The above diagram shows that the number of direct routes into Alderney is at its lowest level for over 40 years. Although there are other network options from the UK, through Guernsey, direct links are in general more convenient for tourists and are also preferred by the local residents. For Alderney, the number of transport links has a direct and significant influence on the tourist sector specifically. From *The Air Transportation Policy of Small States: Meeting the Challenges of Globalization....*

“The ‘symbiosis’ of aviation and tourism has correctly been identified as the driving force behind the phenomenal growth of tourism as the ‘world’s largest industry’ (Abeyratne, 1999, p. 63). Clearly, air transport plays an especially pivotal role in promoting the tourist industry of small states, especially in the case of SIDS. The fact that most of the airlines of small states are also ‘flag carriers’ means that air transport has had a significant overall strategic economic importance for the development of these states.”

It can be no co-incidence that the declining state of the economic situation in Alderney is linked to the contraction of the Alderney tourist sector with its significant impact to the overall economy. That this contraction should also coincide with the reduction in the number of routes into Alderney can also be no co-incidence. In fact, it is of no surprise that a direct comparison of the number of routes (figure 7) and commercial passenger figures, (figure 11 – page 65) shows a strong correlation.

This correlation suggests that increasing the number of routes is important for stimulating the general economy through the expansion of the tourist sector. But for any new routes to be viable, they would require significant support, particularly at their inception perhaps through public sector/ private sector marketing initiatives rather than any direct subsidy. Also, each new route requires consideration, not just for the specific business case for viability from the airline, but also the economic case from government for regeneration through increase in tourism. This would allow for a private/public approach to be developed that may use government investment to act as a pump primer for developing new business on these routes. These new routes subsequently may become self sustaining once critical economies of density are reached.

Two direct routes that need to be pursued for expanding the options for the islands tourist trade are Alderney - Jersey and a direct France link to Cherbourg.

In previous attempts both these routes have lapsed due to Aurigny finding them non profit making. But with government support, especially marketing, they could have a vital impact on re-vitalising the scope of Alderney tourism options. However, it would be essential that significant marketing resource is pushed behind them to ensure that there is adequate take up of the routes to ensure their profitability. This would mean that the S.o.A. would have to undertake significant marketing partnerships with Aurigny to make them viable.

However, what is required is a longer term strategy, especially at a Bailiwick level as there are a number of endemic problems that must be addressed for the future. Amongst them are, the lifespan of the trilandier fleet, finding suitable replacements for those aircraft and the cost implications that this might bring including the potential changes in infrastructure that maybe needed at Alderney airport. It needs clarity in Aurignys role for the future towards those lifeline links. This in turn requires clarity from the States of Guernsey, as the owner of the company, in how it sees Aurignys role as a state subsidised airline, not just in serving the Bailiwick, but also its local connections between all the Channel Islands and the nearby continent as a whole. Aurigny is currently a loss making service subsidised by the Bailiwick tax payer. However the economic boost that diversified links may develop is an essential consideration in the operation of the airline. Assessing the level of subsidy of a link and the estimated relative economic benefit that each link accrues to the bailiwick or the estimated economic cost of its abandonment, has to be of value in the future planning and operation of any new or existing links. For example, considering a link from Alderney to Cherbourg, there may be significant economic advantages to Alderney, Guernsey and the French authorities in the Cotentin that need to be considered rather than just the straight profitability of the route as an air link in isolation. Here, the potential benefits may have significant political advantages that out way any minor operational loss. This is an essential conversation that needs to take place for a government operated airline. However it seems that the only decisions taken have been relating to securing UK links and not an overall co-ordinated bailiwick transport policy.

This policy vacuum can only be addressed by collaborative discussion between all three parties, the States of Alderney, the States of Guernsey and Aurigny. It is only in this way that a coherent strategy can be formed. All three bodies must have an agreed direction to allow Aurigny to have clear vision as to where it needs to invest, for the States Of Alderney and Guernsey to both recognise the essential roles that the airports and airlines have in conjunction for the economy of the Bailiwick and also the potential opportunities that such a coherent strategy will have, not just in the overall economic planning for Alderney, but also the potential benefits for the Bailiwick that may accrue from a co-ordinated strategy for tourism that is aimed at the near continent.

It is no surprise that the degradation of Alderney's air links are indentified by I.A. as potentially the biggest threat to the long term health of the overall economy of Alderney and in turn, because of this, it has the potential to be the biggest destabilising factor for the overall tax income to the States Of Guernsey treasury. During 2011, discussions were undertaken with a view to the sale of Aurigny. Before such attempts at privatisation and liberalization of the bailiwicks internal air routes are considered, a full review of inter bailiwick air transport policy needs to be undertaken due to the potential destabilising affect that such a policy may cause.

Worldwide, airports and air routes can be identified as major drivers of an economy. In order to progress the economic redevelopment of St Helena the authorities there have undertaken a major airport re-development to expand their tourism sector in order to try to a reverse the economic decline of the island. Similarly, Guernsey has recognised the importance of air links by undertaking a massive investment in its own airport. While such large scale investments are unlikely to be needed in the Alderney case it is without doubt that there is untapped potential here, which with a longer term strategic plan may have significant positive benefits for the entire Bailiwick.

A further consideration for air transport policy is the private pilots market. Alderney has very successfully developed this market in the past as an important plank of tourist policy and it is essential that this sector is taken into consideration when changes are made in airport or air transport regulations.

Commercial Freight Sea links.

The most important consideration for Alderney in the area of sea transport is its essential role in commercial freight operations. Currently, Alderney is well served by commercial links with Alderney Shipping currently running the one existing monopoly on the Alderney Guernsey route and in addition the Alderney – Poole route. Meanwhile, Heulin Reneuf runs Southampton - Alderney and Jersey - Alderney. The S.o.A. have been trying to take measures to maintain as many commercial links as possible by targeting reductions on landing charges for commercial vessels during the economic downturn. It is imperative that SOA should try to maintain this of spread links for the good of the overall economy and if possible look at expanding the number of them, particularly into France. The economic issues here are similar to those for airlines addressing the question of competition relating to air links and natural monopolies. There currently exists one official monopoly route, that of the Alderney - Guernsey freight link run by Alderney shipping. The question of competition on this route is constantly raised each time the monopoly agreement is up for renegotiation. However, the question here should be which is more important, the introduction of competition on an existing route, or increased economy of scope of shipping routes opening up competition from other markets not just for ship page but for competition on goods generally? There is a further consideration, in that a greater number of routes, while not only opening up access to a wider selection of markets allows for competition to develop to Guernsey agency monopoly agreements for goods. It also increases the income in terms of landing fees reducing the financial deficit in the cost to the tax payer of Alderney harbour operations. Maintaining the monopoly on Alderney-Guernsey in this circumstance acts as a secure link that the island can fall back onto if a problem occurs with any other route. So there is a

very strong argument that competition in this transport network should then come from the scope of the links not competition on the links themselves. In fact there is an argument that all the links could be monopoly routes to individual ports, but not jurisdictions. This argument could apply equally to the islands air links.

However, discussions around the Alderney –Guernsey link are renegotiated every seven years. But the review of policy, with regard to the islands ship page links, tends to only be considered in the run up to the negotiation. This is simply an inappropriate way to deal with the long term strategic planning of one of the most important links to the island. The time to review Alderneys commercial transport policy is now and not six months before the contract is renegotiated.

The whole area of sea transportation, both commercial freight and passenger links needs very careful consideration. Currently, all links are supplied using private sector solutions. Therefore, a diverse number of routes, that creates competition for price on imported goods, may be the best overall solution for the island. However, it is vital that for such a system to work, as much support as possible from government is given to maintain the number of diversified links and the States of Alderney should ensure that there is constant communication between themselves and the ship page companies to do what it can to maintain those links.

Some islands take another route that of State owned and subsidised ship page links. An example is the Shetland Islands to the north of Scotland that runs over 12 different ferries linking all the islands and to a certain extent Sark Shipping and its essential service to Guernsey.

This is a concept that has been suggested by some as an option for Alderney. One argument in favour has been that a combined freight and passenger service would help both services support each other when independent solutions to both problems may struggle financially, particularly that of an independent passenger service. But such government intervention would without doubt lead to the withdrawal of services by the existing private companies. In turn this may lead to a reduction in routes and more significantly a severe reduction in the level of landing fees that would push the operation of the harbour into deficit. Therefore any attempts to alter the status quo needs to be very carefully considered and the potential financial consequences of such a strategy analysed in great detail.

Passenger Ferry Services

Options for passenger ferry services are also being investigated by the Ferry Advisory Group and this must continue as a major priority in order to find lower cost options for travel to the island particularly to aid the tourism sector. However, there are many difficulties associated with infrastructure and cost of such services. The Scilly Isles council identify the difficulties of subsidised service for their sea links in their document *Isles of Scilly Transport. A Comparative study Of the Scilly isles and the Scottish Islands- Council of the Scilly Isles*.

Even the Conseil de la Manche identifies the problems of cost effectiveness of passenger sea links and run a subsidised service to the Channel Islands.

Sea based passenger transportation is often a compliment rather than a substitution for air transport. In fact fast ferries consume more fuel per seat than aircraft. In the case of the Tenerife- Gran Canarias route a jet foil consumes 8.4 litre per seat compared to 5.25 per seat for an ATR 72. Air transport also has the advantage of offering higher frequency of travel which is more tailored to the demands of the area.

However, there are several options open as regards developing passenger ferry services.

