

Alderney Economic Strategy Plan

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1. Executive Summary

An extensive consultation process took place over a six week period in August and September 2011 to identify Alderney's strengths, weaknesses, opportunities, and threats in relation to its current economic, social and environmental profile. There was a commonality of response which can be taken as positive in that real focus could be given to a few key issues rather than a disparate set of opinions. In addition, three surveys took place - one covering the general public in Alderney, another covering the Island's business community, and a third involving visitors to the Island.

Alderney's primary strengths can be regarded as its quality of environment, the social stability of the community, the quality of infrastructure (given the size of the Island), and the success of a number of initiatives including E-gambling and Alderney Renewable Energy.

The Island's major weaknesses (and, therefore, potential threats) include the vulnerability of its air links, the decline of the retail sector due to market limitations and the growth of internet shopping, the age profile of the community which is heavily skewed towards the over 65 age group, the lack of job opportunities for younger residents, and a declining population. A lack of data and statistics in many areas was also considered a major problem in terms of having objective information to hand in future decision-making.

Above all, the current economic climate worldwide is going to result in a tough business and social environment for a number of years and the Channel Islands will not be immune to this in the short term (next four years). Business confidence levels in Alderney are already low (more so than in the other Channel Islands) and there is concern over the Island's future competitiveness due to its high cost base.

Given the above (particularly the strengths), there are some excellent opportunities and initiatives that could be open to the Island. These include:

- Being involved at the outset in a greater integration of strategies and policies on a 'Channel Islands wide' basis. The provision (and cost) of public services will be a real issue in the short and medium term and, increasingly, there may well be Channel Islands' solutions to a number of service level questions. This will require the Island to have on-going dialogue with the States of Guernsey and States of Jersey as well as the commercial sectors in both islands.
- Securing the Island's air links through the negotiation of a medium term service level agreement with Aurigny (which is owned by the States of Guernsey).
- Turning weaknesses into strengths. For example: providing enhanced care provision/support on-island for the elderly, recognising the pressures on the retail sector and addressing possible solutions in the short term.
- Developing a long term tourism strategy which may well need public private partnership initiatives to be considered in terms of funding and implementation.
- Working with Guernsey (and possibly Jersey) in developing a greater flexibility of employment opportunities for Alderney residents in the other islands and vice versa.

2. Brief and Methodology

Alderney possesses many strengths which provide a solid platform upon which to consider a number of options with regard to adopting an economic strategy for the Island in the short, medium and long term.

In this regard, Island Analysis was invited by the States of Alderney to assist in the formulation of a long term economic strategy for the Island which was, above all, cost effective to produce and which identified the Island's current strengths, weaknesses, opportunities and threats. From this research, which also would include other small island experiences and best practice, the States of Alderney would decide the best way forward.

Island Analysis commenced work at the end of July 2011 and, during the subsequent two months, the following work was undertaken:

- A consultation process covering as many individuals and bodies as possible. Given the time allowed for this element of the work, the following multi-research approach was taken to ensure as many people as possible could be involved:
 - A series of face to face interviews.
 - The availability of an online survey (hard copies also available) which could be completed by any individual on the Island.
 - Face-to-face interviews with a sample of 100 visitors to the Island (mid-August survey).
 - An online business survey to Chamber of Commerce members.

This consultation would provide extensive feedback on the Island's strengths, weaknesses, opportunities and threats and how confident the community was with regard to the Island's economic future.

- Taking into account the findings from Phase One, a review of the Island Analysis database on islands around the world would be undertaken to ascertain what initiatives with regard to economic development and sustainability were being adopted in very small but similar island communities elsewhere. In addition, the social and environmental impact of such economic development would be assessed and, If possible, examples of best practice would be identified which was relevant to Alderney.
- Against the background of all the evidence obtained from Phases One and Two, a final report would be produced in which a set of recommendations would be made as to the way forward.

Island Analysis received a very positive response to the research process from all those who took part in consultation process.

In all, just under 100 individuals were either interviewed or responded online or in writing to the survey. 100 visitors were interviewed and 50 businesses completed a business survey. Given the size of population and business community, this is an extremely good response rate indeed.

3. Background

Island Political Status within the Channel Islands

Alderney is one of the islands which form the Bailiwick of Guernsey. It is the most northerly island of the Channel Islands only eight miles from the French coast and the nearest island to the UK Mainland.

Its status within the Bailiwick of Guernsey is based upon an agreement reached in 1948 which covered the constitutional and fiscal arrangements within the Bailiwick following the Second World War and in particular the arrangements between Alderney and Guernsey.

Alderney is a self-governing, democratic territory. The Legislature - the States of Alderney - consists of a President and ten States Members. The President chairs monthly States Meetings and stands for election every four years. States Members hold office for a period of four years and, in alternate years, there is an election at which five of the sitting members may offer themselves for re-election.

Two States of Alderney representatives are full members of the Guernsey States of Deliberation and take part in the government of the Bailiwick with full voting rights.

Island Financial Position

Apart from on-island generated fees which are retained by the States of Alderney, the Island's direct and indirect fiscal arrangements come under the States of Guernsey's tax and social security system. In return, the States of Guernsey is responsible for a number of primary public services in Alderney including health, social security, education, and law and order.

It has been policy now for a number of years that the tax and social security revenue generated in Alderney and remitted to the States of Guernsey is not identified separately nor is the amount spent by the States of Guernsey on behalf of Alderney residents with regard to health, social security benefits, education, and law and order. However, from a rough per capita calculation of direct and indirect income tax take and an estimate of the costs incurred by Guernsey in running health, education and law and order services for Alderney residents in both Alderney and Guernsey, it is considered that Alderney residents do have a net benefit from the current arrangements and have very good services available to them.

The net cost of running Alderney Airport is identified in the Guernsey Ports Account.

Internal matters of government are performed by three Committees - Policy & Finance, General Services and Building & Development Control, which deal with all aspects of the Island's finances and day-to-day island administration (including land planning, tourism marketing, etc.). Income generated on-island by these three committees amount to £1.3m per year (2010) and a further cash allocation of £1.7m (2010) is received from the

States of Guernsey. Costs incurred by the three committees in 2010 in running on-island services amounted to £3m per year.

Capital expenditure on the Island (other than on the airport, island hospital and school) is currently covered by transfers from the Alderney Gambling Control Commission reserves.

Utilities

Water

The States of Alderney Water Board is responsible for the supply of potable water to island households and commercial users on the island. Operating as a commercial trading board, the profits of the Water Board are reinvested into the system in order to safeguard the island's water resources. Stringent quality control is carried out daily and water samples are sent off island for analysis at regular intervals.

The water supply is generated from a number of streams and bore holes and is stored at the Battery Quarry and Corblets Quarry.

Electricity

Alderney Electricity Limited was founded in 1938 as the Alderney Light and Power Company.

After the war the electricity company was run first by the British Army and then the States of Guernsey. In 1952, it was agreed that Christy Brothers of Chelmsford would take over the running of the company with the States of Alderney and the States of Guernsey together with some private individuals and the Christy family being shareholders.

This was the case until 1979 when the Christy family pulled out and the States of Alderney appointed an independent Board of Directors to run the Company. The Company is still run by a Board of Directors, with the States of Alderney being the major shareholder.

Alderney Electricity is also the importer and supplier of fuel to the Island.

Telecommunications

Telecommunication services are operated commercially by Cable and Wireless and Wave Telecom (part of Jersey Telecom).

E Gambling Commission

There is no doubt that the development of the E-gambling sector in the Island has provided both employment and valuable revenue for the Island. This sector is regulated by the Island's E-Gambling Commission the stated mission of which is to ensure and

maintain the integrity of the electronic gambling industry in Alderney. The objectives of the Commission are to protect the reputation of Alderney as a first tier e-gambling jurisdiction by seeking to ensure that:

- all electronic gambling in the Island is conducted honestly and fairly;
- the funding, management and operation of electronic gambling in the Island remains free from criminal influence; and
- electronic gambling is regulated and monitored so as to protect the interests of licensees' customers as well as the young and vulnerable.

Alderney Renewable Energy Commission

The Commission was established under the provisions of the Renewable Energy (Alderney) Law 2007 and its related Ordinances. These set out the statutory role and responsibilities of the Commission and the requirements that the Commission must ensure are fulfilled in order to comply with the Law.

To operate effectively in carrying out this role the Commission believes its Mission is to:

- operate in an impartial efficient and professional regime to regulate renewable energy production,
- ensure that at all times it operates in accordance with current best practice,
- brief the current States and its individual members so that informed decisions may be made in developing any renewable energy resources on and in the waters surrounding the Island,
- support wherever possible the development of domestic renewable initiatives in Alderney, even if they are not required to be regulated by the Commission,
- work with the other Channel Islands, as appropriate, to develop the collective renewable energy resource, and
- keep Alderney residents informed of renewable energy developments

4. Definition - Short, Medium and Long Term

To ensure clarity throughout the Report, the definition of short, medium and long term is as follows:

- SHORT TERM 2012 to 2015 inclusive
- MEDIUM TERM 2016 to 2019 inclusive
- LONG TERM 2020 onwards

These timescales are important as it is often the case that when the implementation of an initiative is described as being 'in the short term', many believe that this means within a year or less. In practice, timescales are much longer than this and, therefore, expectation is thwarted and confidence is lost.

5. General Economic Situation

Economic conditions in Jersey, Guernsey and Alderney will be a real challenge during 2012 and 2013 and business confidence will remain low in the short term.

While the Channel Islands is already feeling the adverse effects of the current world economic situation, from recent Island Analysis research, the economies of the Crown Dependencies (Channel Islands and Isle of Man) generally remain more robust than many other jurisdictions (primarily the UK). However, the economies of a number of islands are now showing strain - (e.g. there have been recent redundancy announcements Bermuda and house prices are falling) and the States of Guernsey are likely to revise downwards their economic performance indicators for the 2012 Budget.

Jersey and Guernsey

While overall business confidence levels did improve during the first part of 2011 (Jersey and Guernsey Chamber of Commerce references), as far as a recent IA survey is concerned, these levels seem to be declining again as household income levels drop in real terms and consumer spending reduces (Figure 1).

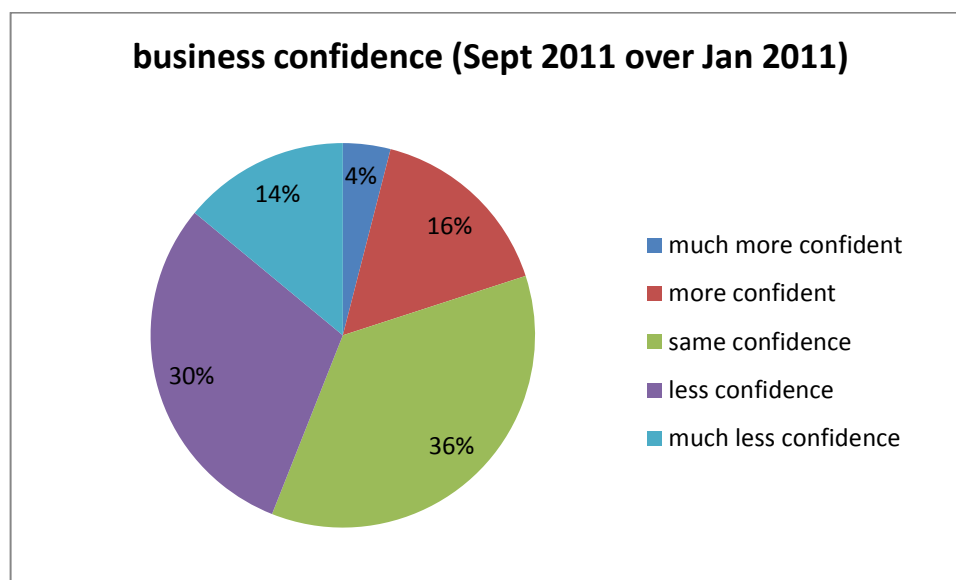


Figure 1

The main sectors where confidence levels have reduced are retail, hospitality and the general business sector (e.g. estate agents, marketing, etc.). However, organisations in other sectors are concerned about 2012 in terms of revenue generation, fee income etc.

Only one in five of the companies were 'more confident' or 'much more confident' about current business trends.

There is real uncertainty with regard to what impact the current global, European and UK economic situation will have on the economic position of the Channel Islands. These external issues were less of a concern in 2010 and into 2011 but have been heightened recently by the current Euro crisis. One CEO of a finance company described the current situation as 'very nervy indeed'.

