

#### **4.9 Deputy J.A.N. Le Fondré of the Minister for Treasury and Resources regarding the provision of public support for projects competing against private sector schemes as part of the Esplanade development:**

Further to the Minister's statement during the debate on P.175/2011 - St. Helier Waterfront: development - one of the important benefits to the Esplanade Quarter was that it did not require any public funding. Could he explain why the position has changed and why, in relation to the public funds of £13 million provided, he considers it appropriate to provide public support for projects competing against private sector schemes?

[12:00]

#### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

Since the debate on P.175/2011 the phasing of the delivery of the Esplanade Quarter is the thing that has changed. It has now been proposed to deliver the entire public parking provision, which was originally going to be delivered incrementally a part of the overall scheme, after the building of the first office building, if indeed that goes ahead. Previously it had been envisaged that the public car parking would be delivered in stages. I can confirm that there is no public funding in relation to the office development of Esplanade Square and that is the important issue which the Deputy, and perhaps others, understandably raise in relation to a level playing field with the private sector. A fully repayable investment of £30 million from the Currency Fund has been agreed by Ministerial decision. It has been provided to assist with the cash flow requirements for just over half the costs of the public underground car park. It is also worth informing Members that it was, in fact, the prospective tenants for Building Number 1, one of the Islands largest employers in financial services as part of the negotiations with S.o.J.D.C. for this site, that it requested that the underground car park and the new public underground car park be delivered at the same time as the building to ensure minimal disruption to business. This also will benefit car park users, of course, and will come ultimately at zero cost to the taxpayers. As the Chief Minister has said, this will be completely repaid. Concerning comparison with competing private office schemes, none are, of course, under the obligation to provide 520 public car parking spaces, and this investment in public infrastructure enables the first phase of the Esplanade masterplan to proceed, having been approved by this Assembly in June 2008.

#### **4.9.1 Deputy J.A.N. Le Fondré:**

Given the growing concerns that the planned development of the Esplanade Quarter will result in gross over-provision of office space and risk significant damage to the Island's private development sector, why does the Minister persist in stating that the masterplan for the Esplanade Quarter will deliver significant financial benefit to the States and therefore the taxpayer?

#### **Senator P.F.C. Ozouf:**

I think it is fair to say that Deputy Le Fondré has never been keen on the Esplanade Square, and he is perfectly entitled to his opinion. He asks 2 questions: first of all, he asks why the Minister continues to persist in the support of Esplanade Square, because of gross oversupply of office accommodation. That is a matter for the private sector demanders and potential tenants of office supply to decide. If the prospective tenants, and we should all be pleased that there are prospective tenants for significant commercial space in Jersey, if they decide to go to Esplanade Square as opposed to other private sites, that is a matter for them. Providing it is a level playing field, then that is appropriate.

#### **Deputy J.A.N. Le Fondré:**

Sir, there was a second point to that question.

**Senator P.F.C. Ozouf:**

Sorry, could he just remind me of the second question?

**Deputy J.A.N. Le Fondré:**

Why does he persist in stating that there is significant financial benefit to the States and for the taxpayer?

**Senator P.F.C. Ozouf:**

Because it is true.

#### **4.9.2 The Connétable of St. John:**

In October 2010, I brought a proposition to the House, Esplanade Quarter: deferment of works and endorsement of development agreement. On part (c) of that, it states: "To request the Minister for Treasury and Resources to bring forward for approval any development agreement in respect of the Esplanade Quarter for endorsement by the States prior to commencement of any works on this site." Is it the intention of the Minister to comply with the wishes of the House of the day?

**Senator P.F.C. Ozouf:**

I do not have the recital of that proposition before me at the moment, but what I can say to the Deputy is that it is a matter, as far as I am concerned, for the Minister for Planning and Environment to opine, upon advice, in relation to planning applications. It is for the Treasury to oversee and to ensure that S.o.J.D.C. is operating on a level playing field, is operating in a way that is compliant with their business plan. If S.o.J.D.C. are able to secure one of those lucrative tenants that requires new space and if the Treasury oversight and scrutiny of that proposal, which I am happy is under confidential arrangements, because this clearly is a very fiercely-competed issue, if that fulfils all the criteria, then S.o.J.D.C. should be allowed to enter into those proposals.

#### **4.9.2 The Connétable of St. John:**

My question was quite simple: is it the intention to comply with the instructions of this Chamber, as per proposition P.136/2010?