- *Subsidised service using existing ferry companies that by pass the island.*
- *Expanding the existing local small ferry links through private/public partnership and investment.*
- *Developing a state owned and operated passenger ferry service.*

All three options suffer from certain problems. Existing services that bypass the island have issues of lack of infrastructure such as roll-on roll-off facilities plus the perceived lack of economic viability for the service. This would require a substantial level of subsidy to solve. Expanding the existing small ferry links suffers from the problems of limited vessel size, their ability to cope with poor sea state and increased costs of regulation for larger vessels. Likewise, any proposals in relation to States of Alderney owned and run passenger services suffer from the problems of the high level of initial capital investment required and the level of subsidy that is likely to be needed to operate what is likely to be a very short and seasonal service. Any such investment would require a carefully costed and viable business case made, none of which currently exist. The suspicion of many and the evidence of other jurisdictions show that such a passenger service will undoubtedly be loss making and require substantial subsidy. However, such a proposal in association with co-ordinated marketing could lead to increased economic activity particularly for the tourist sector. The problem of course is that the benefit of this economic activity in terms of taxes would accrue to the States of Guernsey treasury and not the States of Alderney. This question of funding is the fundamental problem at the heart of any such proposal and this would have to be solved for such a project to be viable. The simple truth is that any independent action by the States of Alderney in a States owned and run passenger service would be a massive gamble with Alderney tax payer's money. However, all options should be considered and a review of the potential cost benefits of all the options available could be undertaken. However, again it is doubtful that there exists within the S.o.A the capability to examine the various business cases, particularly relating to the viability of any States run service. Therefore, the political case must be made for the commissioning of a report into the development of any such service compared to the arguments for States subsidies for existing services or public private partnership solutions with existing ferry companies.

A further question that needs to be examined is what is the most cost effective route to develop? Is there a suitable level of demand for any regular passenger services whether an Alderney-Guernsey passenger service, a UK- Alderney cross channel link or an Alderney- France connection? Using a network model for transportation business it would seem that if you exclude the possibility of an agreement with an existing cross channel firm,(such as Condor), for a direct UK Alderney connection, that Guernsey and Cherbourg both have the advantage of being existing transport hubs. Cherbourg has a substantial number of cross channel services that an Alderney-France connection could link to, while Guernsey has ferry connections to both the UK and Jersey with an onward connection to France. A complementary link to such a network would be the ideal solution. In fact one already exists and that is the occasional Isle de la Manche service from the Cotentin to Alderney onto Sark and then Guernsey. If you examine this route it has a number of major positives.

- *It already is in operation.*
- *It provides a direct link for the entire Bailiwick to the continent.*
- *It gives access to additional cross channel services.*
- *It provides a direct tourist link for the entire bailiwick for developing a French facing tourist trade.*
- *It is an existing subsidised service by the French government.*

It is certain that if negotiations were to take place with Isle de la Manche and the French authorities with an offer of joint subsidy for a more regular service and perhaps negotiation over improved and more suitable craft that a substantially more cost effective solution could be found here.

Recommendation. Initiate discussions with the relevant government bodies with the view to the formation of a pan channel island group for the development of an effective intra island transportation policy.

Recommendation. Develop and clarify with the States of Guernsey the future role of Aurigny in regard to economic development strategy within the Bailiwick.

Recommendation. Undertake negotiations to expand Alderneys direct air links through joint marketing proposals *specifically* in regard to monopoly Alderney - Jersey and Alderney - Cherbourg routes.

Recommendation. Undertake an investigation with the States of Guernsey into the viability of public sector support for Bailiwick private sector sea links, especially to the continent.

Recommendation. Investigate the business case for targeted air and sea transport subsidies for economic development of specific routes for the tourist sector.



6. Energy and Utilities Action Plan.

Two important areas that the UN's work on Small Island Developing States identifies are the problems of the pace of change of modern communications networks and the problems of energy supply and increasing energy demand.

Electricity Supply.

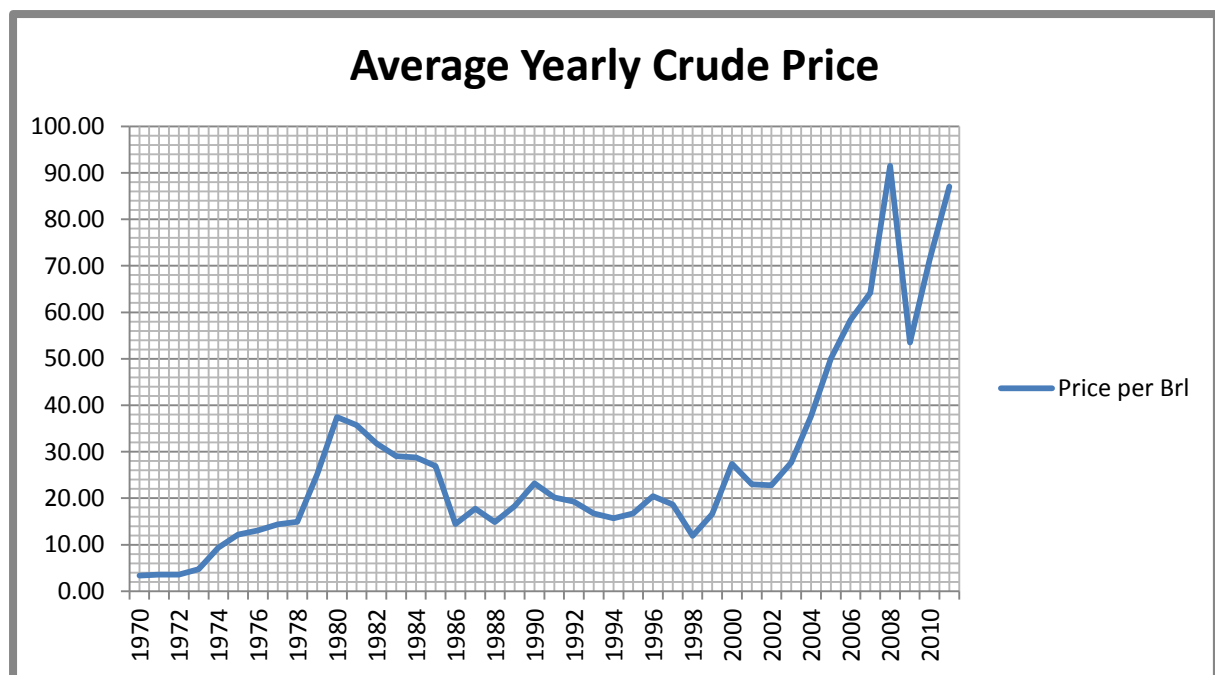
In nearly every case for small islands worldwide the problems are the same. Electricity production is tied to diesel generation, whilst the grid is isolated from a major network of electricity supply.

This creates dual problems for small islands in both the demand and supply sides of the energy equation.

In the supply case the cost of energy produced by fossil fuels seems set to continue to rise.

The graph below shows the average yearly crude price from 1970 to 2011.

Figure 8. Crude Oil Price 1970 – 2011



Peak Oil theory and the continued increase in demand from the BRIC's nations economies for energy can only lead in the long term to even higher crude oil price even though there will be some fluctuations in price along the way.

U.N. work on S.I.D.S identify that there are only 2 ways to deal with the issue of electricity supply for islands.

- a) *Diversification of types of production.*
- b) *Increased interconnectivity if possible with larger electricity markets.*

In the case of diversification of supply, the only realistic solutions for islands are the increased usage of renewable energy sources. In most cases worldwide, the major solution has been through wind power generation. Prince Edward Island is one jurisdiction that has undertaken a massive investment in wind power generation but also this has seen it become a centre for research and development for the industry. The Falkland Islands are also utilising its wind resources for energy production.

However, the problem for renewable energy production is that in nearly all cases they are what are referred to as, an “intermittent” energy source. The major problem of intermittent energy sources are that they are only suitable for supplying into an “infinite grid” system. Here, when there is inadequate supply to meet electrical demand an “infinite grid” can pull power from other sources on its network to keep up with the demand. A good allegory would be a water tank supplying many taps. As more water is needed, more taps are opened and the level of water drops more rapidly in the tank. The tank then needs refilling. In the case of an infinite energy grid the “topping up of the tank” can be from a wide selection of energy production sources such as nuclear, gas, coal or oil and renewables. However, it will not work with intermittent sources exclusively. In the case of a system where wind power generation is the only option, if there is no wind then the reserve would run dry.

In the case of small islands, with their own independent electricity grid and a limited range of production methods the “infinite grid” does not exist. This makes it difficult for islands, as they cannot be dependent on just a renewable energy source such as wind, as the wind does not always blow or in the case of solar, the sun does not always shine. To solve this problem, an effective solution has to be found to enable the effective storage of the energy produced, as cycles of production and demand do not always match. In the Falkland Islands, a system of a linked series of car batteries tied to wind power production is being tried in a “smart grid system” to solve the storage problems.

However, Alderney has the advantage of fast tidal streams and Alderney Renewable Energy, (A.R.E.) has been given the licence to attempt to exploit them. Currently A.R.E. is looking at another method of power storage in the tidal pumped storage station proposed at Fort Albert. Pumped storage is currently a major area of expansion in European power production and supply with almost a hundred planned stations across Europe all aiming at power storage from the intermittent renewable energy market.

Although currently without an official energy policy, from the U.N. recommendations on S.I.D.S. regarding energy problems for islands, Alderney seems to be heading in the right direction by diversifying into renewable.

However, by pursuing the tidal option it also could mean the development of a very important economic sector for the future of the island due to the possible spin offs as this new industry develops similar to the experience of P.E.I. It is essential therefore that the E.A.G. must work closely with this sector to ensure that any opportunities that develop either from associated industries, potential research and development and offshore or onshore services are maximised.

The second area that the U.N. identifies is that of interconnectivity. A major part of any scheme to export renewable power will solve the problem of interconnectivity linking the Alderney grid to the larger European grid. This should lead significant benefits in the long term in terms of price stabilisation of the local energy market and security of supply.