Cost reductions in all sectors continue to be the focus of many businesses (including finance and legal) (third year in row). In most cases, this is as a result of static or falling sales/revenue. Primary areas where budgets are being examined in 2012 are staffing, outsourcing, travel, and marketing costs.

A reduction in staff costs was envisaged by one in five organisations (some redundancy but primarily through a non-replacement policy). It is interesting to note from employment agents' feedback that a number of females are not signing up as unemployed but simply remaining at home. Job opportunities were declining.

Guernsey's unemployment rate remains at around 1% while the level in the Isle of Man and Jersey is double that figure.

Other observations include:

- 'Behind the scenes' business reviews are being carried out by many companies as to what business model should be applied in the future and whether there is a smarter way to operate.
- Margins remain a real issue. This is most marked in the retail sector. Profits were going to be down in 2011 over 2010 for a number of businesses contacted and predictions are that this winter will be 'tough' for local retailers.
- There continues to be an increasing use of IT in business solutions to reduce labour costs and improve efficiency.
- A number of organisations (primarily finance and legal) are now opening offices in other jurisdictions (mainly in the Far East) to diversify business activity and have a presence in developing markets.
- The internet is increasingly being used by businesses to purchase products and services rather than buying products from local companies.
- Pan-island consolidation/mergers continue to be a solution for a number of businesses. On a number of occasions, this has resulted in one island taking the lead in certain activity.
- Profitability was difficult to predict at this stage for 2012 as there were so many uncertainties.
- Those in long-term unemployment (all three islands) remain a worrying feature particularly amongst the young.

- Jersey's June rise in GST to 5% accounted for 1.3 percentage points of the increase in its annual rate of inflation which rose by 1.4 percentage points in the latest quarter.

Latest research (November 2011) by Island Analysis has revealed that disposable income continues to fall and there remains real concern over job security (particularly within the public sector, retail and some finance institutions). The fear of losing one's job has increased during the year.

Levels of expenditure (as identified earlier in 2011) are being reduced on a whole range of household products and services for 2012. The main areas continue to be:

- Eating and drinking out. (However, prices seem to have increased. During the last quarter alone, prices on average increased by 2.9% in Jersey.)
- Holidays and leisure activities.
- Food (primarily in Jersey).

On the positive side, the home entertainment and home improvements markets remain strong as does the personal transport sector.

While the next internet sales assessment is not due until the end of the year, all indications are that the 15% and 20% online sales in Jersey and Guernsey respectively as a percentage of retail sales will have increased during 2011.

Alderney

As part of the research programme, a survey of Alderney businesses was carried out by Island Analysis (similar to that carried out by the Company for the Guernsey Chamber of Commerce). Over 50 companies responded and the sector profile of the respondents was as follows (Figure 2):

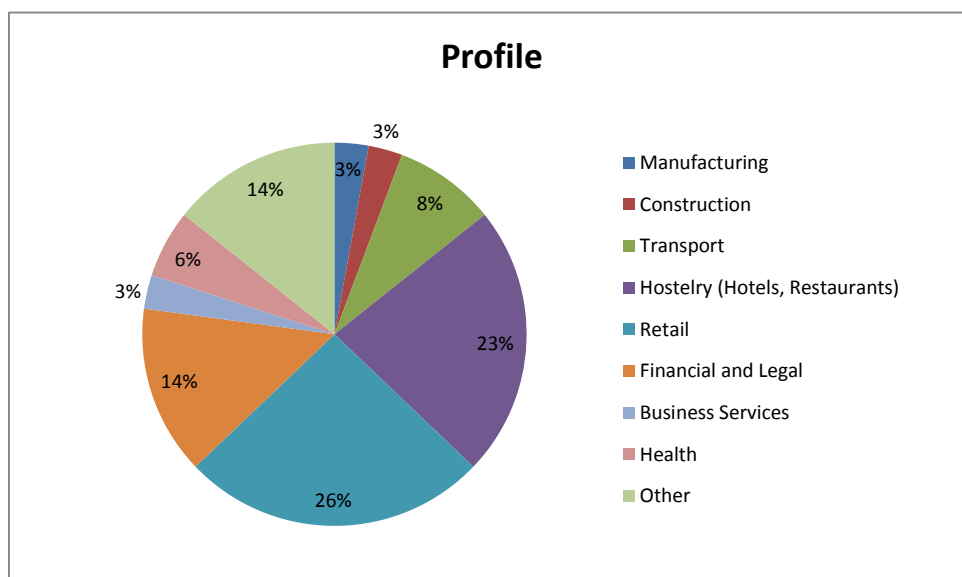


Figure 2

In terms of the number of staff employed by respondent businesses the following breakdown was recorded (Figure 3). It should be noted that a wide range of large, medium and small businesses took part in the survey.

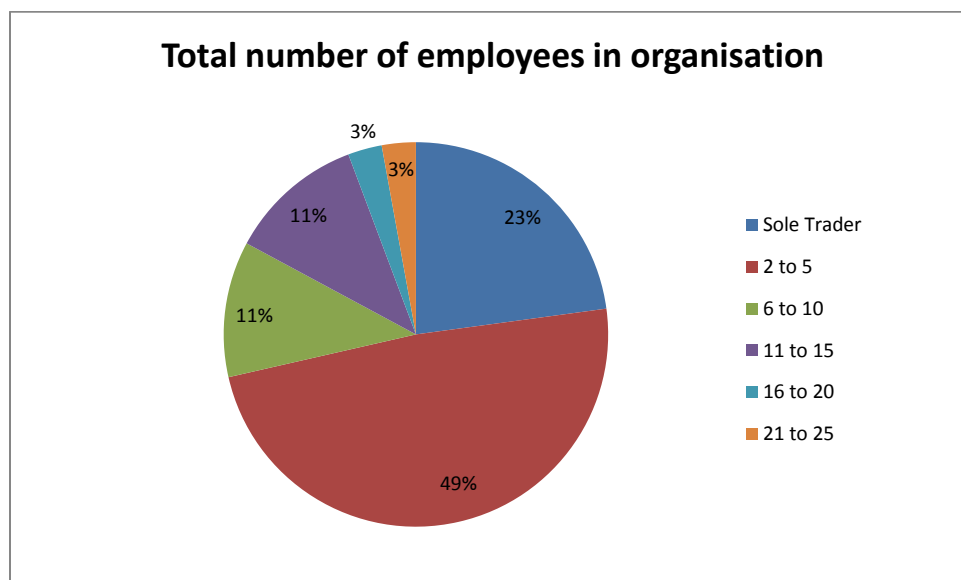


Figure 3

In terms of turnover, just under half of businesses (46%) indicated that turnover would be slightly down (29%) or substantially down (17%) this year as compared with 2010 (Figure 4). One in four businesses stated that turnover would be about the same as in 2010 while 31% said that turnover would be up (11%) or substantially up (20%).

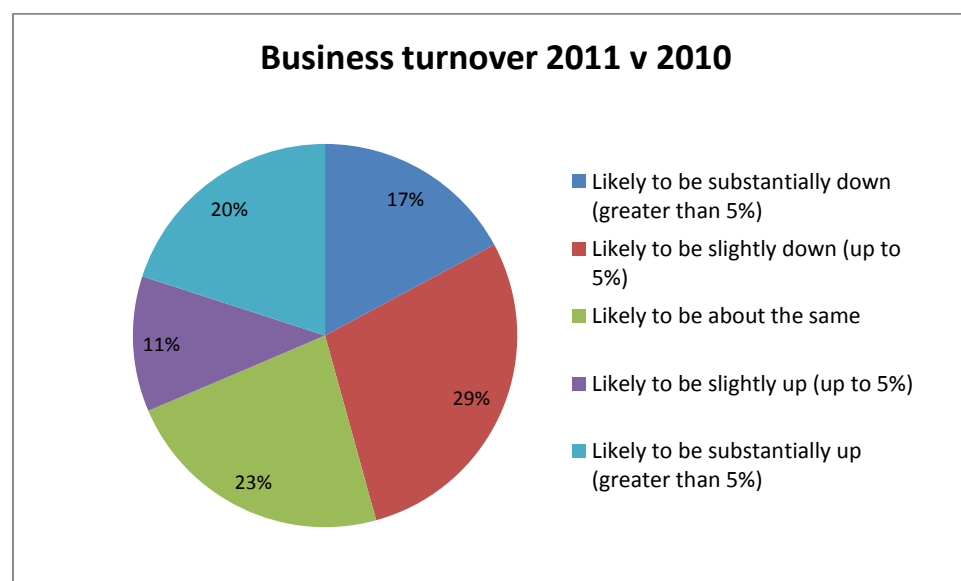


Figure 4

As far as profitability is concerned, 52% of businesses said that profitability was likely to be down (26%) or substantially down (26%) in 2011 as compared with 2010. 20% indicated that profitability was likely to up (11%) or substantially up (8%) this year over last (Figure 5).

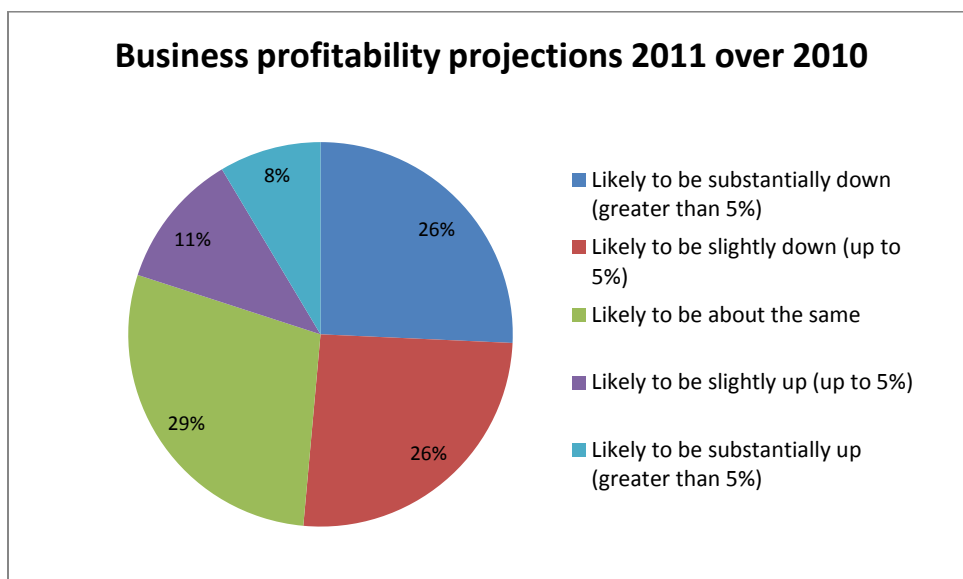


Figure 5

Employment levels are likely to remain at similar levels next year as compared to 2011 (Figure 6) with 4 out of five businesses indicating that their staffing levels are likely to remain about the same as in 2011.

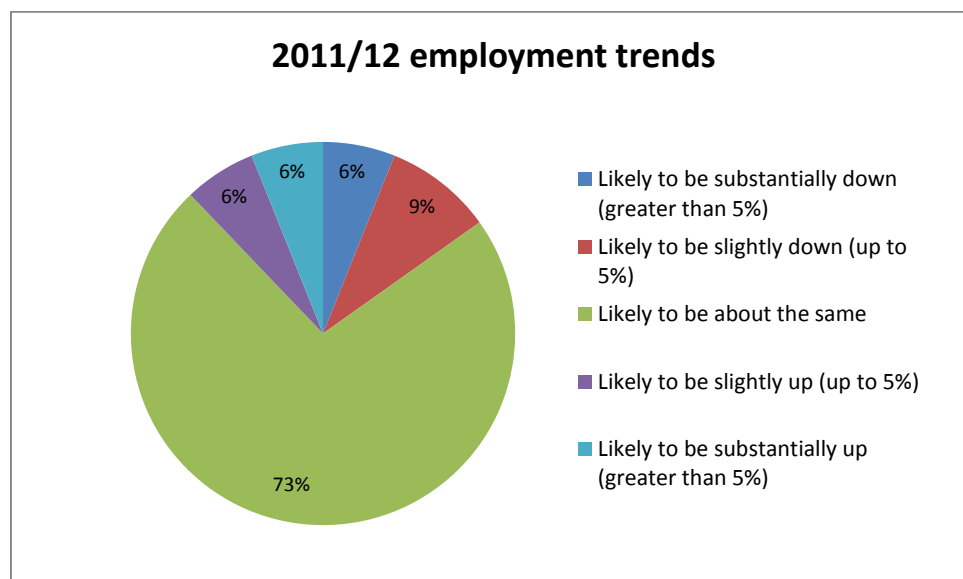


Figure 6

In terms of economic confidence over the next twelve months, four out of five businesses stated that they were less confident (52%) or far less confident (31%) about the economy (Figure 7).

