SOS Jersey, Beacon Hill, La Grande Rue de St. Clement, Jersey, JE2 6QQ
Tel: 01534 853356 mobile: 07932 682717 email: mgkdup@gmail.com

27 February, 2015

Deputy J.A.N. Le Fondré
Chairman
Corporate Services Scrutiny Panel
Scrutiny Office
Morier House
St. Helier
JE1 1DD

Submission to the CSSP by SOSJersey in respect of the Jersey International Finance Centre Review.

Background – Save Our Shoreline Jersey ('SOSJ')

SOSJersey is the non governmental agency in Jersey which speaks up for a fragmented disenfranchised number of people within an otherwise apathetic island community. Its interest in this specific matter arose originally from environmental concerns but, in the course of investigating these, it became clear that they were closely entwined with questionable governmental procedures and use of political power combined with lobbying from the commercial and industrial sectors. All of these were playing out a game hidden, for the most part, from the eyes of the public. As with other issues it has taken up, SOSJersey took it upon itself to seek out the truth about what was going on in relation to the JIFC and use its well established access to the public in order to create more awareness. SOSJersey's specific, largely technical, environmental observations and comments relating to the construction of the Jersey International Financial Centre ('JIFC') have been addressed separately in its submission to the Environmental Scrutiny review running concurrently with this one. The following comments relate to its other concerns.

The real issue being reviewed by the CSSP

The CSSP review is nominally about the JIFC. However, in its review the Panel will have to investigate, record and report on the facts surrounding the commissioning and operations of JIFC and SOSJersey believes that, in doing so, they will lay bare the symptoms of a much larger underlying malaise which are the cause of many of Jersey's other problems. SOSJ's observations on these are set out below.

Clarification of CSSP's remit

The first point of the CSSP remit, covering the question as to the socio-economic assessment of the proposal is the central issue; the other points are the steps that need to be taken in order to arrive at this assessment. However, before even the socio-economic assessment itself can be addressed, the question as to which 'Masterplan 2008 for the Esplanade' is the relevant one.

Does the matter Scrutiny is to investigate relate to the original '2008 Masterplan', the 'Revised 2008 Masterplan' or, as the title of the brief would suggest, just that part of the 'Revised' 2008 Masterplan' relating to the creation and development of an IFC per se?

Background to 'financial appraisals'

Back in 2007 / 2008, the island's government investigated, planned and consulted the public extensively on the Waterfront development project and agreed it subject to one critical element, the financials. It might be argued that, since the development would delivered by a third party and the financial return guaranteed by the latter, there was no need. However, a plan was prepared by external professionals which, it is believed, indicated a £50m loss. The States Treasury Minister at the time committed to releasing this plan to the States Assembly. The whole plan then fell into abeyance. It was not formally revoked by the States Assembly. The financials were never published but the general impression left with the islanders was that they would not justify the resurrection of the original 2008 Masterplan.

IFC – the concept and the 'Revised 2008 Masterplan'

Three years on, following the Harcourt debacle and reflecting on a spectacular period of growth in both the Jersey and worldwide finance industry which had created a large financial surplus for the island and plentiful money in the bank, the finance industry lobby and the States Treasury Minister developed the concept of the IFC. A massive investment in a complex of modern office blocks would (along the lines of the financial centres in Singapore and Dubai, but without the architectural finesse) would attract new business, accommodate the next boom and make 'millions' for the island. The proposal was so obvious and, in his opinion, so much in the interest of the islanders, that he and his colleagues did not consider that this huge project (six, five storey office blocks) needed to be approved by the States Assembly. That 'offices' were included in the States approved original mixed development 2008 Masterplan implied that the whole IFC concept and development needed no further approval and it seemed obvious that it should be prioritised over any of the other buildings or infrastructure construction within the mixed development plan.

Transfer of the IFC project from the public arena into SOJDC

The vehicle to be used for the implementation of this task, SoJDC, was already to hand. It had already been tasked with developing the Waterfront whose valuable land (the Esplanade Car Park alone estimated at more than £50m) had been transferred to it gratis and had been amply supplied with the money (£20m) to kick start its work. Part of the justification for its formation had been to relieve the States Assembly from its time consuming burden of having to deal directly with the excessive minutiae of the many States developments that were brought to it, although it is highly questionable as to whether this development should have been considered as such. But, most importantly, having been set up as limited company with the States Treasurer as its sole controlling shareholder, SoJDC effectively operated outside the Assembly controlled States budgeting and financial planning systems. In a final touch, so as to avoid any awkward questions that might be addressed to the company, the very reasonably sounding argument that SoJDC was unable to divulge any information due to its 'commercial sensitivity' was employed. This argument has regularly been employed so as to avoid providing even the most basic forward projections of the company's total projected profits and their phasing – information that could in no way whatsoever be worked back by competitors to reveal 'sensitive commercial data' being used for negotiating purposes on a daily basis (See Note 1).