It can be seen therefore that there is large scale potential for increased economic activity around this significant green technology business and it is important that Alderney should position itself to ensure that it maximises that potential.

Electricity Demand.

On the demand side of the equation, increased demand for electricity can lead to massive increases in cost as electricity companies are forced to find money to upgrade the grid system.

This demand side problem is identified in work undertaken by the UNDESA and published in the report Demand Side Management Best Practise. This should not be overlooked in economic planning for a small island such as Alderney.

Since the 1980's energy consumption in Alderney has doubled. With this comes the associated cost required in upgrading the islands grid to deal with increased demand. Across the world, problems of the inadequacy of supply and associated "brown outs" are gradually becoming of concern, although the economic downturn of the last few years has eased the problem temporarily.

For a small island with limited resources and already expensive electricity it is therefore essential that attempts should be made to try to reduce the rapid increase in electricity usage.

However, this does provide for a potential economic opportunity particularly for the construction sector. The introduction of an energy consumption reduction programme in areas such as insulation, low energy lighting and solar heating for example, would have the dual advantages of creating increased economic activity within the construction and service industries, while at the same time stabilising demand and reducing the rate at which the grid infrastructure needs to be updated. This cost saving will help to slow down the increase in the unit electricity price. However it would require that local businesses get up to speed with modern practises in energy reduction technology.

Telecoms and Internet.

In Alderney's case we are lucky enough to have a modern telecommunications network. However, the rapid advancement in digital services means that it is impossible to sit still.

However, as a spin off from the tidal energy project and the potential interconnectivity that comes as part of the project, the laying of high speed internet links and massively increased bandwidth that would come with it could lead to the island finding itself in position to capitalise on another series of potential business opportunities in the area of data storage and other financial service opportunities. This is another area that it is essential to start considering strategically, to ensure the island can capitalise on the economic benefits that it may bring.

Compared to its physical and population size, Alderney has quite a large virtual world footprint. In fact due the A.G.C.C., Alderney's footprint could be considerably larger than some substantially larger countries. It is important that the E.A.G. maintains as much contact with the internet based business sector as possible to ensure that opportunities are not missed. For example there are two cases where webhosting has successfully generated substantial incomes for island jurisdictions. Tuvalu in the Pacific uses the .TV web address successfully to generate a half a million dollars for its government finances. However more creatively is the example of American Samoa and the use of its .AS web address. It again produces substantial incomes purely because it markets .AS in Finland. Why? Because AS in Finland is the equivalent to Ltd in the UK.

Other areas such as island wide Wi-Fi, for example, may assist both local business and the tourism industry.

Water.

The demand side argument in relation to electricity also can apply to other utilities such as water. The SOA over the last 5 years has spent considerable time and money in upgrading the water supply and distribution system. But it must be remembered that this new system does require the use of energy for water purification along with the associated chemicals for water treatment. Of course, this has a financial cost. It is therefore important that attempts to reduce water usage should continue alongside the improvements to the distribution system. Again, this may lead to opportunities for the construction industry in identifying improvements in plumbing, water usage reduction technology and water collection methods.

On-Island Transport.

It should not be overlooked, as a small island that there may be opportunities to be involved in small pilot projects for green energy. One difficulty that has begun to appear on island is in the area of servicing of vehicles locally where the computer software that many vehicles now use is too expensive for local mechanics to be able hold. This development has been a major advantage for the UK dealership system as servicing agents, to the detriment of the local independent garage mechanic.

This could mean possibility in two opposing directions.

Cuba due to the US economic sanctions imposed upon after the Cuban missile crisis is world renowned for its fleet of 1950's and 60's American automobiles. Is there a market for vintage cars in Alderney? Most vehicles from 1998 onwards are highly dependent on computer operating systems. Perhaps vintage cars might become an attraction that could be marketed as a quirk of the island.

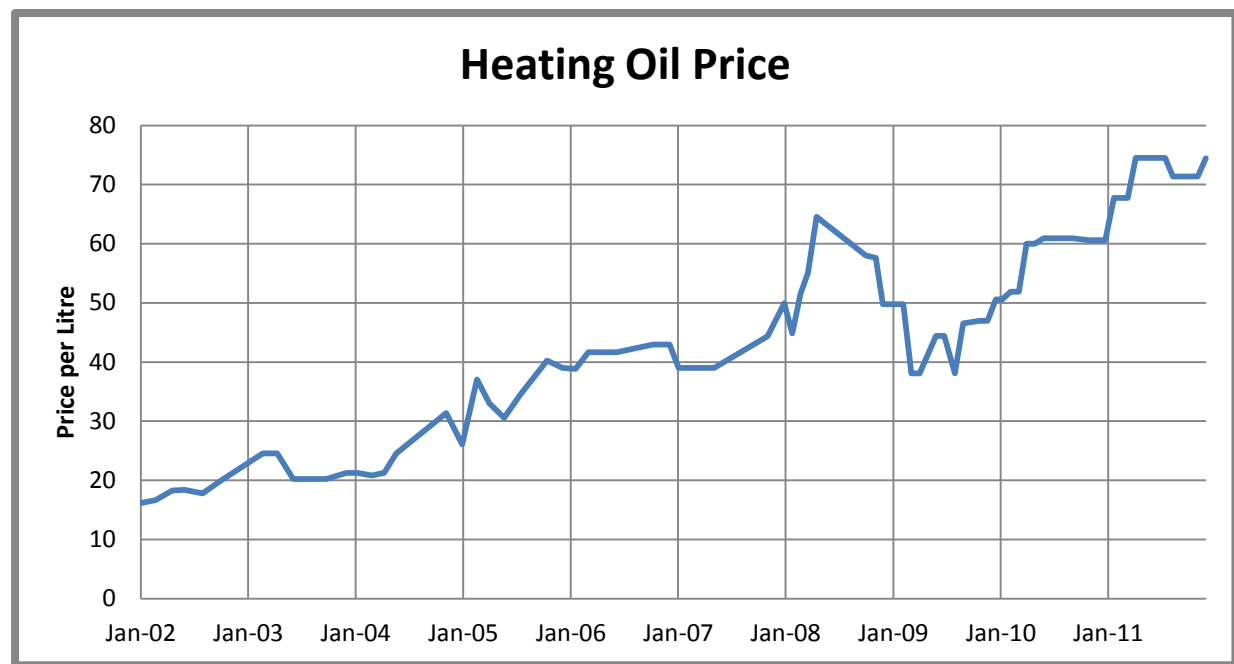
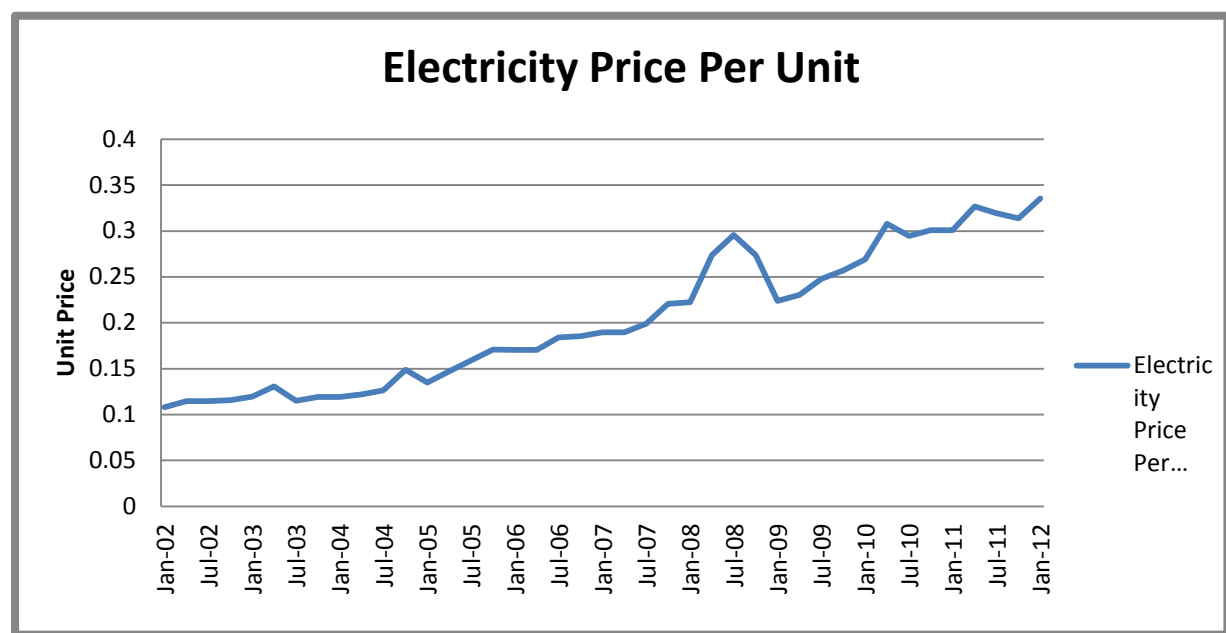
In a completely opposite direction, the development of Hydrogen powered vehicles might be an area to investigate. The major problem for this new technology is the lack of availability of service stations that has the fuel source available. This does not present a problem on an island the size of Alderney. Might a major firm such as Honda be interested in a pilot scheme that it could be able to use as an advertising gimmick?

The other obvious area to consider would be electric vehicles particularly if the tidal power initiatives begin to bear fruit. Also the recycling of local waste cooking oil for use by older engines or as a heating oil additive should also be considered. These options are areas of "blue sky thinking".

However, many areas such as those mentioned are being examined by local communities worldwide as local green economic projects. Some examples are those in the following section.

Transition Economy.