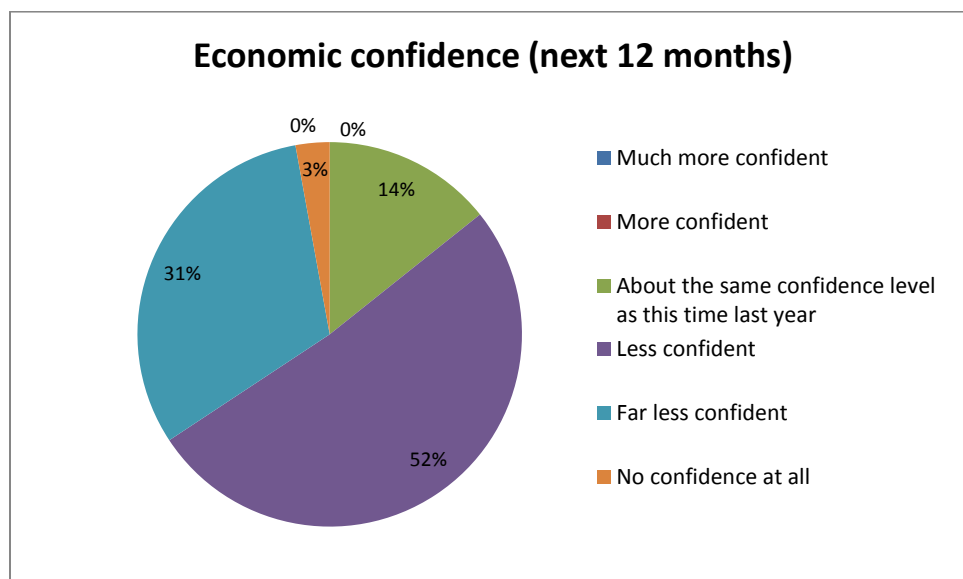


Figure 7

There was very little confidence at all about the Island's economic prospects in the short term (up to four years) (Figure 8). No businesses at all indicated that they were very confident and only 3% were confident.

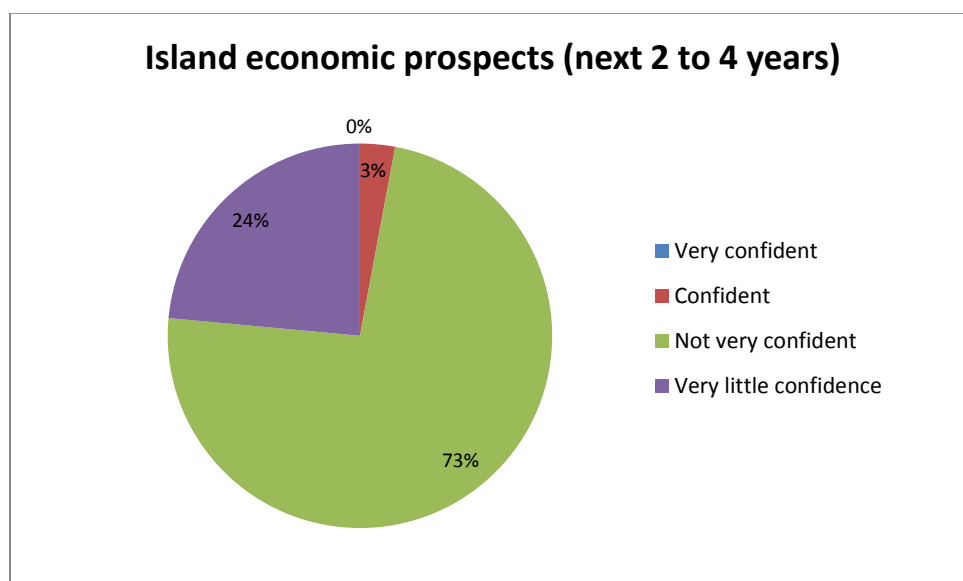


Figure 8

It was important to ascertain what issues the business community considered important (rated out of 10 with 10 = very important indeed and 0 = no importance at all) for the Island in the short term. These were identified as follows (Figure 9):

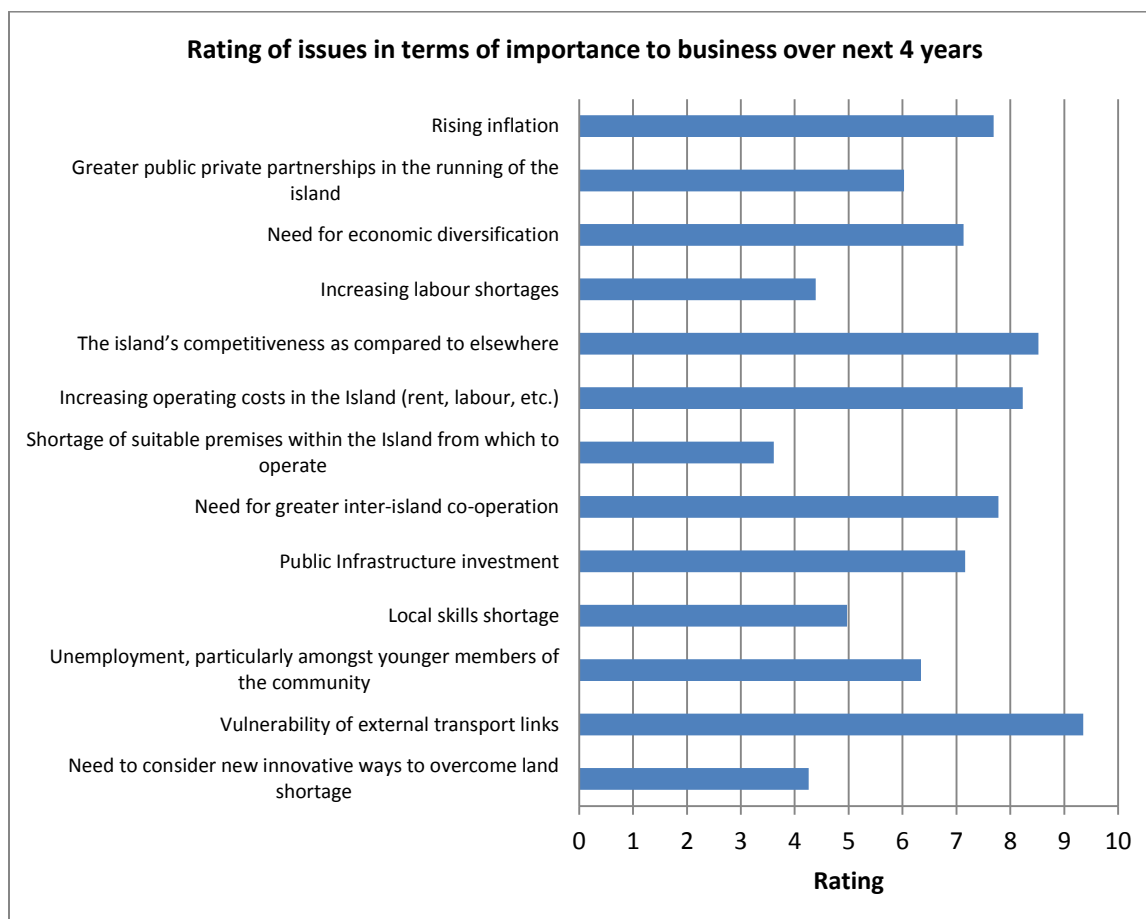


Figure 9

The most important issue with a rating well over nine was the vulnerability of the Island's external air links.

The Island's competitiveness as compared to elsewhere, increasing operating costs (rent, labour etc.) in the Island and the need for greater inter-island co-operation were also very important issues to address in the short term.

Other important issues included rising inflation, public infrastructure investment, the need for economic diversification.

6. Short, Medium and Long term Economic Plan/Framework

Having carried out an extensive consultation process during which an immense amount of feedback was obtained, there are many areas where action needs to be considered in terms of facilitating economic development initiatives for Alderney over the short, medium and long term.

From an analysis of the strengths, weaknesses, opportunities, and threats, there are also some initial but critical actions that need to be taken before some key decisions can be taken with regard to the Island's economy.

Commitment and Communication

Political Commitment

Every long term economic, social and environmental strategy which has been successfully implemented in an island community has had a commitment from government that such a strategy will be implemented during the timescale set for the process. While amendments to the strategy will be inevitable as circumstances change, the primary aims and objectives should remain largely intact.

While in large jurisdictions a change of political party can radically alter the strategies followed with often no real awareness of the cost implications of such a change in direction, in small island communities any strategy amendment can be very expensive indeed.

Therefore, it is recommended that as an economic strategy evolves for Alderney, there is a long term commitment from States Members to be 'custodians' of the strategy as it is implemented. This would also apply to new Members as far as possible albeit it is of course not incumbent upon any new Member to be required to 'sign up' to a long term plan.

Public dialogue and on-going communication

The success of an island strategic plan very much depends upon the local community being totally behind the plan's aims and objectives at all times. This is achieved by regularly (annually, quarterly, etc.) communicating with the public and local business on the progress that is being achieved in the implementation process. This process includes publishing key performance indicators which are fully understood by all stakeholders and upon which success can be judged on an on-going basis.

An island best practice example in terms of public communication is the Tasmanian Government's long term island strategy plan set up at the turn of the millennium and enshrined in law under the 'Tasmania Together Progress Board Act 2001'. This plan entitled 'Tasmania Together' www.tasmaniatogether.com.au 'belongs' to the whole community, not any single government. It enables the people of Tasmania not only to say what they

want, but to work together to secure their long-term social, economic and environmental future.

As a 'world-leading system of community goal setting and progress measurement', it is used to guide decision-making in the government, business and community sectors.

Therefore, it is recommended that as a strategy evolves for Alderney, there is a long term commitment from States' Members to engage with the community on all aspects of the Island economic strategy and then to keep the community regularly updated as to the progress of the various elements contained in the strategy. In this regard, the setting of key performance indicators is very important indeed.

Proactive dialogue with Guernsey

Given the current adverse economic conditions (which are likely to prevail and possibly worsen at least in the short term (2012 to 2015)) and the age profile of Alderney's population, the Island is in a vulnerable position in the short and medium term with regard to its future economic development. From the consultation process, this is certainly recognised by many. Not only is the vibrancy of a small community in jeopardy but also if no action is taken, costs to Guernsey in terms of the provision of essential services, could substantially increase in the medium to long term if this is not addressed in the short term.

There is also an acceptance within the Island community that relationships with Guernsey are very important and that these need to be strengthened in the future.

Therefore, it is recommended that a permanent socio-economic Guernsey/Alderney Working Group be formed comprising senior officials from the States' of Alderney and Guernsey which would meet on a regular basis to consider key issues relating to Alderney and which could have ramifications on Guernsey in the short, medium and long term.

Greater dialogue between Jersey, Guernsey and Alderney

There is also a growing awareness that greater dialogue is necessary in the future between the islands of the Channel Islands over the provision of efficient and effective public services throughout the Channel Islands. This may lead in the medium to long term to some essential services for Alderney being provided in Jersey rather than in Guernsey.

Accordingly, the States of Alderney should be invited to attend any future discussions which cover the provision of services within the Channel Islands as a whole.

In addition, there may be opportunities that services available to Alderney residents could be provided by Jersey in the short and medium term rather than by Guernsey and, therefore, there should be regular contact between Alderney and Jersey through the Chief Executive's office.

	Topic	Short term	Medium/long
Off-island	<p>Channel Islands integration of strategies and policies</p> <p>Guernsey communication</p>	<p>Ensure regular dialogue with States of Jersey and States of Guernsey</p> <p>Set up Chief Officer quarterly working group meetings with relevant Chief Officers in Guernsey (e.g. Taxation, Social Security, Home, Policy Council, Public Services)</p>	<p>Introduction as far as is practicable of Channel Islands' wide solutions to issues</p> <p>Continue on-going liaison</p>
On-island	<p>Island economic (social and environmental) objectives, benchmark data, and key performance indicators</p> <p>Public accountability</p>	<p>Set out short and medium term economic, social and environmental objectives and annual benchmark indicators. Publish key performance indicators upon which public can assess progress.</p> <p>Plan for annual public consultation where review of progress can be assessed against KPIs and benchmarks (Tasmania model). Revised KPIs can be agreed</p>	<p>On-going programme of review and adjustment</p> <p>Consultation process to become the norm</p>

Essential data and information and availability

The importance of being in possession of robust data and information cannot be underestimated in the decision making process and in the formulation, monitoring and review of an effective economic, social and environmental strategy.