Summary of situation

Thus a huge project involving millions of pounds investment, containing significant risk factors, occupying a large and very valuable States owned landsite and by its very nature impacting directly on the environment, housing, education, transport, tourism and the fundamental question concerning the diversification of the islands economic base was deemed to have been ‘approved’ without going to the States, effectively removed from all the States formal financial planning reviews due to its ‘statutory legal entity’ status and has managed through a fallacious Treasury supported argument to deny the States or the public any information apart from vague, piecemeal, constantly moving and general statements as to its future prospects. Since the project is backed by the Chief Minister, even those who are known to have their doubts about this matter are ‘forced’ to follow the one ‘party’ line.

This plan, apparently backed by a firm of consultants (remunerated handsomely by the Treasury) was accepted and agreed by the COM and sprung into action unnoticed by the public at the beginning of the summer holidays 2013 when a planning application from a Mr. Lee Henry appeared in the Gazette for the first of the six buildings. The COM had given birth to the 'Revised 2008 Masterplan'.
It emerged that the six office blocks were to be situated on the Esplanade Car Park site and the rest of the site contained in the original 2008 Masterplan including the sunken road providing the connectivity to to old part of town was simply left to rot on the vine.

So, what should the CSSP be reviewing? The Treasury Minister would assert that it is the original 2008 Masterplan that is being followed indicating that this is what the CSSP should assess; this is clearly nonsense since the Treasury Minister has neither updated the architects plans for the whole Waterfront development nor the (unseen) financial plans nor has he re presented either of these to the States Assembly in line with his predecessors guarantee that no work would commence until this was done. If the Revised 2008 Masterplan is to be assessed, where are the plans and financials for both the Esplanade Car Park site and the rest of the Waterfront site? Surely a 'Revised Masterplan' by its very nature warrants States Assembly agreement as well? In either case, it could conceivably happen that the States, in the light of changed worldwide economical and tax harmonisation developments and local population growth or simply, other reasons, revoke the whole original Waterfront plan concept and plump for a better alternative that, maybe, would be at odds with building offices on the Esplanade Car Park. Finally, the concept of the IFC itself, its financials and its absolute need to be situated on the Esplanade Centre hasn't been proposed to or agreed by th e States Assembly. Maybe there are better solutions (including helping the private sector to take over the risk? How can this be assessed?

From all the above it can be seen that the facts about what actually occurred at, and has occurred since, the creation of the original 2008 Masterplan have been selectively referred to and cleverly manipulated by both politicians and government departments so as to justify ongoing developments in the saga as and when found necessary. Thus, the first task of the CSSP is to go back and establish all the relevant 'facts' (not opinions) and, to do so, it must ensure that it undertakes a fundamental review of all the documents, data and other evidence (and its timing) relating to the whole question surrounding the IFC development. With such a long elapse time, it may be considered that some factual evidence (e.g. statistics) may now be outdated and require updating. However, only once the fundamentals are established can a clear picture emerge.

All the above illustrates a chaotic system of government capable of being manipulated easily by those who chose to simply ignore the States Assembly and the Public. This is the real issue at stake. It is no wonder that everyone in the island is totally confused as to what is happening.

What should have happened?
Let us, for the sake of argument, accept that, in 2011, the Treasury Minister and his colleagues had worked up a brilliantly amazing plan that would call for the need to engage on a mega building project situated on the Esplanade Car Park and that, although they had calculated and taken into account the potential risks to the finances of the island, it still appeared to be a very viable project, surely one would have expected the story to have taken up where it was left off five years previously taking the following steps:

- The original Masterplan 2008 would have been resurrected.

- The original (unapproved but available) financials for the whole Waterfront plan would have been dusted off.