Many sustainable energy projects are aimed at green policies for reducing CO2 emissions relating to global climate change. Regardless of the scientific debate over this subject the long term aims of these policies fit the long term needs of the islands future economy. Slowing energy demand to reduce the level of investment in energy supply infrastructure. Finding cost effective methods of reducing the islands demand on oil. Adopting energy saving methods in construction. These all can have positive benefits not just for future generations but in the short term as potential stimuli for the island economy. The graph below shows the price increase for A.E.L. heating oil price for the last ten years.

Figure 9. A.E.L Heating oil price.**Figure 10. A.E.L. Electricity Price.**

The graphs above, (figures 9 and 10), show the price increases for A.E.L. heating oil and electricity price for the last 10 years. Comparing the rapid increases shown by both it seems obvious that government bodies should investigate as many energy saving measures as possible.

Therefore, it makes economic sense for the island to develop links with co-operative bodies such as the Transitions Network or the REconomy Project to be able to access the latest thinking in local green projects and to assess the viability for the island of some of the existing initiatives.

An example of one project would be the Kinsale Energy Descent Action Plan. Here the town of Kinsale, (Pop 2300), in western Ireland has developed a strategy for transition from a high energy consumption town to a low energy one.

Similar projects are taking place in places such as Totnes in Devon, (Pop 8500), with the Transition Town Totnes initiative where the town is aiming at “re-localising” the economy of the town. Some of the aspects of this project include, oil vulnerability auditing, local food directories, solar water heating challenges, local currency pilot projects, oral history archives for lower energy lifestyles, the nut tree capital campaign and garden swap programmes for local food production.

There are now over 50 local areas taking part in this project including the Isles of Scilly, the Isle of Wight and the Isle of Man, so it would seem sensible for Alderney to investigate participation in such initiatives.

Recommendation. Formulate a long term sustainable energy policy in cooperation with all the relevant bodies in areas of both supply and demand side energy management.

Recommendation. Investigate the funding of energy saving projects to reduce the future growth of on-island demand while diversifying and stimulating the local construction sector.

Recommendation. Create links with “sustainable community” bodies such as the Transitions Network to develop an energy descent action plan.

7. Consumer and Retail Action Plan.

It is well documented that all through the UK, high street retail is suffering. The on-going recession and the competition from out of town shopping and the internet have lead to a crisis for the high street. In remote communities such as Alderney there are further problems to contend with. Recent work conducted by the Office of Fair Trading entitled “Price and Choice in Remote Communities” identified many problem areas of the local retail economy and the practicalities of living in remote communities that affect the way that markets operate. From the economics side they identified...

- *High prices due to long distances or complex journeys.*
- *High prices because of low volume of sales.*
- *High prices due to monopoly power.*
- *High prices accumulating across a range of goods and services.*
- *Limited choice due to restricted customer base.*

These combined problems of high price and limited choice, in turn lead to customers being driven away from the local market to shop further from home, which make the customer base in that local community even smaller.

Sound familiar? The numbers of individuals now shopping for foodstuffs off island through superstores in Southampton is growing steadily whilst Amazon puts pressure on price on every product from books to electronics.

It is essential that Alderney maintains a vibrant high street not only for the benefit of the local community but also as an attractive destination for its tourist product. Work by Mary Portas in the 2011 “Portas Report” and the work “High Noon for the High Street” by the New Local Government Network both identify the important part that the high street plays in the health of the social life of communities.

It identifies particularly the negative social consequences that the loss of the high street has on the vulnerable.

However, in general terms our community is poorly served in terms of consumer support from government, not just in Alderney but at the Bailiwick level. For example, the fact that no Guernsey ombudsman exists to look into monopoly arrangements is a massive oversight on behalf of the Bailiwick authorities.

In reality, finding the solutions to these very complex problems is not easy and they cannot be solved by government alone. Action by the community as a whole is required. However, the use of social enterprise strategies again may help identify solutions.

Some examples that have been tried are..

- *Community Buying Groups to increase buying power.*
- *Encouragement and expansion of local ownership.*
- *Promoting local enterprise.*
- *Local currency schemes.*
- *Multichanneling with chain stores.*
- *“Buy Local” campaigns.*
- *Reduced retail rating and rates holidays.*

The States of Alderney in association with the Chamber Of Commerce have already formed the Alderney Town Partnership (A.T.P.) in an attempt to halt the decline of Victoria Street. It is essential that as part of the remit of the proposed E.A.G., that it should use the A.T.P. as its contact point with the retail sector to try to find and trial innovative solutions to the problems of the high street.

“Local first” buying campaigns may well be important planks of any programme to strengthen the local retail economy. This has been demonstrated in a number of studies. An example is that carried out by the “Local First” campaign in Grand Rapids in 2008.

It was shown here, that in the case of locally owned and run retail outlets, that out of every \$100 spent in those outlets \$68 circulated back into the community. For non locally owned businesses the figure was only \$43.

Protecting local retail is a very tough task and at some point the balance between the competitive market and the essential needs of the community has to be balanced. This is true not just for islands but local economies worldwide. How this is addressed requires considerable thought and perhaps some unpopular decisions taken. It may be that the only solutions that can work effectively are measures that are overtly protectionist in nature such as import taxes on goods purchased on the internet or limiting the size and scope of supermarket retail through licensing, particularly in product areas that are identified as essential to the social fabric of the island. A couple of examples may be medicines and medical supplies limited to chemists or newspapers limited to newsagents and those products not being allowed to be sold by supermarkets or other outlets. However, this would be a major imposition on the free market and freedom of choice.

However, it would be hoped that the usage of some form of local loyalty or currency scheme may have the required effect in supporting local retail and that more protectionist measures would not have to be considered.

However it is essential that local government realises that the small retail sector is under extreme pressure and that consideration must be given to reducing the burden of local taxation on them. There is a question here of community benefit from these small businesses. A differential rating system where a small retail store that has a level of community value is rated less than a large supermarket would be an option worth exploring. For small communities the concept of benefit to the community is essential. For example, in how many cases in the UK has a village shop closed due to small demand and increased costs? This can then have some very negative effects on the cohesion of the local community, particularly on vulnerable groups such as the elderly. This in turn, can lead to problems for government through social issues that potentially massively outweigh in cost the level of income in local taxation from the store. Therefore governments must consider the use of rate holidays, discounted rates and rate reductions to lower the burden of costs on those businesses. Helping keep open those small shops that have a level of community value can lead to both financial and social benefits in the long term.

Recommendation. Continue with developing private / public partnerships with local business bodies in order to develop new economic product.

Recommendation. Support small local retail outlets through reductions in rates and TRP.

Recommendation. Investigate the viability of, and develop, local “business first” and “local loyalty campaigns”.

Recommendation. Investigate and adopt appropriate solutions devised by other jurisdictions aimed at maintaining a well balanced and diverse retail sector.



8. **Waste Management Action Plan.**

In general waste management issues are not the remit of this document. Nor should they be part of the economic development planning process.

The States of Alderney already has a Waste Advisory Group, (W.A.G) that is tasked with this role.

However it is still important to recognise that there may be economic opportunities particularly using social enterprise options and public private partnerships that may help in a plugging the leaks of the island economy.

An example that has been tried, but so far without success has been dealing with the islands green waste. The States advertised for expressions of interest in developing a public private partnership for finding a sustainable solution for dealing with this issue. However there was a limited response from local business.

Many sustainable communities would look at this area as one of potential, especially in the production of organic matter compost, wood chipping for gardening product, firewood etc.

It is vital that the potential for business opportunities are not overlooked whilst creative solutions to waste disposal should be actively considered.

Earth banked tyre walls or processed paper firebricks are just two examples where the local multiplier effect could have a positive benefit on the overall economy by finding alternative usages for what seems to be waste product. Also, this will help reduce the level of waste requiring off island disposal and therefore lead to a reduction in costs to the taxpayer. One even more left field idea is the Glass Beach. Glass Beach in Fort Bragg in California has formed over time from the dumping of garbage in the sea nearby. Could we take our waste glass bottles and turn them into a tourist attraction?

However, it would be of major value for a waste management action plan to be developed to assist in the long term planning of disposal problems whilst at the same time investigating new and creative solutions to the usage of waste as a potential resource.

Recommendation. Continue to develop a modern and sustainable waste management action plan.

5. Formation of Joint Alderney/Guernsey Socio-Economic Group.

One further very important recommendation made by the I.A. review is the suggested formation of a Joint Alderney / Guernsey Socio Economic working group. In many island situations, there exists a mother / daughter relationship between the economies of the daughter island and a much larger mother country economy. Three examples that can be given are that of Norfolk Island and the Australian government, the Scottish Islands and the Scottish Assembly, the Falkland Islands and the UK.

The term coined for this relationship is a Sub National Island Jurisdiction (S.N.I.J.). One of the features of S.N.I.J.'s are the problems of multi-level governance. Some of the issues include...

- *How well equipped they are to react and interact to changing circumstances.*
- *How well equipped they are to navigate political relationships with other bodies.*
- *How well or badly they manage multiple levels of political jurisdiction.*
- *How well or badly they expose the limitations of their sovereignty arrangements.*

These are all problems from which Alderney suffers from one extent to another.

In the general case, these circumstances can lead to many varied and alternative models of 'sustainable development'. SNIJs deal with the problems of sustainability and development based on small resource pools or economies of scale, compared to those enjoyed by larger scale jurisdictions.

In most cases, there is some form of subsidisation of the daughter economy by the mother country, as the island or island group generally suffers from certain disadvantages such as those identified by the UN in its work on S.I.D.S.

The European Union even recognised these difficulties in the Amsterdam Treaty of 1997. It reads...

30. Declaration on island regions.

The Conference recognises that island regions suffer from structural handicaps linked to their island status, the permanence of which impairs their economic and social development. The Conference accordingly acknowledges that Community legislation must take account of these handicaps and that specific measures may be taken, where justified, in favour of these regions in order to integrate them better into the internal market on fair conditions.