Many small islands similar in size to Alderney have excellent data and information upon which to draw when key strategic planning issues need to be considered. However, it is evident that there is a shortage of such data and information available to the States of Alderney upon which firm decision making can be based. Indeed, during the consultation process, many statements were made by individuals that were not based on any firm evidence.

To overcome this, areas where it is critical that data and information should be available (not necessarily in order of importance) are as follows:

Key financial information

At one time, the cost of essential services in Alderney provided by the States of Guernsey was published both in the States of Guernsey Annual Budget and in the Annual Accounts. Publication of this financial information was suspended during the early 1990s as it was considered not to be appropriate and possibly divisive to highlight any imbalance between income generated in Alderney and costs incurred by Guernsey in the provision of

services. The accuracy of some of the costs was also questioned and indirect costs were hard to apportion.

In a time when openness and transparency is now the norm rather than the exception, there should be an annual assessment made of direct and indirect costs incurred by the States of Guernsey in the provision of health and social services, education, law and order, and other public services for Alderney. In addition, the income generated through direct and indirect taxation social security payments and other income sources generated from Alderney should also be assessed. It is important that these costs need not be accurate to the last pound.

There is a reticence not to provide such information which may reveal a significant imbalance one way or the other and which then may lead to adverse comment (jealousies) and concerns. However, that is a debatable point in this day and age.

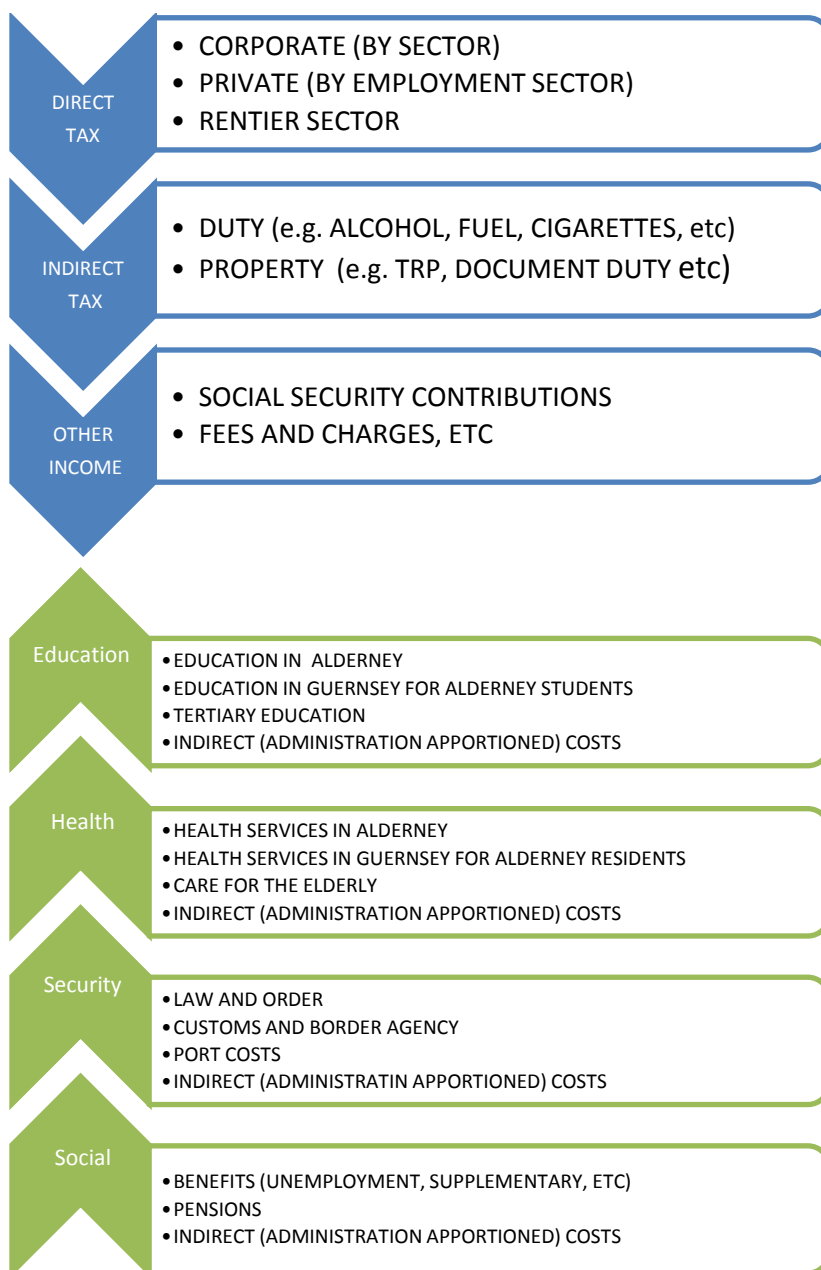
More importantly, it is incumbent on Guernsey to ensure that Alderney continues to thrive as a community in the future but it is also essential for the States of Alderney to understand fully the costs associated with the provision of essential services and the income generated through direct and indirect tax associated with the various economic sectors on the Island.

The States of Alderney can then assess if economic strategies are being truly effective in terms of tax revenue generated, economic contribution by sector, the value of the second home market, and whether there are more efficient ways of providing on-island and off-island essential services perhaps through public private partnerships and collective insurance schemes.

	Topic	Short term	Medium/long
Off-island	Health, education, law and order, social service provision and tax and social security cost and benefit	Discuss with States of Guernsey departments the need to be open and transparent on level of funding of these services by Guernsey and the level of income received by the States of Guernsey from Alderney in terms of direct and indirect taxation, and social security contributions.	Receipt of on-going data and information and assessment of service effectiveness
On-island	Health, education, law and order, social service provision Aging population	Assess whether some essential services could be more efficiently and effectively provided by public private partnership arrangements or private insurance scheme. In addition, an assessment can also be made to as to whether some services can be more efficiently and effectively provided on-island. Assess the cost implications of an ageing on-island population both to the island and to Guernsey	Consider increased provision for on-island service and facilities for elderly island residents.

The main areas of revenue generation and expenditure are set out below:

ALDERNEY TO GUERNSEY



GUERNSEY TO ALDERNEY

It should be noted that the above flow of information is generally available elsewhere between 'mother' territory administrations and dependent island jurisdictions.

Other essential data and information

The cost of living in Alderney versus Guernsey, Jersey and the UK is an important issue in terms of the future of the island's retail sector, the cost of 'doing business' in the Island, and the determination of island wages and salaries. Therefore, it is recommended that as part of the Policy Council's quarterly collection of prices that make up the Retail Price Index, a six monthly assessment be made (June and December) of the cost of a 'basket' of products and services in Alderney as compared with Guernsey. The items that make up this basket can be agreed between the islands.

It is interesting to note the following research undertaken by the St Helena Government in 2009 and a 2011 RPI bulletin.

<http://www.sainthelena.gov.sh/data/files/resources/486/2009-Household-Expenditure-Survey-Report-Executive-Summary.pdf>

http://www.sainthelena.gov.sh/data/files/statistical_news_bulletin_qtr_1_2011.pdf

Island demographic and household profile data and information that would have been collected in 2006 and 2011 censuses did not occur. While some demographic data is available through the Guernsey Social Security Department, other information including the level of qualifications and skills of the resident population, housing profile, etc. is not available. Therefore, while the possibilities of an electronic census system could be considered in the future, an on-island 'mini census' should be undertaken quickly and efficiently. An audit of what is currently collected by the States of Alderney (and utilities) should also be made to see what data is already available and useful particularly on housing profile.

	Topic	Short term	Medium/long
Off-island	Social Security data collection	Continue to receive Social Security demographic data from Guernsey Social Security Department	Continue to receive Social Security data from Guernsey Social Security Department
	Demographic and household data and information	Work closely with Guernsey Policy Council in its proposed development of electronic census system to ensure essential island data is collected on a regular basis	Obtain regular demographic data and information from electronic census system
	Economic sector value and contribution	Work with Policy Council (Income Tax) to assess value/contribution of island economic sectors	Annual production of economic sector values/contribution
On-island	Local data (e.g. property sales)	Identify important data and information that is currently collected on a regular basis and which can be analysed easily and presented in summary form	On-going analysis of such data and information
	Retail prices (shopping basket)	Discuss with Policy Council the possibility of producing six-monthly Alderney cost of living index based on a basket of key items and services.	On-going collection and production of Alderney index v Guernsey and Jersey

Demographic profile

The age profile of the Island is very skewed indeed in terms of the percentage of over 65 year olds as compared to other age groups in the Island. The percentage of over 65s is increasing. This is even more obvious when compared with the age profile of Jersey and Guernsey and to other similar small island communities.

One of the most important areas of concern is the Island's age profile and the increasing percentage of over 65 year olds within the community. Figure 10 highlights the changing profile in the ten years since the 2001 Island Census. (The 2011 percentages are based on electronic records supplied to the States of Alderney by the Guernsey Social Security Department.)

The percentage of 0 to 9 year olds has significantly dropped and now only represents around 7% of the overall population. The other age group to have fallen is the 30 to 39 age group. However, approaching one in five of the population is over 70 years of age with a similar number aged between 60 and 69.

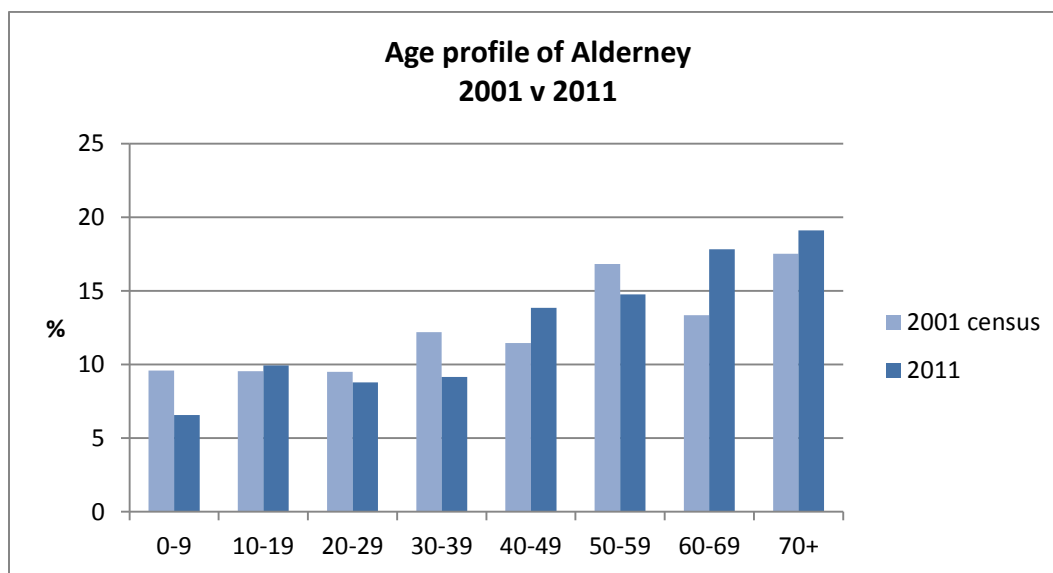


Figure 10 (States of Guernsey Census and Social Security Department data)

When the Alderney age profile is compared with Jersey and Guernsey, the differences between the islands are very pronounced indeed (Figure 11) highlighting some very important challenges for Alderney (and for that matter the States of Guernsey) in the future.

It is an interesting point to note that, in 1981, the peak age group in Jersey was 20 to 29 and over the subsequent thirty years, this peak has only moved ten years to 30 to 39. In Guernsey, however, the peak age group in 1981 was 10 to 19 but in the subsequent thirty years, the peak age group has moved 30 years to 40 to 49.

One of the primary reasons why there is a difference between the islands can be the different immigration/housing policies followed by the islands.