- If appropriate, the 'revisions' to the original plan for the building of offices and its financials would then have been substituted by a 'Revised' Plan' for the Esplanade site together with its revised financials so as to form a Revised Waterfront Masterplan including the updated financials for the approval of the States Assembly. The proposed spending plans would also have been compared against other urgent projects on an NPV and social impact basis.

This has not happened and the Assembly and Public have neither a comprehensive revised plan for the whole Waterfront nor any financials in relation to any part of the plan whatsoever.

Recommendations

- Our strong recommendation is that the whole project is stopped in its tracks pro tem (unless there really are tenants for Building no 4).

- A team of independent (Note 3) Jersey residents should be formed to consider what the true requirements of the island are in terms of major projects and prioritise them accordingly having taken account of the potential funds and other resources available.

- The team should then consider the benefits and disadvantages of all potential alternative scenarios and compare them (eg IFC vs Hospital vs Housing etc)

- Their proposals should in due course be presented to the States.

- Should this or a similar project be implemented in the future, it should be headed by a Project Leader (Note 2)

Notes
1. 'Commercial sensitivity'
Financials in respect of the revised office building plan have been specifically denied to the Assembly and the public on the basis of releasing 'commercially sensitive' data. Whilst SoJD acting as a developer will not wish to be put at a disadvantage in the market by having to disclose such data, this term has been used to deny all financial data (with the exception of the Statutory Accounts) to the Assembly and Public. This argument has been too easily accepted and should be vigorously challenged. SoJDC should, as with all other States departments, be requested to place its financial data (outline budgets, planning and other forecasts) before the States assembly with the sole exception that it can reasonably demonstrate that the release of certain data could damage its commercial prospects. For example, it would hardly be possible to calculate back from a total profit forecast for a specific year what rental rates it was planning to offer. Yet, States Members would be very interested to know the amount of budgeted and forecast profits in £m for

the ensuing years in order to see if and when SoJDC would commit to and make itself accountable for delivering an acceptable return.
We would strongly recommend that the onus be put on SoJDC to prove why it should not release key data if requested by Scrutiny.

2. Project Leader
In recent years, in the absence of any overall financial data being made public combined with the lack of any States approval for any revised plans, power to authorise any go ahead has been delegated to the Planning Minister who has become the final arbiter. If the Planning Minister approves a building application, it appears to be assumed that all is well and the whole project can proceed. However, a proper Masterplan consists of several parts such as financials, transport, environment, housing, health and so on. In any normally functioning organisation, all these parts would normally be co ordinated by a project leader who would, when all the boxes were ticked, seek formal approval to proceed to the next stage of the project. For a project of this size, one would have expected a presentation to be made by a States appointed project leader to themselves. The present system however is totally dysfunctional and extremely time wasting.

3. 'Independence'
The need for independence is imperative and neither politicians nor members of the public services can be fit for such a purpose as this; such is the current system in Jersey that a near majorly of politicians are bound to the ruling oligarchy by nature of the positions to which the latter have appointed them. Public Service employees can also be open to pressure being applied to them (career prospects etc) by their superiors.

Michael du Pré
Chairman, SOS Jersey

included: CV Michael du Pré
attached: SOSJersey's submission to the Environment Housing and Technical Services Scrutiny Panel review " Environmental Policies".

About the author of this submission.

Michael du Pré, Chairman of SOS Jersey, is a retired Chartered Accountant (ex KPMG London) whose career was in what is now GSK plc (the largest pharmaceutical company in the UK) and was a Vice President in the company for many years, working at all operational levels but especially in the leadership of a groundbreaking worldwide data collection and reporting system for the Group. Based in the UK he travelled abroad extensively to Europe and the USA and, in the 1970's and 80's worked and lived in Germany with his family for 12 years as a European Financial Director of 37 companies. In his final years with the company, he implemented a McKinzey driven Change Management and Process Improvement programme, educating other Vice Presidents and senior corporate staff in these techniques.

Michael's family arrived in Jersey in the fifteenth century; one of his earlier grandfathers was the island's Procureur and was much involved in the development of Jersey's legal system whilst another was the owner of Luce's Eau de Cologne, 42 King St. (purveyor to Lily Langtry) who, having survived the occupation, was charged by the Jersey Chamber of Commerce immediately after the Liberation to 'restock' Jersey with living essentials. With his strong connection to and love of the Island, Michael wishes to help ensure that it manages its way through these very difficult times by facing up to and embracing change and adapting itself to meet the future whilst at the same time retaining its heritage and charm.