In many cases in the European Union, islands and island groups receive substantial levels of subsidy either at the national or European level. For example, the Scottish Islands receive a considerable level of subsidy from the Scottish assembly. One example here is the £80 million pounds that is spent on subsidised air and sea transport links.

However the situation for Alderney is somewhat different to many other island government relationships. Here the mother economy or country, Guernsey, is also an island and itself suffers from some of the same problems that effect Alderney. In fact the Alderney situation could almost be described as a mother/daughter/granddaughter relationship, if you take into account the political relationship of the Bailiwick with the UK.

Alderney's relationship with Guernsey is defined by the 1948 Agreement where certain taxes, such as income tax, are collected by the Guernsey treasury and in return, States of Guernsey departments are tasked with operating various transferred services.

The following extract from the 1948 Agreement lists those areas that Guernsey undertook responsibility.

1. *Transfer of Functions.*

(a) The States of Guernsey will assume financial and administrative responsibility for the following services in Alderney :-

Police.

Education.

Maintenance of airfield.

Immigration.

Major roads, possibly minor roads on an agency basis and main sewerage.

Social services.

Health services.

Water supply.

Guernsey will be responsible for the cost of subsidies on food.

The agreement also listed those areas for which the States of Alderney undertook responsibility.

(b) The States of Alderney will retain financial and administrative responsibility for the following services.

Public assistance.

Agriculture.

Minor roads.

Refuse collection and cleansing of streets.

Essential commodities.

General sanitation and drainage.

Erection of new houses and planning and control of land.

Judicial Administration.

Maintenance of the harbour.

Salaries of local officials.

The 1948 agreement under which Alderney and Guernsey has operated for over sixty years has worked well in many areas. It also remains relatively unchanged except for some minor alterations. High quality education and health care have been two of the benefits that Alderney has gained from the relationship. It also is sensible for Alderney to piggyback onto these services to avoid expensive duplication of resource.

However, one question remains. What was the fundamental goal of the 1948 agreement? Was it to be permanent subsidy or a safety net? A helping hand or a hand out?

The situation that Alderney found itself in after the end of the Second World War was pretty desperate. The island required a complete rebuild both figuratively and politically. The substantial support that the island needed to get back on its feet came with the magnanimous help of the people of Guernsey. Over time the situation stabilised and became a solid arrangement that has worked well for over sixty years.

In the early years of the agreement both islands economies were based around the two main planks of agriculture and tourism. However, gradually offshore financial services took over as the prime economic generator in terms of both employment and wealth generation for the Bailiwick. Based predominately in St Peter Port, it has lead to the creation of many well paid professional jobs and has significantly improved the living standards of many, whilst giving the Bailiwick government healthy finances.

However the degree of impact of the financial sector in employment in Alderney was considerably less than in Guernsey. The obvious reasons for this being the relatively greater degree of isolation in Alderney compared to Guernsey, along with Guernsey based business having no requirement for duplication of services in both islands. No one can doubt the benefits that the financial service industry has brought to the Bailiwick as a whole, but that industry is very much concentrated in Guernsey. Alderney's financial sector is small in comparison but does have an important role in terms of back office jobs for the local workforce.

Alderney also benefits massively through its association with Guernsey as an offshore financial centre in both profile and expertise. The important input of financial services can also be shown in the success of the internet gaming industry and its licensing by the A.G.C.C. Some estimates have shown that the Alderney gaming sector provides in the region of £60 million pounds to the overall Bailiwick Gross Domestic Product.

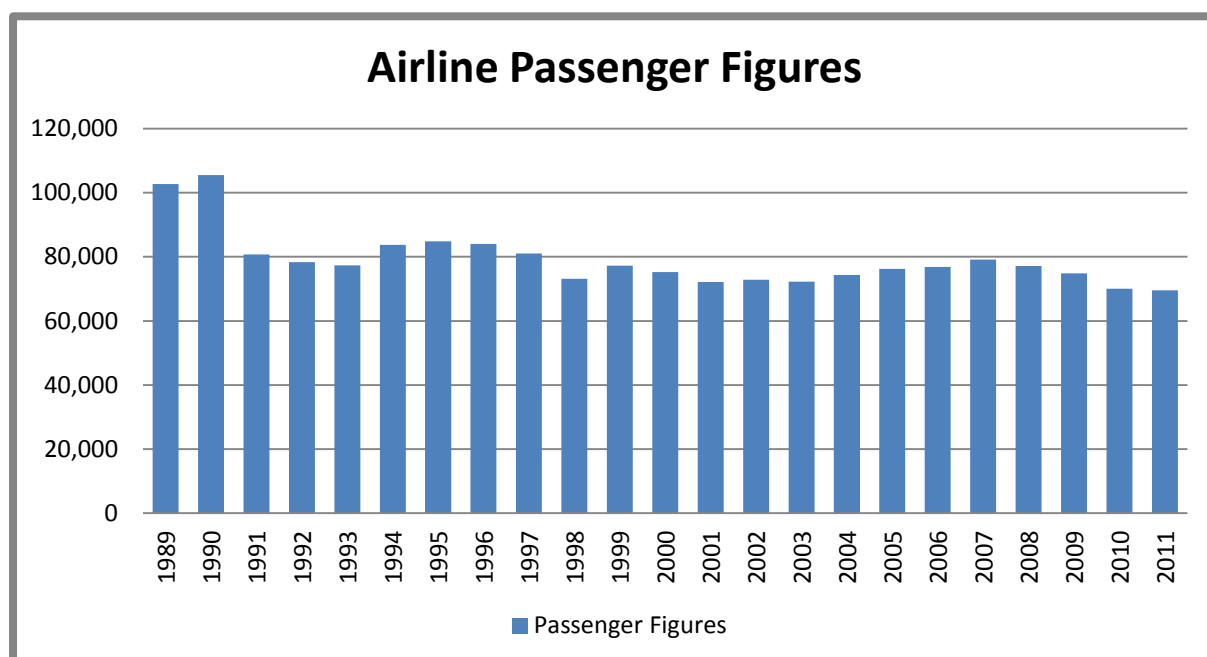
Also the gaming industry is especially important to the Alderney economy in terms of the health of the States of Alderney finances. However in terms of local employment, the sector has reduced dramatically in numbers from its initial impact in the late 1990's as many gaming firms have relocated their back office support to other jurisdictions, including Guernsey.

In the general economy however, especially manual labour, employment is heavily dependent on the "churn" in the housing market from those moving to Alderney to take advantage of the island's low tax status. Employment in agriculture and fisheries has declined over time as the high level of shippage cost eroded margins and affected profitability and these jobs have been replaced mostly by work in the construction industry, generally based around the renovation of homes purchased by immigration into the island by the retirement community. However, the credit crunch and the disruption of the housing market chain have put a major brake on this sector. This can be shown by the conge figures for Alderney over the last eight years shown in figure 1, (Page 5).

The fulfilment sector exploiting L.V.C.R. also created number of jobs, however the closing of this loophole by the UK government in 2012 has had a major impact on employment levels and the estimate of lost jobs is in the region 2.5% of the islands total.

Alderney also has a high degree of dependence on tourism as a percentage of its economy. This in turn affects the hospitality trade which is highly dependent on the summer tourism trade to support it.

Airport passenger statistics have shown a drop from over 100,000 passenger movements in the late 1980's to fewer than 70,000 for the first time in 2011. While all of this drop cannot be totally attributed to tourism it is reasonable to assume that reduction in tourism numbers accounts for a substantial proportion of the total.

Figure 11. Commercial Passenger Statistics.

So while the Guernsey economy seems to be in robust shape, despite the current bailiwick budget deficit, the same cannot be said for the general Alderney economy. Over time the balance of the economies of the two islands have evolved differently and diverged in structural emphasis. The reduction in traditional sectors, depressed housing market, closed fulfilment sector and a shrinking tourism season putting downward pressure on the hospitality, accommodation and retail sector all leads to a very depressing picture. The structural economic holes that the erosion of these sectors has left have not been filled by the finance sector.

The figures for the general population level shown in figure 2, (Page 6), and the sharp decline in numbers showing an 8% drop in population in five years also shows that the overall economy of the island is not healthy.

For the States of Guernsey, this will gradually become an acute problem unless ways are found to address it. Aging population and declining workforce will only lead to reduced tax income and increased social security and health costs. So it is vital, from a States of Guernsey perspective, that the overall economic structure for Alderney is improved.

There also remains the problem of the current budget deficit that is being run by the States of Guernsey. Right across the Bailiwick government cost savings are being identified to attempt to reduce it. However cost savings may not be the solution that is required for Alderney. The costs of transferred services that Guernsey supply in Alderney, especially education, health, social security, policing and immigration tend to be relatively fixed in nature. Some reductions can be found in efficiency savings, but these are likely to be fairly minimal as the services still have to be provided. St Anne's School, for example, still has to be run despite lower student numbers. The Mignot Memorial Hospital will still have to supply an increasing level of geriatric care as the population ages. The airport as an essential island lifeline will still have to be staffed. Therefore, to help reduce the S.o.G. deficit, there is limited scope for savings whilst treating Alderney as a department of the Guernsey government. The only other solution is increasing the tax take from Alderney. So stimulation of the Alderney economy is the only effective solution in the long run, to strengthen the economic base, diversify the economy as a whole and therefore increase the tax revenues to the States of Guernsey treasury, decreasing the differential in the "Alderney Account". This requires the States of Guernsey to take a strategic view in its relationship to Alderney, treating the island as a business opportunity to be exploited, rather than another parish that is a drain on the resources created by St Peter Port.

In fact taking a business development approach would therefore seem be the only solution for both islands. Alderney gets a stronger economic base helping the community. Guernsey gets a long term reduction in any existing structural deficit between the islands.