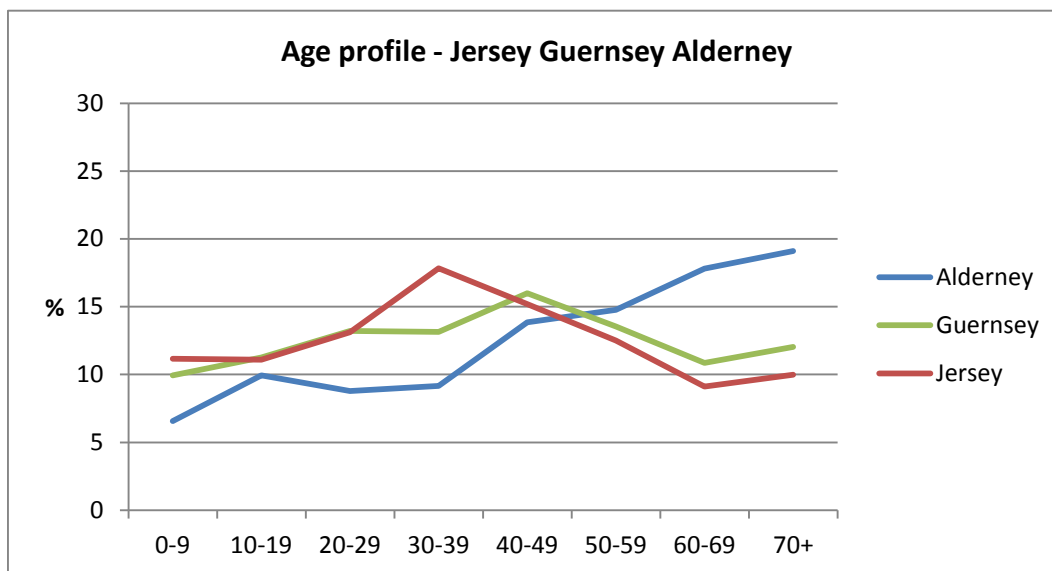


Figure 11 (States' of Guernsey and Jersey published data)

When Alderney's age profile is compared with other small island communities, the percentage of economically active versus non-economically active is very pronounced (Figure 12). It is interesting to note the Falkland Islands profile which has followed a policy of economic regeneration (and oil exploration). The profile is very similar to that of Jersey.

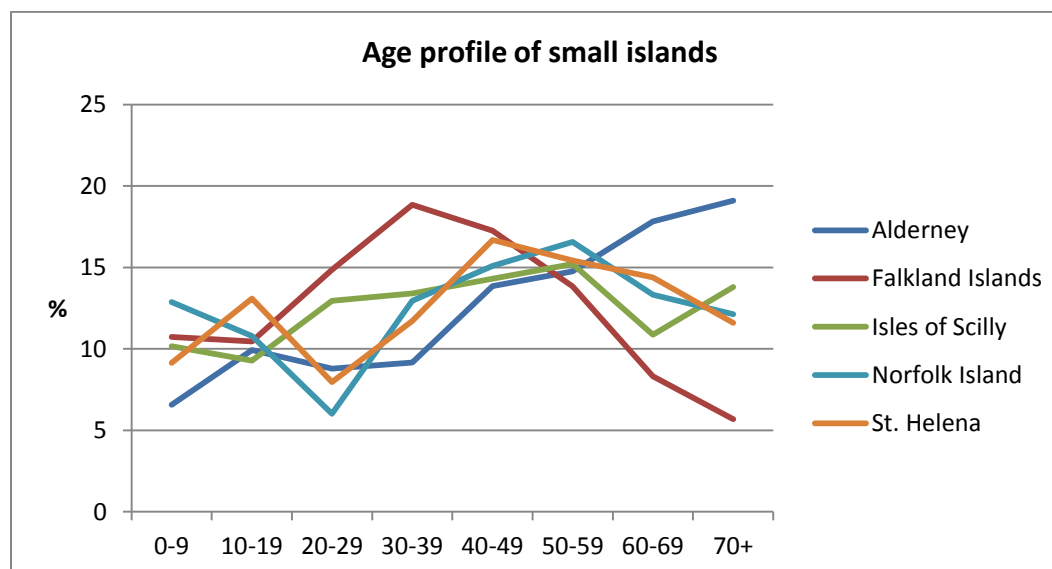


Figure 12 (Island government data)

The percentage of those on the Island that have reached current retirement age of 65 years, there was a steady increase from 1951 to 1981 after which time it plateaued out. However, this percentage has started to increase once again (Figure 13).

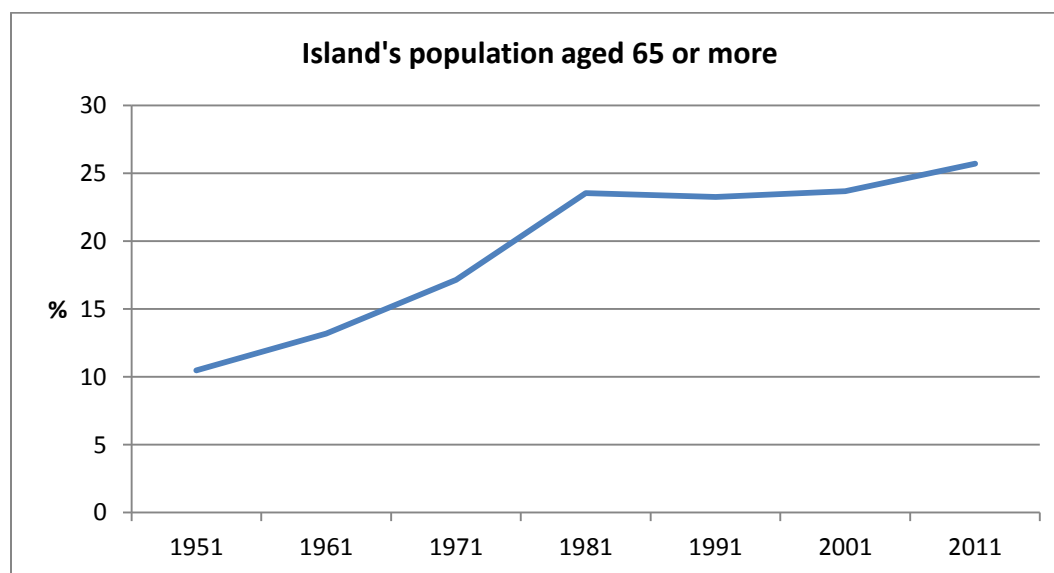


Figure 13 (States of Guernsey Census and demographic data)

As stated earlier, the Island's demographic profile and ageing population is arguably the greatest challenge facing the Island in the short and medium term. The increasing demands that such a profile will place on health and social services (and, therefore, additional costs to Guernsey in terms of on-island care and off-island support) needs to be identified. Hence the requirement to know and understand the actual costs of care provision funded by Guernsey becomes even more relevant (see page 18).

These are short term issues but, in the process of assessment, there could be real opportunities for the Island in terms of developing excellent on-island private care facilities which could encourage new businesses to set up in the Island and younger people to take up residence because of employment opportunities.

Many residents originally settled in the Island because of its environment and the friendliness of the community and the last thing they would wish is to have to leave Alderney because on-island care facilities are simply not available or adequate even though their ageing condition is not severe.

Therefore, it is recommended that consideration be given to a cost benefit analysis being undertaken on:

- the implications that the Island's ageing population will have on health and social services in the future, and
- whether there are opportunities to encourage the development of on-island care facilities which would further enhance the attraction of the Island to wealthy residents.

The provision of on-island leisure and fitness facilities could also be an important element in this assessment.

At the other end of the Island's age profile scale is the falling number of residents who are under ten years of age. Again the implications of this trend need to be reviewed in the short term particularly in the light of future on-island educational facilities and economies of scale issues. Again, this process will be made considerably easier if the costs to Guernsey of educational provision to Alderney are fully understood.

Air and Sea Transport links

Beyond doubt, the most important issue with regard to the future prosperity of Alderney (as it is for every island community around the world) is the on-going security of its air and sea transport links.

Aurigny Air Services is now the only commercial airline operating services to and from Guernsey and Southampton. Real concern was expressed during the consultation process that the Company wanted to operate a hub system through Guernsey and discontinue the Southampton link. While offering competitive air fares from UK destinations through Guernsey to Alderney is a positive initiative for visitors and residents alike who wish to travel to and from other airports in England, the link with Southampton is considered vital in terms of:

- The ability to make day return trips to London for business purposes,
- direct access to and from the UK for Islanders,
- direct access to and from the Island for visitors and second home owners,
- Islanders who do not want the inconvenience of two journeys in order to travel to the UK,

In terms of sea transport, Alderney has a two weekly freight links, Alderney Shipping from Poole in the UK, Guernsey and Jersey, which has a limited passenger facility and Huelin Renouf Shipping which also runs a weekly link from Southampton. Passenger links are provided for a limited time during the summer months by:

- Manche Iles Express which runs a high speed passenger ferry from Dielette and Guernsey from April to September.
- The Lady Maris II, which can seat 12 passengers to and from Cherbourg every Wednesday and Saturday, and every Thursday to and from Guernsey, Sark and Herm.
- The Vedette du Cotentin which carries 12 passengers to and from Dielette.

All these services are very weather dependent.

The Island's air links are absolutely critical to the future economic and social wellbeing of the Island. The vulnerability of Alderney's external transport links is also heightened by the ability or otherwise of aircraft to operate in and out of the Island due to the runway length,

the type of aircraft that can operate effectively and, above all, economically to and from the Island, and the lack of sea transport services for passengers on a year round basis due to weather/tidal conditions, and passenger volumes, etc.

Air transport arrangements in other small island communities range from island-owned operations (e.g. Falkland Islands <http://www.falklandislands.com/contents/view/116> and Norfolk Island <http://www.norfolkair.com/>) to 'mother' country/island subsidised services (e.g. Scottish Islands). While these models could be considered for Alderney, it is generally recognised that Aurigny has provided the Island with a good year-round service for over 40 years.



Courtesy: Falkland Islands Government Air Service

Therefore it is recommended that negotiations now take place with Aurigny Air Services over the introduction of a service level agreement between the States of Alderney and the Airline (perhaps initially for an eight year period) which covers security of routes, frequency of service, and ticket cost.

Such arrangements are not new in that a service level agreement has been in place for over ten years between the States' of Guernsey and Jersey and Condor Ferries which runs a monopoly passenger ferry service between the UK and Channel Islands.

In this regard, any service level agreement should also cover the re-introduction of the Alderney/Jersey connection. This is considered essential in terms of opening up better interlining services for the benefit of Island residents and visitors alike (see Tourism Sector below). The opportunity that such a service would give to local residents in terms of the retail offer in Jersey (see below), and the potential for islanders to access a wider range of health and educational (training) facilities in Jersey (which may not be available in Guernsey) is then open.

Runway length and the type of aircraft that could replace the Trilandier in the long term also need to be addressed during the short to medium term so that adequate time is allowed to address this challenge.

	Topic	Short term	Medium/long
Off-island	Security of air links	Negotiate with Aurigny regarding service level agreement covering year-round security of air links in terms of schedules and fares.	Review on-going service level agreement
	Jersey air link	Negotiate with Aurigny regarding re-introduction of direct Alderney/Jersey air link.	On-going promotion
	Aircraft suitability/Airport operation	Monitor the suitability of aircraft capable of operating in and out of the island. Maintain on-going liaison with Guernsey regarding Alderney airport operations.	
On-island	Runway length/airport terminal		Monitor the adequacy of existing runway length and terminal facilities for aircraft capable of operating in and out of the island.
	Island-managed air service	Assess feasibility of an island-managed air service possibly modelled on other small island operations (Falklands, Norfolk Island).	
	Cargo/passenger sea services	Maintain existing cargo/passenger services by sea by ensuring that there is on-going dialogue with existing operators.	

It is not considered feasible that a year round ferry service to and from Guernsey or the UK Mainland could operate unless it was heavily subsidised and the vessel was also suitable for local waters. Hence it is even more important to safeguard the Island's air links.

Tourism and Hospitality Sector

There continues to be a contraction of the Island's tourism sector which is hugely dependent upon transport links (frequency and costs), accommodation (quality and range), and hospitality (quality and range).

To obtain feedback from visitors to the Island, Island Analysis took the opportunity of interviewing just under one hundred visitors during the third week of August (2011). The breakdown by country of origin of these visitors was:

- 72% from the United Kingdom
- 18% from mainland Europe
- 10% from Guernsey

Three out of five persons interviewed were visiting the Island for the first time while the remainder had previously visited Alderney (half of whom indicated that they came to Alderney every year). Two thirds said that they were on holiday while the remainder indicated that they were visiting friends and relatives.

Average length of stay was one week with just over half indicating that they had flown directly from Southampton. The remainder had arrived via Guernsey or by yacht.

Respondents indicated that the key strengths of Alderney were the beaches and the natural beauty of the Island. All the strengths that Island residents associate with the Island are also those identified by visitors (Figure 14).