However, there has to be a fundamental realisation that the economies of the two islands are different and that a different course of action may be required to stimulate the Alderney economy as compared to the Guernsey economy. This is a situation where one size does not fit all.

In order to help address this situation the formation of a joint body to identify the problems of the working relationships between the islands is essential not just to bolster the Alderney economy, but to assist in co-operation between the islands to find potential extra sources of income that benefit both islands. An improved collaborative approach can only lead to sustained benefits for both Alderney and Guernsey.

Interestingly the 1948 agreement suggested this very body. Section 3 (iv) reads...

“A Co-ordinating committee consisting of representatives of Alderney and Guernsey will be set up to act as liaison between the States of the two islands, possibly meeting alternatively in either island, the chair man being elected from the members of the island in which the meeting is held.”

The 1948 agreement itself makes no mention of responsibility for economic development in Alderney. This has lead to a political vacuum in this area that this body can help to address.

There are a number of areas that this body can be tasked to investigate to aid in closer co-ordination between the two governments.

Developing the Alderney economy to help reduce the Bailiwick structural deficit should be its prime function.

It is also essential that this body defines the future transport policy for both islands and their linkages. But this may not just be a situation that Alderney and Guernsey have to address. It may require co-ordination with the other Channel Islands as well.

There are many other areas where closer collaboration could benefit both islands. Tidal power development in Alderney may have benefits for Guernsey in terms of the opportunity for improved interconnectivity of energy supply and in the future development of its own renewables. This is an area that is of obvious concern to Guernsey after the recent series of blackouts and problems with their current electricity supplies from France.

All these subjects and many others require a greater level of co-operation on an economic front to ensure that both islands benefit from the economic regeneration of Alderney.

From a historical perspective it would seem that the major weakness of the 1948 agreement was in fact a lack of clarity over economic planning matters. The fundamental flaw of the agreement is that the body that receives the benefits of the economic development in taxation (S.o.G.) is not the body that has the specific responsibility for developing the economy at the local level, (S.o.A.). It therefore becomes difficult to react to a deteriorating economic situation in Alderney when it diverges from the overall Bailiwick economy. As local economic factors start to override policy made at the Bailiwick level, there is no governmental body that allows for re-adjustment of policy at the local level in Alderney. This leads to problems for both islands. Alderney does not have the fiscal tools to enable it to significantly affect its local economy for the better, whilst for Guernsey the tax take starts to

decline producing a further imbalance in funding and an increased structural deficit. It then follows that Alderney's contribution to the cost of transferable services reduces, eventually leading to increased subsidisation of Alderney by Guernsey. This is not what either island wants but it may be that the current political situation is actually contributing to the problem. This seems to be a case of Joseph Heller economics. "Catch 22".

The only realistic action is a collaborative approach between both governments to find solutions that will boost the Alderney economy which in turn addresses the balance of payments between the islands and increases the tax take for the Bailiwick overall. Inaction is not an option. The figures that show an aging demographic and increasing emigration can only lead to Alderney becoming the welfare state island of the Bailiwick. This is a situation that neither jurisdiction wants.

To address this, the I.A. report recommends the formation of a Joint Alderney/Guernsey socio-economic policy unit to help identify potential solutions. This seems to be a sensible course of action as it is obvious that both parties are stakeholders in the success of the Alderney economy.

However, an initial step could be the tasking of a S.O.G officer from either the Policy Council or Commerce and Employment, to identify the issues at hand, working in association with the newly formed E.A.G. in Alderney. If there is not adequate civil service support to back up any political action that is proposed then any measures taken will be bound to fail.

However, it seems that the joint council that the 1948 agreement envisaged has lapsed. The current economic situation shows why it was proposed in the first place and why it is essential that it be reformed. Not just for the benefit of Alderney, but for the benefit of the Bailiwick as a whole.

Recommendation. Develop a Joint Alderney/Guernsey Socio Economic Group to assist in improving Alderney's long term economic outlook and to aid in a Bailiwick wide deficit reduction strategy.

6. Summary of Recommendations.

A collated summary of the various recommendations listed within the report follows. Each of the recommendations have a different level of priority in regards implementation while some will require significant resourcing which may not be available initially. In order to create a level of priority each recommendation is colour coded. Red – high priority, Amber – medium priority, Green – low priority.

1. Recommendation: The formation of an economic steering group in the form of an Economic Advisory Group tasked with the development of the Alderney economy reporting back to the States of Alderney Policy and Finance Committee.

(Priority – Red)

2. Recommendation: Develop a Joint Alderney/Guernsey Socio Economic Group to assist in improving Alderney's long term economic outlook and to aid in a Bailiwick wide deficit reduction strategy.

(Priority – Red)

3. Recommendation: The Economic Advisory Group should be tasked with adequate resources to deliver economic action plans in specific areas to improve the long term sustainability of the Alderney economy.

(Priority – Red)

4. Recommendation: Develop adequate back office support to enact policy with specific emphasis upon a dedicated joint Guernsey / Alderney development officer as a link between the civil services of the S.o.A. and S.o.G.

(Priority – Red)

5. Recommendation: Identify and task spare capacity within the States of Alderney civil service for dedicated clerical support for the E.A.G.

(Priority – Red)

6. Recommendation: Investigate developing a States of Alderney economic research role using an intern or graduate training programme system linked to an educational body.

(Priority – Amber)

7. Recommendation: Develop a costed business plan for a funding application to the States of Guernsey for a dedicated business development department for Alderney.

(Priority – Red)

8. Recommendation: Identify capital spending projects that have a high level of L.M.E. as a short to medium term priority to help stabilise the local economy until the general economic climate improves.

(Priority – Red)

9. Recommendation: Examine the methods available for diversifying the options for credit at the lower end of the housing market.

(Priority – Green)

10. Recommendation: Develop a modern sustainable Agriculture and Fisheries policy for Alderney.

(Priority – Green)

11. Recommendation: Develop Alderneys' complementary tourism product using the islands existing resource of clubs and societies.

(Priority – Green)

12. Recommendation: Develop a partnership with a relevant educational institute and/or government and/or private sector body to identify critical deficiencies in the makeup of the Alderney economy.

(Priority – Green)

13. Recommendation: Form a local body for business development to help in the creation of new businesses to fill the gaps identified as critical deficiencies in the local economy.

(Priority – Green)

14. Recommendation: Create a forum for the development of new business ideas to help diversify the local economy.

(Priority – Green)

15. Recommendation: Analyse the existing S.o.A. marketing strategy and develop a new strand that incorporates business attraction.

(Priority – Amber)

16. Recommendation: Develop collaborative approaches with private sector companies and business relocation bureaus to identify and attract target businesses.

(Priority – Green)

17. Recommendation: Examine the feasibility of outsourcing to a specialist relocation company the development of a focused relocation strategy and to assess the cost effectiveness of any such program.

(Priority – Amber)

18. Recommendation: Develop a new tourism strategy based upon on events led tourism.

(Priority – Red)

19. Recommendation: Promote the formation of an Alderney facing travel bureau and events Promotion Company through a public private partnership.

(Priority – Red)

20. Recommendation: Investigate increasing the scope of pan Channel Island marketing.

(Priority – Red)

21. Recommendation: Investigate the feasibility and viability of casino licensing.

(Priority – Amber)

22. Recommendation: Consider the options relating to the freezing or reversal of rate increases in the tourist accommodation sector.

(Priority – Amber)

23. Recommendation: Investigate the viability of an Alderney differential duty rate.

(Priority – Green)

24. Recommendation: Initiate discussions with the relevant government bodies with the view to the formation of a pan channel island group for the development of an effective intra island transportation policy.

(Priority – Amber)

25. Recommendation: Develop and clarify with the States of Guernsey the future role of Aurigny in regard to economic development strategy within the Bailiwick.

(Priority – Amber)

26. Recommendation: Undertake negotiations to expand Alderneys direct air links through joint marketing proposals *specifically* in regard to monopoly Alderney - Jersey and Alderney - Cherbourg routes.

(Priority – Amber)

27. Recommendation: Undertake an investigation with the States of Guernsey into the viability of public sector support for Bailiwick private sector sea links, especially to the continent.

(Priority – Green)

28. Recommendation: Investigate the business case for targeted air and sea transport subsidies for economic development of specific routes for the tourist sector.

(Priority – Amber)

29. Recommendation: Formulate a long term sustainable energy policy in cooperation with all the relevant bodies in areas of both supply and demand side energy management.

(Priority – Green)

30. Recommendation: Investigate the funding of energy saving projects to reduce the future growth of on-island demand while diversifying and stimulating the local construction sector.

(Priority – Amber)

31. Recommendation: Create links with “sustainable community” bodies such as the Transitions Network to develop an energy descent action plan.

(Priority – Green)

32. Recommendation: Continue with developing private / public partnerships with local business bodies in order to develop new economic product.

(Priority – Green)

33. Recommendation: Support small local retail outlets through reductions in rates and TRP.

(Priority – Amber)

34. Recommendation: Investigate the viability of, and develop, local “business first” and “local loyalty campaigns”.

(Priority – Amber)

35. Recommendation: Investigate and adopt appropriate solutions devised by other jurisdictions aimed at maintaining a well balanced and diverse retail sector.

(Priority – Green)

36. Recommendation: Continue to develop a modern and sustainable waste management action plan.

(Priority – Green)

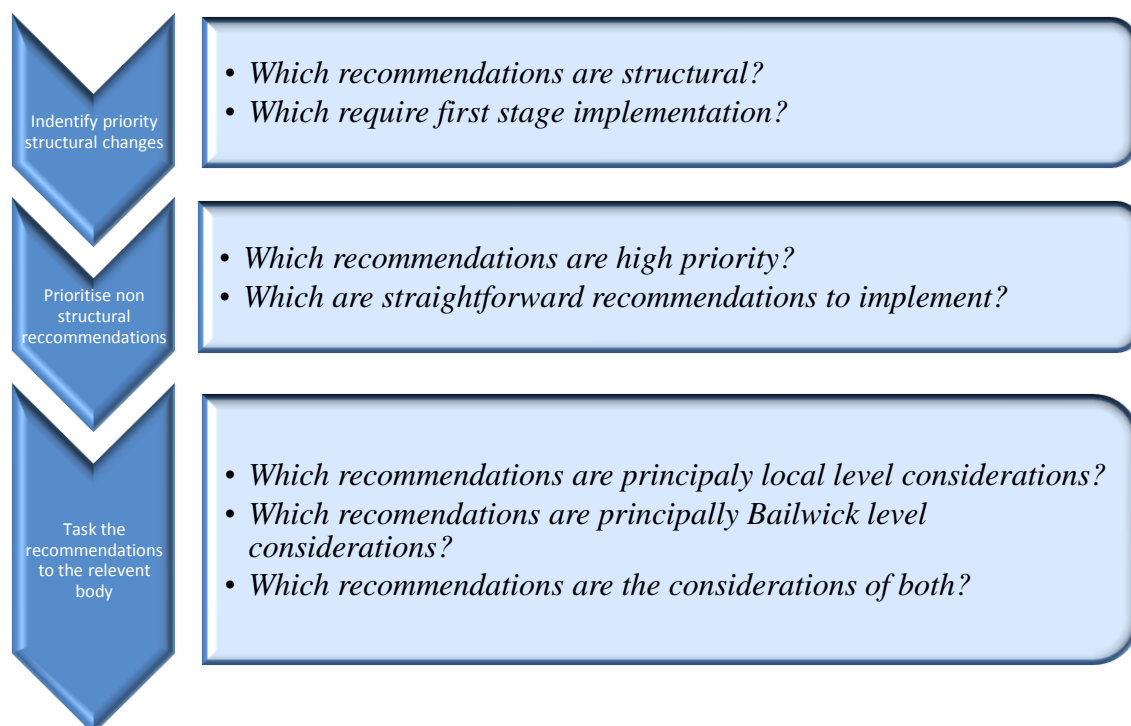
Now that these recommendations have been prioritised, it is possible to construct a hierarchy of their importance in progressing any economic strategy. From this a roadmap can be constructed to assign where responsibility for implementation lies.

7. The Roadmaps.

Each of the recommendations in the previous section has a differing level of priority and each also requires tasking to the appropriate body for development and implementation. Some recommendations are structural, involving the creation of the relevant bodies to which other recommendations can be tasked.

It is essential therefore to create a roadmap in order to navigate the overall strategy.

Figure 12.



First, it is necessary to prioritize the recommendations that are structural and then task the remaining recommendations to the relevant body or bodies for investigation, development and then implementation. The following questions must be asked to properly task the recommendations.

- Which recommendations are structural high priorities without which other recommendations cannot be progressed?
- Which are high priority and to which structure should they be allocated?
- Which are medium priority and to which structure they be allocated?
- Which are low priority and to which structure should they be allocated?

The following are the roadmaps for the E.A.G. and the J.A.G.

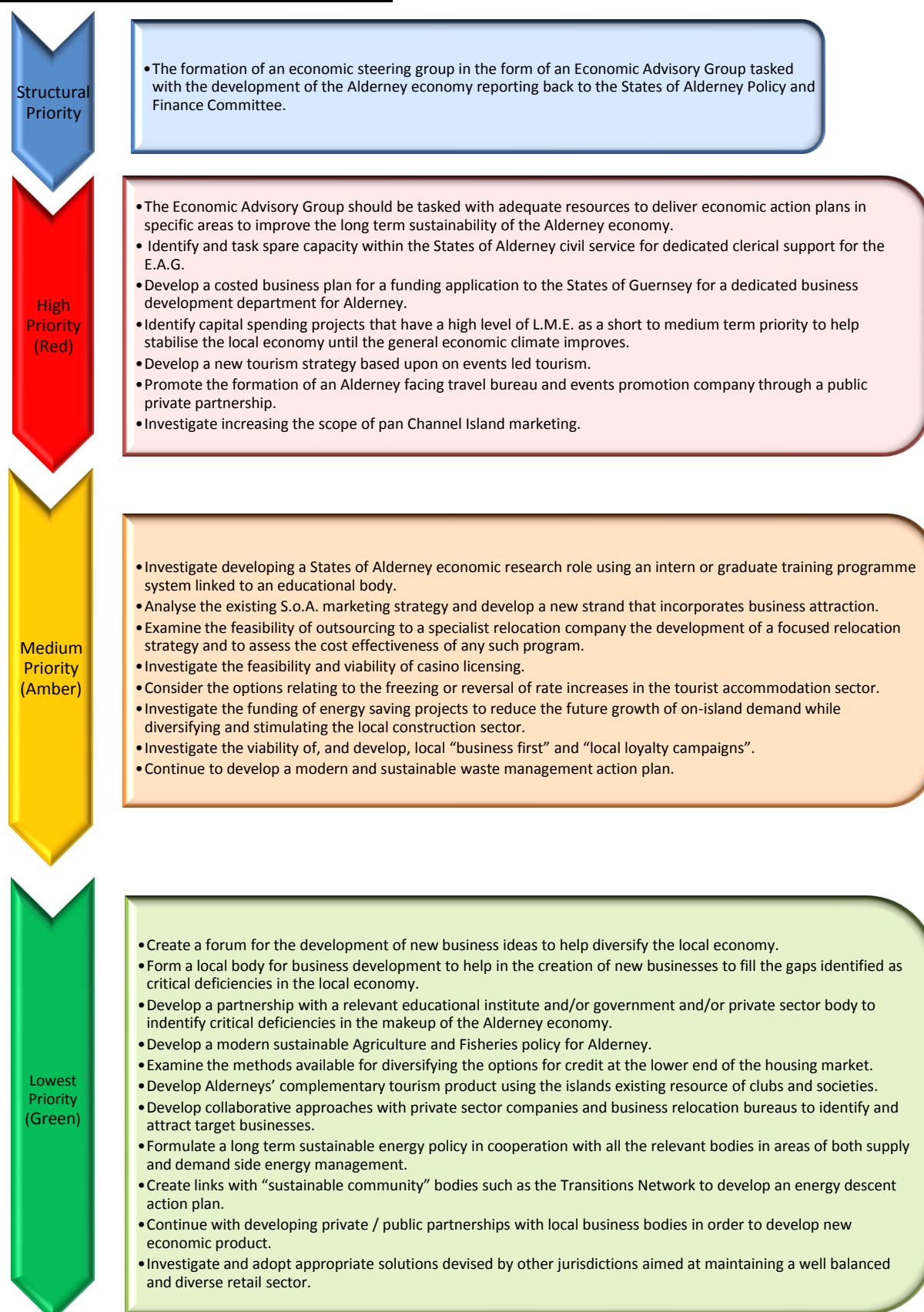
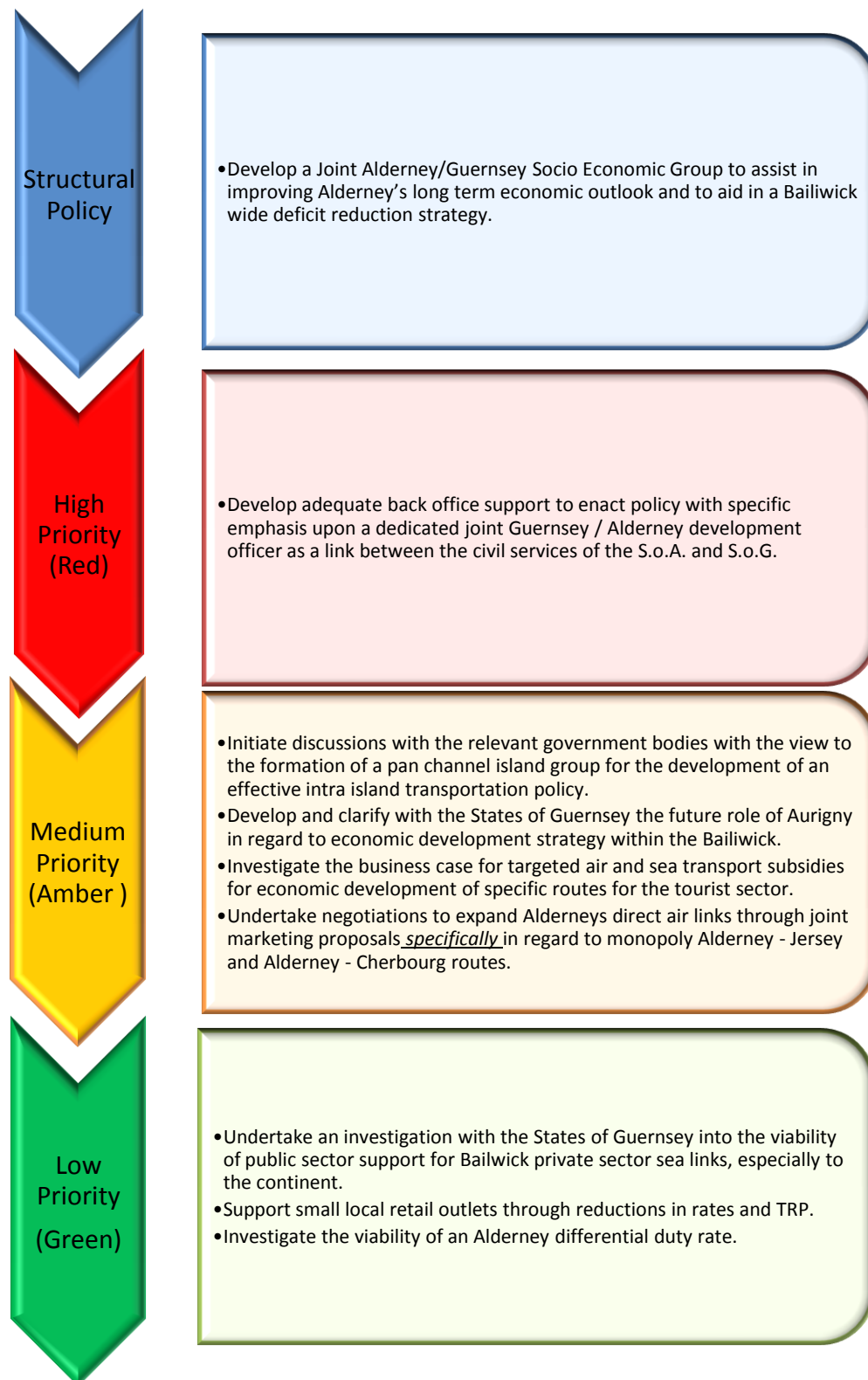
Figure 13. Roadmap for the Economic Steering Group.