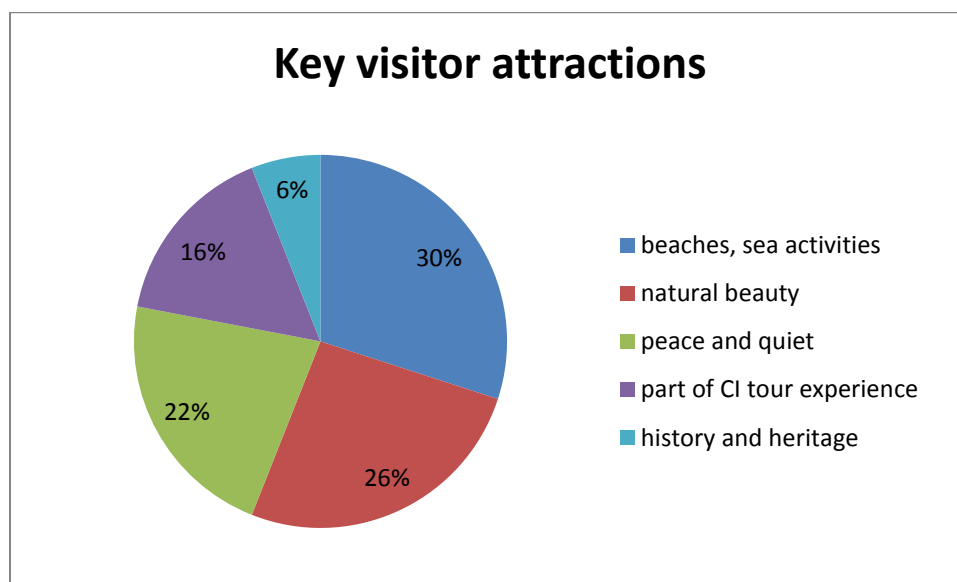


Figure 14

Areas where visitors considered improvements could be made on-island were primarily concentrated on infrastructure (unoccupied shops and buildings and the quality of accommodation) (Figure 15):

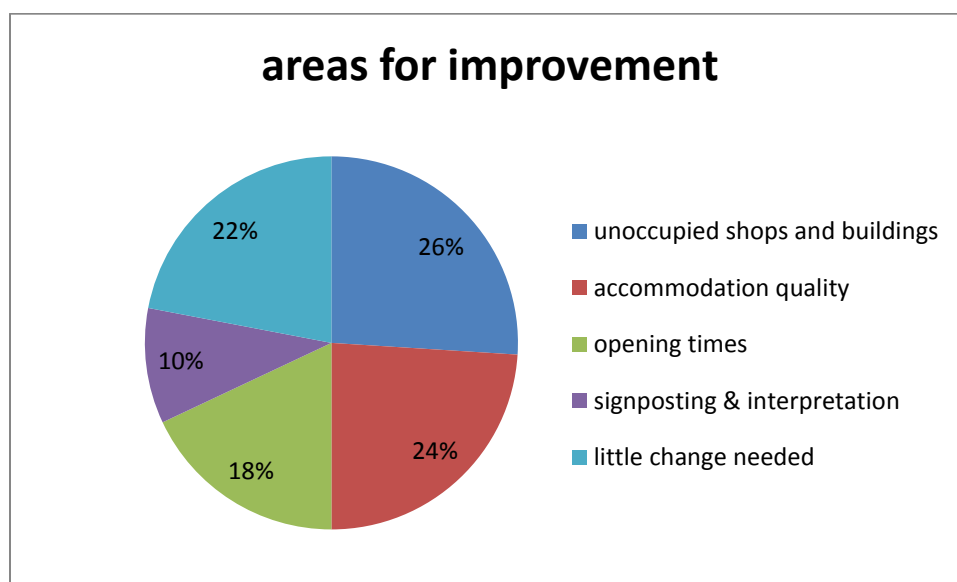


Figure 15

There were many comments made by visitors that travel to the Island was expensive and that this could be the deciding factor in whether or not they returned in the future.

Overall, visitors rated Alderney very highly indeed in terms of experience. 64% indicated that they were likely to return to the Island while 80% said they would recommend the Island to a friend.

The key strengths identified in the consultation process match those highlighted by visitors. Therefore, it is very important that these strengths are protected and continue to be promoted to target markets.

The main weaknesses (threats), however, also need to be addressed. These cover:

- the future number of tourism establishments and beds that may be available,
- the quality and range of accommodation and service that will be demanded by the profile of visitor who would be attracted by the key selling points of the Island,
- sufficient tourism infrastructure/facilities investment,
- the contraction of the retail offer,
- cost of travel to and from the Island,
- seasonality issues (e.g. key staff retention),
- external transport capacity issues.

As previously discussed, a daily air link with Jersey could open up new tourism markets in that there are far more direct links to Jersey from the UK and Mainland Europe than there are to Guernsey. Such a link would also open up short break (weekend) packages for Jersey residents.

While tourism in Alderney is likely to remain predominantly a seasonal business, there are niche market opportunities (already identified by the Marketing and PR Manager) to extend the current fairly narrow tourism season (which tends to be dominated by Alderney Week).

However, although some information is available on the current visitor market, it is recommended that the collection of tourism statistics is enhanced in 2012 (sampling basis) so that an accurate picture is available of the current market. The key information:

- breakdown of purpose of visit (e.g. leisure, visiting friends and relatives, business)
- length of stay
- accommodation type
- on-island spend and on what, and
- country of origin

should be collected and analysed. In addition, some qualitative information should also be obtained on the visitor experience.

An audit should also be carried out of existing facilities to ascertain where there are weaknesses and how these can be overcome and at what cost.

Once this information is available, then a five year tourism strategy should be developed which would set out key targets in the development of the sector including public private partnerships to help fund various initiatives.

Therefore, it is recommended that a tourism strategy is evolved for the Island which identifies short, medium and long term goals for the sector including investment in infrastructure and marketing.

During the consultation process, there was strong support for the marina project. Such a project would generate new revenue streams, provide job opportunities, and could create potential new tourism accommodation.

A marina in Alderney could encourage more yachtsmen and motor boat owners to cross the English Channel for the first time and there could be an option to provide permanent moorings for owners who wished to keep their boats in Channel Island waters. The air link with Southampton is very important in this regard. Again, with the benefit of accurate data and information, it is probable that a strong economic case could be built up. In addition there may be an opportunity for a public private partnership in the construction and running of a marina.

	Topic	Short term	Medium/long
Off-island	Tourism market liaison/development (Guernsey)	Continue to work closely with Guernsey Tourism in terms of market exposure, advertising to existing and new markets.	Continue to work closely with Guernsey Tourism in terms of market exposure/ advertising to existing and new markets.
	Tourism market liaison/development (Jersey)	Open up dialogue with Jersey Tourism so that Alderney is considered in Jersey's marketing strategy. (Direct Jersey and Alderney air link very important in terms of new markets)	Maintain on-going co-operation
	Specific marketing activity	Continue to promote Island directly to niche markets concentrating on key strengths identified.	Continue to promote Island directly to niche markets concentrating on key strengths
On-island	Market Data	Develop current tourism statistics collection to have robust data and information on visitor economy (numbers, origin, spend, length of stay, etc.)	Continue with on-going tourism data and information collection
	Existing on-island accommodation, tourism facilities, services, and staff resources.	Undertake audit of on-island resources in terms of quality, availability, etc. to assess strength and weaknesses and where investment is necessary.	Repeat audit every three years
	Tourism Plan	Develop a medium/long term tourism strategy for the island which covers markets, on-island facilities, inward investment, seasonality, employment, transport, etc.)	Implement tourism strategy

Retail Sector

There are two major threats facing the Island's retail sector - the physical number of people in the Island (market size) and the growth of internet shopping.

There is inevitably going to be a contraction of the Island's retail sector over time to a point where, apart from food and the day-to-day general provisions sector, it will be uneconomic to offer a wide range of products on the Island because of customer volumes and, therefore, market size and the costs associated with premises and staff.

In addition, the growth of online sales has been significant (In Guernsey, it is estimated that online sales have already reached the 20/25% mark of all retail sales and is still climbing.) The percentage is possibly higher in Alderney due to price and a lack of choice.

In all probability, it has to be recognised that the Island's retail sector will continue to contract in the short and medium term. Given the size of population (the market), the limited numbers of visitors, and the exponential growth of internet shopping (driven primarily by price and choice), it is likely that only essential day-to-day products (e.g. food, drink, household consumables, pharmaceuticals and toiletries, etc.) will always be available on-island apart from some other niche products (e.g. ship chandlery products).

Already, Victoria Street is reflecting the decline in the Island's retail sector and this decline has been highlighted by both residents and visitors.

Consequently, the importance of the direct air link with Southampton (one of the best shopping centres in the UK) and the re-establishment of the Jersey air link are important for residents in terms of the retail shopping experience.

Therefore, it is recommended that a strategy to 'manage' the contraction of the Island's retail sector is put in hand which takes account of the future use and location of retail premises in the Island and the range of products considered essential for the day-to-day functioning and wellbeing of the community. In addition the implications of online business on the provision of future postal and freight services should also be borne in mind.

The fulfilment sector is not considered an option for the Island at the present time given the threats to the sector as a result of current UK government policy.

As highlighted earlier, it is important to understand the differences in prices between Guernsey and Alderney particularly with regard to 'essential' products (hence the need to have regular retail price figures). With a contraction of outlets, there may be a temptation to increase prices on such products. Therefore, an understanding of the full economics of the retail sector in Alderney is necessary.

	Topic	Short term	Medium/long
Off-island	Retail prices (shopping basket)	Discuss with Policy Council the possibility of producing six-monthly Alderney cost of living index based on a basket of key items and services.	On-going collection and analysis of data
On-island	Retail Sector Review	Develop a retail strategy which takes account of current contraction of retail sector (growth of online shopping), the need for a minimum range of products on-island, etc.	Manage contraction and ensure on-going supply of essential products and at competitive prices

Employment and Job Opportunities

Just over one in three of those employed in the Island are in the private service sector which comprises a whole range of activity including retail (Figure 16). The other significant employment category is the public sector with one in five working for government.

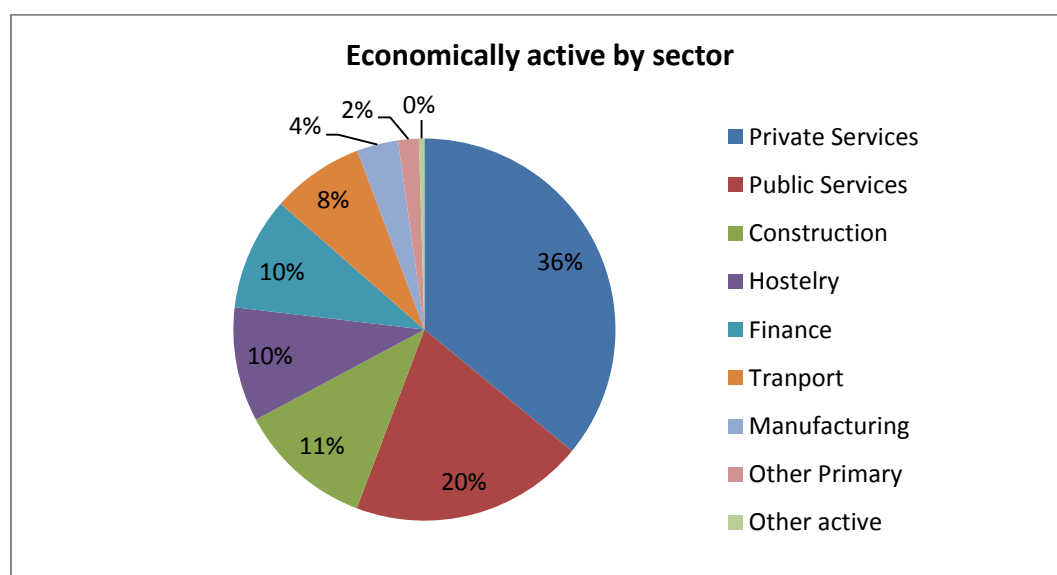


Figure 16 (States of Guernsey Census data)

The employment profile is not too dissimilar to other small island communities and, in terms of islands generally, the profile is quite diverse (Figure 17).