Figure 14. Roadmap for the Joint Alderney /Guernsey Socio Economic Group.



8. Conclusion.

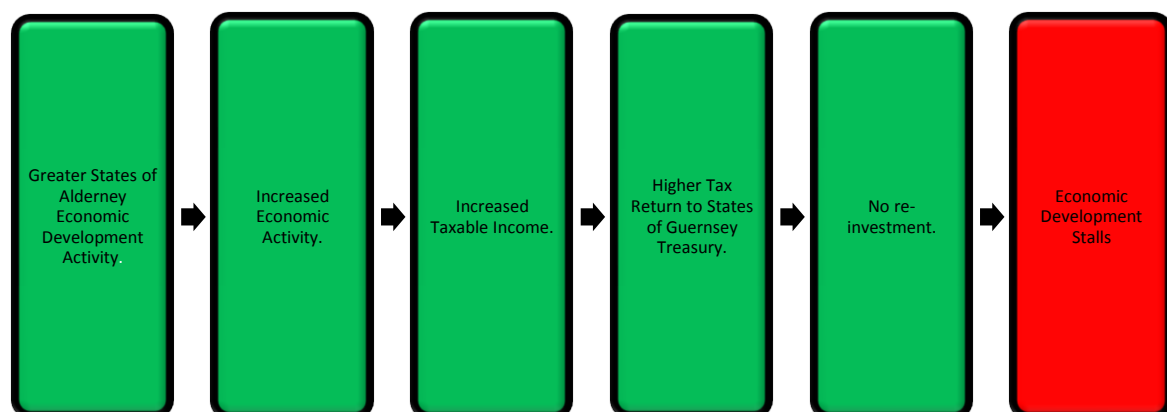
This document has taken the information received through a wide ranging consultative process conducted by Island Analysis and then identified the weakness that exists within the economic and political environment of Alderney and the weakness of governmental relationships between Guernsey and Alderney. It goes on to identify potential courses of action that can be undertaken to address those weaknesses and then has produced a roadmap on how those actions can be implemented.

The fundamental point that needs to be considered in the final analysis of this report is the simple business principle of re-investing profits back into a business. A well run business will always take a proportion of its profits and reinvest in order to grow its profits. This is a virtuous circle that increases the size of the company and increases profits for the shareholders.

This simple principle is the basis that should be applied to solving the problem of the structural imbalance that now seems to exist in the Alderney Guernsey relationship. If a more business based approach is taken then it should be possible to improve the economic outlook in Alderney and at the same time assist in helping the whole Bailiwick deal with its current deficit problem.

The following diagram, (figure 15), shows the current situation.

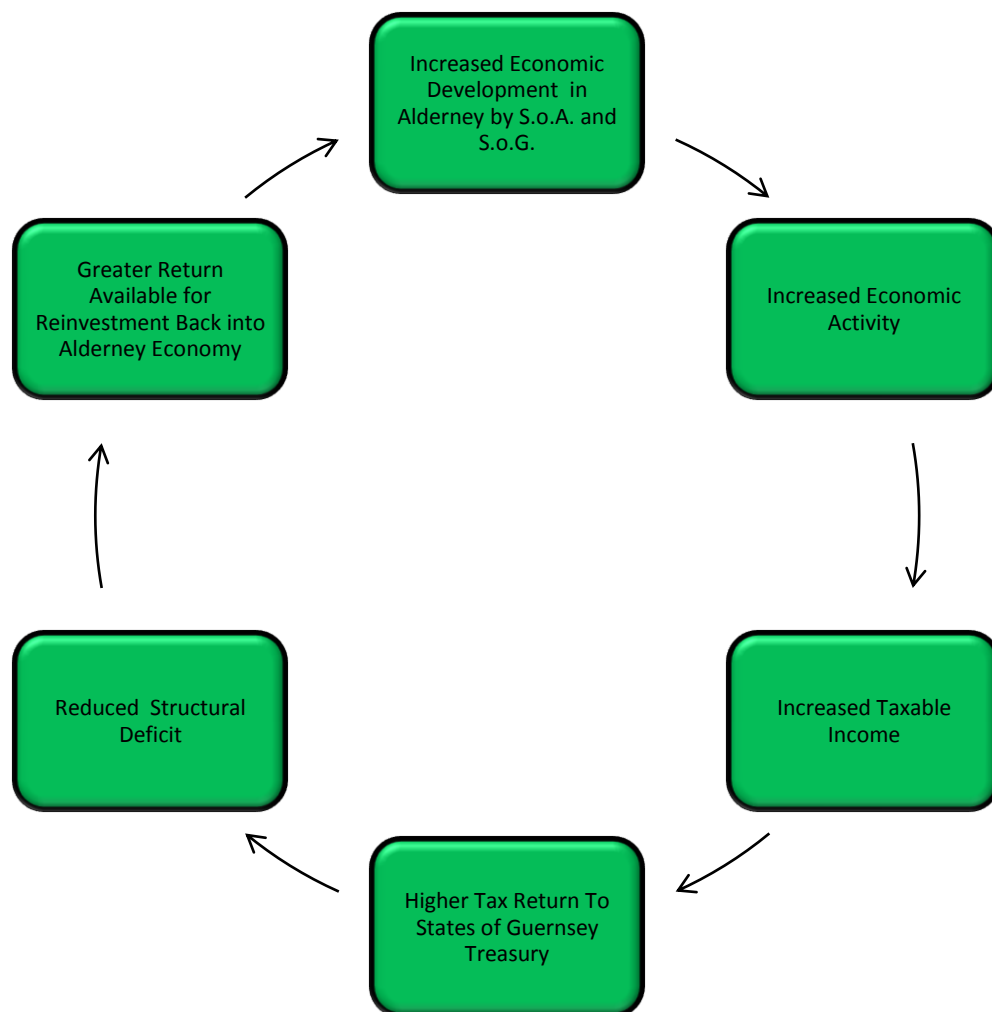
Figure 15.



This is a linear process rather than what is required which is a virtuous circle of investment.

Purely from a business point of view, the required strategy should be one that allows for a virtuous cycle of reinvestment.

The structure that would be required therefore is the following, (figure 16).

Figure 16.

This is the virtuous circle that can fundamentally improve the Alderney economy and help solve the long term structural deficit that currently exists. Also the actions that then form this virtuous circle will not just help solve the existing problem but will stop the current situation worsening.

In fact there is an example of the success of this method already and that is the formation of the Alderney Gambling Control Commission and its regulation of internet gaming where with the co-operation of both governments a highly successful business has been created that has significant financial benefits to both islands. However what is required is more of the same collaborative spirit but over the wider context of the Alderney economy as a whole.

The reality is that this reappraisal of the interrelationships between the two islands and the action to solve the structural problems is a very long term process.

The first step however must be to acknowledge that the situation cannot continue as it is and that the status quo is not a viable solution to the problems of the future.

Some of the actions that are recommended within this document are essential, some are just desirable. In some cases, the recommendations are relatively straightforward to achieve, others are much more complicated. Some can be actioned relatively quickly; others are long term projects that may need championing for a number of years. What must be realised is that, as the problems of the Alderney economy did not appear overnight, they cannot be solved overnight either. However, this strategy document identifies some of the problems that can be addressed which is a first step in the journey. With the political will of the States of Alderney, the States of Guernsey and its departments and with the co-operation of the businesses and people of the island of Alderney all of these ideas are achievable. Also, some of the recommended structures and processes may lead to new ideas and directions that have not yet even been considered as options to help develop the economy.

However, the major issue for the States of Alderney in relation to any and all of these recommendations is that of implementation. The report has given red amber and green priorities to each recommendation suggested but it is obvious that the first steps must be the formation of the Alderney Economic Advisory Group and the Joint Alderney Guernsey Advisory Group.

Beyond that step, every other recommendation will be subject to three separate issues.

1. **Priority:** Which of the recommendations are high priorities which are low priority?
2. **Capability:** Which of the recommendations can be achieved with the existing level of expertise available to the island?
3. **Resource:** What financial resource is available to develop those recommendations that require capability to be imported that is not currently available to the States of Alderney?

The issues of capability and resource will be the two factors that will significantly affect the ability of the States of Alderney to deliver substantive change. It is essential that these two problems are dealt with in parallel to policy formation otherwise attempts to change the economic fortunes of the island will fail.

The future is not set. Two quotes from great thinkers are relevant to the situation that Alderney finds itself.

“It is not the strongest of the species that survive, or the most intelligent, but the ones most responsive to change.”

Charles Darwin

“In failure to prepare, you prepare to fail.”

Benjamin Franklin

It is not too late for Alderney to change that which it needs to change. Nor is it too late to prepare for a better, more sustainable future not just for the island of Alderney itself, but also for the interests of the Bailiwick and its taxpayers as a whole.

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