	Guernsey	Jersey	Falkland Islands	Formentera	King Island	Norfolk Island	Isles of Scilly	St. Helena
Agriculture, horticulture, fishing & quarrying	1	3	14	1	29	6	7	7
Manufacturing	2	2	0	2	20	3	4	5
Electricity, gas, steam & air conditioning	1	1	1	0	0	3	0	4
Construction	10	10	12	10	4	9	6	10
Wholesale, retail & repairs	14	16	9	17	10	24	14	17
Hospitality	6	9	17	45	4	17	29	3
Transport & storage	3	6	6	4	4	3	9	11
Information & communication	3	6	5	0	0	3	9	11
Finance	21	24	1	0	1	4	1	1
Real estate	1	0	0	1	1	4	7	1
Professional, business, scientific & technical	6	7	3	2	2	0	0	0
Administration & support services	4	0	0	5	2	0	0	0
Public administration	17	12	26	5	7	6	4	15
Education	2	10	0	0	5	4	5	4
Human health, social & charitable work	5	4	4	2	6	7	13	19
Arts, entertainment & recreation	1	0	0	1	0	8	0	0
Other services	2	0	2	2	2	0	0	0
Unknown	0	0	0	0	4	3	0	0

Figure 17

In terms of the Island's economy, the level of skills and qualifications of the resident population is an important area in assessing the potential diversification of Alderney's economy. The work permit system does take account of the need to consider local people first in any job request before offering employment to someone from outside the Island. However, with the decreasing number of economically active residents, the local skills base will undoubtedly be eroded over time. In addition, there are issues which relate to the employment of seasonal workers particularly in the hospitality sector where there is a shortage of skilled staff generally.

The Island's age profile clearly highlights the need for the right business environment to be created by the States of Alderney whereby the private sector is confident in setting up new businesses in the Island (and, therefore, generating employment opportunities). This will then encourage younger people to identify Alderney as the place to live and work in the medium and long term.

New business opportunities could be in the provision of back office corporate services, new tourism facilities and services, care facilities for the elderly and so on.

In addition, consideration needs to be given to a greater integration of employment opportunities between Alderney and Guernsey and vice versa. House prices are generally lower in Alderney than in Guernsey and it may be attractive proposition for Guernsey residents to live in Alderney but remain in employment in Guernsey.

There should also be a greater degree of flexibility for Alderney residents to work in Guernsey. This may encourage a number of Island residents to work between the islands whilst maintaining their 'roots' in Alderney. It is fully recognised that certain controls may be necessary but, given the potential financial burden on Guernsey of the ageing population in Alderney, a cost benefit analysis of greater inter-island employment freedom needs to be undertaken.

	Topic	Short term	Medium/long
Off-island	Job Opportunities Business development	Review current work permit system and discuss with States of Guernsey Housing Department the introduction of more flexible employment/housing policy between the islands (Guernsey Housing Control Laws current under review) Highlight cost/benefit to Guernsey of status quo v more flexible approach Continue to market the island as possible location for small businesses (back office support services particularly for CI companies)	
On-island	Existing businesses	Continue to encourage and support local business successes (e.g. e-gambling, ARE. etc.)	Continue to encourage and support local business successes (e.g. e-gambling, ARE. etc.)

Voluntary sector and contribution

The Island's economy, social infrastructure and environment is greatly enhanced by the voluntary support to many services provided by Islanders. This is a feature of many small closely-knit communities and, to some extent, is one of the benefits of having a large retired community who have the time, energy and often the expertise to offer their services free of charge.

It is important, however, to be aware of which essential services are heavily dependent upon the voluntary sector as any contraction of such services could have major implications on the quality of those services and the cost of provision.

Projects in hand

There are a number of very positive elements of the Alderney economy at the present time which can be identified as success stories (e.g. E-gambling) or which could well be of real economic benefit to the Island in the future (e.g. Alderney Renewable Energy). As the necessary regulatory systems are in place, there is no reason why there needs to be any intervention in these initiatives at the present time.

Likewise, while there was some scepticism expressed as to whether the Fort Tourgis project would actually proceed, again, given the scope of this review, there is little to comment upon with regard to this project at the present time until it is clear what will actually materialise.

Land use and Housing

While the current land planning system did receive some criticism, it appears to have been generally effective over many years in controlling development and protecting the natural environment. The need for affordable housing for younger households is being addressed. However, the Island continues to have a large stock of empty properties which are either for sale or not occupied at all.

This is an issue which can only be resolved through increased economic activity and immigration.

The second home market in Alderney is an important revenue generator for the Island and provides employment opportunities in a number of sectors (retail, construction, hospitality etc.). However, it is a very seasonal market and it could be argued that it is not good use of an element of the Island's property pool which remains empty for a number of months each year.

The number of unoccupied dwellings in the Island at the time of each census has remained constant at between 200 and 300. However, if this is the current figure, then this represents nearly 20% of the overall housing stock.

Comments made by several residents indicated that the number of empty dwellings had increased in recent years.

As stated earlier, the economic benefits of this 'sector' to the Island in terms of revenue generation should be assessed. However, data and information is required hence the recommendation that a 'mini' census be undertaken.

7. Economic Strategies in Small Islands

Island Analysis has assessed a number of other island communities which are similar in population size, economic profile, and culture to Alderney. These include some of the Scottish islands, a couple of small islands in the Caribbean and two islands in the Mediterranean. However, the four which have been specifically reviewed include the Scilly Isles (population 2200), Falkland Islands (population 3100), St Helena (population 4200), and Norfolk Island (population 2100).

One of the main reasons for this selection is that all four have produced or are currently working on Economic Development Plans/Strategies/Frameworks which are at different levels of completion and which contain a lot of common issues that Alderney is about to consider.

All four island communities need to develop their economies but each has its own unique challenges. Hard copies of each of the island's strategy documents have been submitted to the Chief Executive but relevant links are included below.

St Helena

The primary economic focus for St Helena in the next few years is substantial growth in its visitor economy. The British Government has confirmed that it will fund the development of an airport on the island which will transform the island's economy in the future and lead to far greater self-sufficiency. It is estimated that between 500 to 700 new jobs will be created and it is anticipated that there will be a 20% increase in the number of businesses operating on the Island. (Currently, well over £20m is spent annually by UK government in supporting St Helena's economy and public services.)

However, private sector investment in the infrastructure is essential particularly on new high quality tourism accommodation and facilities.

It should be noted that over a period of ten years the Island's population declined by nearly 20%.

<http://www.sainthelena.gov.sh/data/files/edp.pdf>

Norfolk Island

In October 2011, Norfolk Island's Chief Minister announced that an independent Socio-Economic Development Study for Norfolk Island will be undertaken.

The aim of the Norfolk Island Economic Development Strategy and Action Plan is to:

- Provide a comprehensive and up-to-date understanding of the total economy of Norfolk Island.

- Create an environment conducive to tourism and other business and industry development, attraction and retention.
- Support existing business and industry as appropriate.
- Encourage competitive, sustainable and innovative business, industry and work practices.
- Encourage positive partnerships, effective business networks and alliances.
- Co-ordinate the promotion/marketing of whole-of-economy activities on Norfolk Island.
- Enhance complementary public and private sector planning in relation to the economy.
- Plan and facilitate economic development.

The strengths, weaknesses, opportunities, and threats identified during community workshops early in 2011 are very similar indeed to those identified in the Alderney consultation process. Primary concerns for the Island include (ageing population, lack of employment opportunities for the young, cost and vulnerability of air transport, no passenger services by sea etc.)

http://www.sustainablenorfolk.com/images/Norfolk_Island_Community_Economic_Transition_Plan_Oct_2011WithoutAddressesWeb.pdf

Falkland Islands

The Falkland Islands' government is following a staged approach in the development of an economic strategy for the islands.

In 2009, Part A described the islands' industry as at present. Part B of the approach sets out a timetable for economic development over a ten year period. The government has now sought comments from both business and the community on this document which will then be used as the basis for an economic action plan.

[http://www.falklands.gov.fk/documents/Economic_Development_Strategy_Part_B_\(Consultation_paper\).pdf](http://www.falklands.gov.fk/documents/Economic_Development_Strategy_Part_B_(Consultation_paper).pdf)

Scilly Isles

In 2009, the Cornwall Development Company prepared a 'Penzance and Isles of Scilly Strategic Investment Framework' which would guide the use of European Development Funds available to both communities. Around £10m was expected to be available from the Fund (£3m of which would be earmarked for the Isles of Scilly).

One of the primary objectives of the Framework was to unlock the economic potential of the islands both to safeguard the existing economy and to put in place infrastructural requirements to increase competitiveness and to develop a

knowledge based and high value added economy. This would hopefully lead to a comprehensive and sustainable long term regeneration of the islands.

Another objective of the Framework was to attract private sector investment in the form of partnership arrangements.

<http://www.scilly.gov.uk/environment/economicdev/default.htm?showpage=-1>

The most important issues relevant to Alderney arising out of these four examples of island case studies are:

- Alderney is not unique in the challenges that it faces with regard to economic development and sustainability. Many other islands of Alderney's size in addition to the above could have been identified as having similar challenges to face.
- Unlike Alderney, the islands covered above already have very good socio-economic data available upon which to draw. The lack of data and information on Alderney is addressed in this report.
- Alderney's economy and infrastructure can be regarded as the most evolved/mature of the islands listed above. However, it is important to monitor the progress that is achieved on the four island selected as case studies.
- Other island governments are recognising the importance of engaging with the local community in the implementation of an economic strategy.
- All the four island communities have had and continue to receive substantial support from their 'mother' countries. However, the level of support is open and transparent unlike the current situation which applies between Guernsey and Alderney.
- Alderney has some real advantages when compared to the island case studies above as well as to other islands. These include:
 - its close proximity to other islands with strong economies (Guernsey and Jersey) and to mainland markets (e.g. for tourism, second homes, etc.);
 - its good infrastructure (quality of housing, public buildings, utilities, roads etc.) as compared with many other small islands;
 - the renewable energy initiative.
- Many economic development initiatives in the future will need the support of the private sector in terms of investment and partnership arrangements as public funds will be limited. Such support may only be forthcoming if there are government incentives in place (grants, tax breaks, etc.)
- It has been recognised that government's role is to ensure that there is the right island environment within which to do business. It is the private sector's role to generate economic activity.

8. Conclusions

Alderney faces real challenges primarily due to economies of scale, its vulnerability in terms of air and sea links, and its current demographic profile. Despite these issues, the Island has thrived and has attracted inward investment. On the other hand, economic conditions worldwide are going to worsen at least in the short term and the Channel Islands are not going to be immune to the ramifications of an economic slowdown.

The States of Alderney needs data and information if it is to take some key decisions on the Island's economy. At the present time, such data and information is not available.

Opportunities do exist (e.g. a marina development, niche tourism, on-island care facilities) and there are some real success stories (e.g. E-gambling). In addition, ever greater dialogue with Guernsey (and Jersey) will be important as, increasingly, a Channel Islands' solution to problems could become the norm.

Finally, the implementation of successful economic, social and environmental strategies in other islands has been achieved primarily as a result of regular two way contact and communication with island residents. This undoubtedly should be integral part of a long-term economic plan for Alderney.

9 Consultation Process

An extensive consultation process has taken place during the last three weeks of August and first two weeks of September with Alderney residents and visitors to the Island. To date, just under 100 residents and interested bodies have expressed their opinion either during face-to-face interviews or by submitting an online or written responses. A further 100 visitors were questioned during the third week of August to obtain their valuable feedback on the island.

In addition, the Island's business community is currently being surveyed using the offices of the Alderney Chamber of Commerce. The results of this research will be included shortly.

Resident Feedback

Profile

The age range of respondents was as follows (Figure 18). 57% were male and 43% were female:

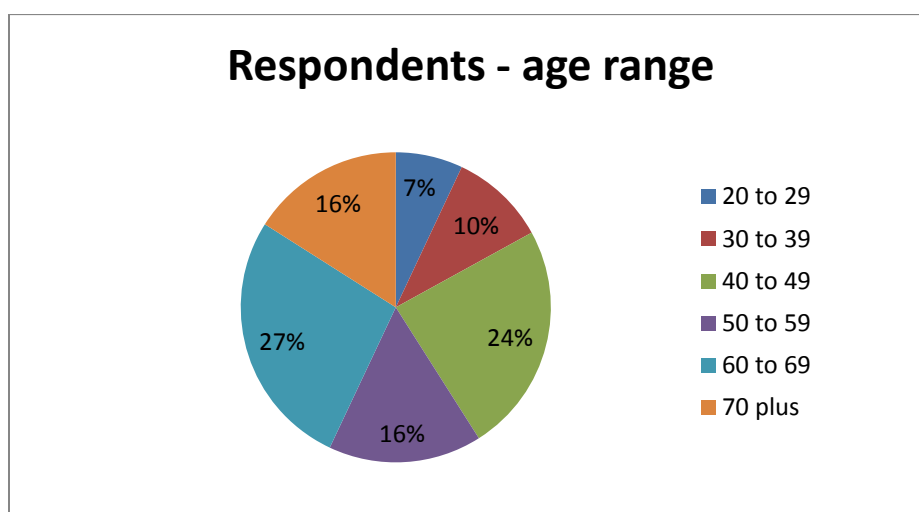


Figure 18

The age profile of Alderney residents who contributed to the consultation process was very similar to the actual age profile of the Island's population (Figure 10). Two thirds were in employment with one third either retired or not in employment for some reason (e.g. housewife/husband, etc.). Half had been resident in the Island for more than twenty years, a quarter had been resident between five and twenty years while the other quarter had been resident for less than five years.

Feedback

The following is a summary of the strengths, weaknesses, opportunities, and threats as identified by those who were interviewed or who submitted written/online responses. Where possible, the responses have been categorised.

Strengths

Social

One of the most important strengths was the friendliness of the Island community. (This was also rated very highly by visitors to the Island who commented on the Island's friendly and welcoming people who placed a 'high price' on their small community.)

While many services in the Island were heavily reliant on voluntary support, this reliance was described as a real strength rather than a weakness. The library, lifeboat, fire service, and Alderney Wildlife Trust were among the organisations identified which depended to a great extent upon volunteers.

Health and education services were very well regarded given the smallness of the Island. The Mignot Memorial Hospital and the Island school were described as a positive asset to the Island as was the level of care generally. There was acceptance that Guernsey had to provide these services.

Low crime levels were important and residents felt very safe. Indeed, a number of newly arrived residents were of the opinion that this was one of the main reasons for retiring (settling) in the Island.

Islanders had access to supermarkets, butchers, fish mongers, newsagents, fuel stations, supermarkets a post office and two high street banks. Again given the size of the Island, this access issue was seen as a further strength.

The quality and range of restaurants was considered to be good.

Economic

Island residents were subject to low direct and indirect taxation levels which made it an attractive location for wealthy individuals who could also enjoyed the way of life on the Island.

Alderney had an airport and harbour as well as a modern road, water, electricity, telecommunications and sewerage infrastructure, all of which were considered to be above the level which an Island of Alderney's size could realistically expect.

E-gambling was considered to be well regulated and had been of significant benefit to the community as a whole.

Given the numbers of skilled employees on the Island, the quality of building work was considered to be of a good standard.

Alderney had regular flights to and from Guernsey and Southampton the latter of which was a vital service to tourism and residents alike.

The Island shared both language and currency with the United Kingdom making it a hassle-free tourist destination.

Alderney had an untapped wealth of retired experts with experience, knowledge, and time to contribute towards Alderney's economic development.

Environmental

The Island possessed some very important sites of environmental importance.

The coastline and beaches were highly regarded. Indeed, some respondents rated the beaches in Alderney as the best in the Channel Islands.

The history/heritage of the Island was considered to be one of its key assets particularly given the size of the Island.

Weaknesses

Social

The shortfall of secondary education facilities on the Island was perceived to be a weakness. Currently, Guernsey had to make up the shortfall and this caused some stress within families when students had to go off-island.

While there were no official statistics available (in the opinion of respondents), it was the view of many islanders that the population of Alderney was rapidly aging and declining in number.

The difficulties of not being able to travel off the Island (weather, cost, etc.) were perceived to be a problem for some.

Economy

In relation to average wages, housing in the Island was considered to be more expensive than in the other Channel Islands.

The cost of living was considered to be much higher in Alderney than in Jersey and Guernsey.

A large proportion of people of working age in Alderney were in low-skilled, low-paid jobs.

It was a major concern of many respondents that there were too few employment opportunities for school leavers, graduates and settlers to Alderney.

Residents of Alderney were not allowed to work in Guernsey without a valid housing licence and Right to Work document.

The lack of a regular passenger ferry service was raised by a number of respondents. However, there was an appreciation of the viability of such a service.

The Island was too dependent upon the E-Gambling for the funding of important capital projects.

A number of respondents were sceptical that the Fort Tourgis project would ever materialise due to costs and lack of potential income.

Apart from some exceptions, visitor accommodation was not necessarily of the right standard given the type of tourist the Island was trying to attract.

The tourism season was considered too short and too reliant on Alderney week.

Airfares were considered to be high thus putting off many potential visitors from coming to the Island even though they were very keen to visit.

The level of TRP was 'crippling' for some businesses on the Island. However, it was recognised that this must be the same in Guernsey.

Retail closures were a real problem for the Island with the growth of internet shopping.

Environment

Planning legislation made it difficult for property owners to make minor improvements to their properties.

A number of respondents considered that there was a large amount of public land that was poorly managed.

Visitors remarked on the lack of signposting and interpretation.

Government

Many respondents (mainly in face-to-face interviews) felt that the current relationship between the islands was detrimental to Alderney's future and that it needed to be reformed or strengthened.

A lack of constructive on-going dialogue and communication between Island politicians and residents was perceived to be a major weakness in the system. With better communication, there would be a greater understanding of issues both positive and negative.

It is felt that there was a lack of continuity between the terms of elected representatives.

Some Islanders were concerned that States of Alderney policy was too heavily influenced by special interest.

There was no little official data produced by the States of Alderney with which to inform policy.

The number of civil servants per capita was considered to be high by

several respondents who were also of the opinion that many were under-qualified and inexperienced.

Opportunities

Social

The need to attract high net worth individuals to the Island who bring with them purchasing power and, therefore, employment opportunities was considered to be very important for the future of the Island. However, this was also felt to be a weakness in that such a policy would create more empty homes on the Island and reduce the housing stock for residents.

The benefits of being able to purchase property on Alderney without restriction was a positive attribute for the Island and should be promoted together with the benefits of living on the Island.

Economic

Businesses with low staffing requirements should be encouraged to set up 'back office' facilities on the Island.

Alderney Renewable Energy could be a real benefit to the Island and a future provider of substantial capital funding opportunities.

There was significant support for the development of marina facilities. Alderney was very well placed to attract cross Channel yachtsmen as a first port of call into Channel Island waters.

A number of respondents were of the opinion that Alderney residents should have the freedom to work in Guernsey. This would open up new opportunities for residents and if a work permit system was reciprocal, it could encourage companies to open up in Alderney with Guernsey residents moving to the Island to work.

There was much comment both positive and negative on the proposed Fort Tourgis redevelopment project. However, there were a number of respondents who felt that there were real opportunities for the structure such as a University of Oceanography, a language school or high quality apartments.

A cable link to France for power import/export and a fibre-optic cable should be constructed to encourage online business and data centres to Alderney.

The Alderney/Jersey flight should be reinstated to re-establish Alderney's relationship with that island.

The potential to extend the tourism season with greater promotion of niche markets (e.g. private pilots, anglers, bird-watchers, star-gazers and walkers, etc.) could be a possibility.

Environmental

Several respondents considered the exploitation of the Island's wave and tidal resources to generate renewable energy for use by the Island was a

potential export for the Island in terms of knowledge know-how.

Threats

Social	<p>In the absence of incentives for younger families to remain in/relocate to Alderney there will be limited means of funding an aging population.</p> <p>Many respondents felt that there needed to be a policy on immigration to help protect local interest while encouraging economic growth.</p> <p>The lack of training opportunities on the Island could hinder productivity and therefore economic growth in the future.</p>
Economic	<p>The most commented upon potential threat was the vulnerability of air links to the Island particularly the loss of the Southampton link. The Trilander had a finite life but was inexpensive to maintain and operate. New aircraft types (of which there were only two or three suitable for Alderney) would be much more costly to operate (increasing airfares even more). Runway length could be an issue in the future but the cost would have to be borne by Guernsey which may be reluctant to release the funds needed.</p> <p>Failure to attract new business would result in fewer employment opportunities and further incentive for those of working age to emigrate.</p> <p>Financial support for capital projects currently provided by the E-Gambling could be under threat if this sector moved elsewhere due to regulation and legislation in other countries.</p> <p>Further shop closures in St. Anne were considered inevitable as a result of TRP and the growth of internet shopping.</p>
Environment	<p>There were views expressed that the Island Planning Law was out-dated and could restrict the development of new facilities if there was need for offices and residential premises (particularly two bedroom apartments for young people).</p> <p>Some respondents felt the loss of the Island's greenbelt would negate why people chose to move to/remain in the Island.</p>
Government	<p>There was a perception that the current political structure lacked continuity, consistency and direction and that forward planning would be difficult to maintain any momentum.</p>

Examples of quotes from respondents are set out below. Overall, these capture the views of many. (The comments are unedited.)

- It is a lovely little island with a good sense of community, and friendly residents. Very much like the UK used to be - if that appeals. Climate is good and it is a nice place to live if you like peace and quiet, and can live with the limitations.
- Alderney is like a village used to be 50 or more years ago. Most people are very honest. Very few rowdy people.
- The quality of life is tremendous. Safety is a big factor for all ages. The island needs to encourage more skilled residents. These could be internet or perhaps cottage industry linked to the tourist trade.
- There are too few people on the island - residents and tourists, so facilities are limited. Having said that, too many would spoil it. I would estimate a further 300 residents would be about the max. And there is no need to build a lot more houses, but we should re-furbish the derelict ones.
- The public are not encouraged to participate in local government, and are not allowed to ask questions at the monthly Peoples meetings unless they are directly aimed at specific agenda items. A general question and answer session would be of advantage to public and Government. I suspect that this is largely due to a feeling of insecurity amongst States members, who are often asked to do things for which they are neither qualified nor trained. They do not limit themselves to policy making but get involved in the "doing" as well.
- We should consider fewer politicians and more, qualified, civil servants. Alderney is a small island and should be able to simplify things.
- A larger full time population is needed if we are to sustain our current retail and social framework. Energy and transport costs are becoming a critical factor.
- The populace lacks any direction from the Alderney States. They stay silent on many issues that worry the population. They have said nothing on Aurigny's decision to decrease flights to the Mainland. Going via Guernsey means losing another day, at least, when travelling. Most residents will have to factor in a night stop in Guernsey to make sure of connecting with UK flights.
- A long term strategy for Alderney - properly and publicly debated and agreed is needed and should not be capable of basic changes within its 'lifetime'. I suggest AT LEAST 5 years (as with the Land Use Plan) and subject to scrutiny by an independent body. The Economic Plan must address ALL aspects of the Island.
- Alderney is a fragmented part of the Bailiwick of Guernsey which understandably, means our needs and desires are seen as less priority to those of Guernsey and being a democratic regime our two vote voice will never be powerful enough. Having stated this we do enjoy health, education and social services way above what this little island could afford as we now are.
- The Marina, Back Office facilities for Financial Institutions, the Development of Fort Tourgis, E-Gambling Companies, and Data Centre Facilities are all important.
- Sustainable energy, Alderney produce, Tourism focused to specific groups and organisations. Long weekend out of season breaks at affordable prices. A well designed

Marina. Making much more of island history, heritage and adopting a fun approach to our history where suitable.

- Links with France. A location for internet based business selling intellectual products (accountancy, data base, software). A marina will bring work and also the airport could be developed to attract further residents with their own aircraft. A good Spa hotel offering year round pampering and relaxation away from the world.
- Both governments need to be more responsive and improve public consultation. Alderney States has no forward plan - and when it did have one it largely ignored it. It should be a living document which is part of the annual budgetary process, and the public should be allowed to see progress. And be allowed to query it at the monthly peoples meetings.
- Falling population (Full-time residents) puts pressure on our retail sector due to increased costs. The aging population also increases demands on the support services with less able-bodied people available. Transport and energy costs are becoming a major concern.
- Probably insufficient economic spread. Gambling great for island but other jurisdictions may fight back. Little new business to be attracted unless transport improved.
- School leavers tend to move to Guernsey/Mainland to continue their education. They rarely return which means we will eventually have an island of old age pensioners.
- Lower transport costs. Ferry Service. Lower electricity.
- A 'visitor centre' at the harbour in the old customs house with guides, opening times, island history and events.
- Things to do and see when it's wet and windy. Open shops with a good range of stock at competitive prices. Encourage the residents and businesses to turn Saint Anne into a visitor experience with flower tubs and hanging boxes etc. This could be achieved by an annual cup/prize. Bunkers and forts open to the public.
- Better signage, longer retail hours, particularly in summer e.g. end half-day closing.
- I believe the economy of the Island could be much improved by better utilisation of its resources, historical/environmental and natural so that commercial viability and progress was integrated.
- There is far too much self-interest evident in business and the government.
- Training for island school leavers so that less skills have to be 'brought in'.
- Self-interest being allowed to block consistent beneficial goals for the overall benefit of the island. Lack of openness and clear policy guidelines for government. Poor understanding of opportunities for improved viable self-sufficiency.