**Senator P.F.C. Ozouf:**

I do not have P.136/2010 before me, the question relates to P.175. I can pull it upon my iPad and look at it but, of course, if the Deputy can hand it to me, nothing the Treasury will ever do will go against an agreement by the States. I will look at this proposition and return perhaps in supplementaries to the other question that Deputy Le Fondré has made.

#### **4.9.3 Deputy R.G. Le Hérissier:**

Can the Minister for Treasury and Resources confirm that the cost of the car park ultimately will be zero to the public and can he further outline what the actual terms are of repayment to go through with the initial building of this underground car park?

**Senator P.F.C. Ozouf:**

Yes. The arrangements are that because the public car park is being delivered - that is, of course, if the office development goes ahead, because S.o.J.D.C. can only proceed if they have got tenants for these 2 buildings, let us be clear about that - on the basis that that would happen, the public car park will be delivered straightaway with the first building. The

Treasury has agreed to provide the £13 million cash flow to allow that to happen, and the current cash flow indicates that will be repaid after the second building, Building Number 4, has been completed. So that means that there is no subsidy but the significant advantage is, as I have said, the public car park is delivered earlier, at less disruption and it is better for the overall scheme. But it comes at no cost to the States, it is the cash flow that is being provided.

#### **4.9.4 Deputy J.A.N. Le Fondré:**

A point of order, I think, or clarification anyway. In response to Senator Ferguson in December, the Minister for Treasury and Resources stated it had been: "Approved on 30th October and effectively this will fund 50 per cent of the replacement car park with it being repaid if and when Building 1 at the Esplanade Square is pre-let and it is built." Does that mean the circumstances have changed or is that just an error?

#### **Senator P.F.C. Ozouf:**

As I understand it, the repayment of the car park will be after Buildings 1 and 4; some of it will be repaid after 1 and some of it will be repaid after Building 4. The difference is the delivery of the car park. I would have thought that was a sensible decision and Members of this Assembly would welcome the fact that a public car park, which is not, of course, an obligation under any of the private schemes, is being developed earlier. It is not a risk, and indeed Building 1 will lead to Building 4 happening and the redevelopment of the rest of the site.

#### **Deputy J.A.N. Le Fondré:**

To be clear, that is a difference, is it not, in policy?

#### **The Deputy Bailiff:**

I have 4 further Members wanting to ask questions. I have to say that the last several questions have not really arisen out of the original question, which is about public sector funding as opposed to public support for projects which compete against private sector schemes. This question alone has now gone on for 9 minutes and the Minister for Treasury and Resources has taken some time to answer the questions. No doubt he will remember the Standing Order which requires one to answer questions as succinctly as possible. I am now going to allow one further question from Senator Ferguson and then a final supplementary.

#### **4.9.5 Senator S.C. Ferguson:**

In view of the answers to previous questions, it seems highly likely that the masterplan as envisaged will have a loss at least as high as £50 million. Would the Minister not consider it prudent to revalidate the King Sturge Report in order to give public confidence in the profitability of the project?

#### **Senator P.F.C. Ozouf:**

I think the Senator understands that the net return for the public of Jersey for the development of the Esplanade Square is very significant. Phase 1 produces a certain cash flow and phase 2 also, even having taken account of the sinking of the road, would be positive for States finances. I am more than happy to brief Members confidentially on these numbers but, as the Senator will be aware, there are competing private sector schemes which would like to know very much the basis on which the commercial terms which S.o.J.D.C. are negotiating with tenants. These issues would place S.o.J.D.C. and taxpayers in, effectively, an unfair position because their numbers would be available to competing projects. I am happy to, of course, give an appropriate Scrutiny Panel information to ensure that Members understand that there

is a net and a very positive net return available for taxpayers on this overall development. I do not think I can add in public further to that.

**The Deputy Bailiff:**

The question was whether you were going to ask them to revalidate the report. [Laughter]

**Senator P.F.C. Ozouf:**

There is a revalidation of the figures, which is constantly being undergone by S.o.J.D.C., and the situation has changed, it is now a phased development; that revalidation in terms is being carried out in perhaps a different way that reflects the changing structure of the delivery of the scheme.

**4.9.6 Deputy J.A.N. Le Fondré:**

I might need a little bit of advice here. I need to refer to a document that is in my possession, which I was going to circulate to Members, but I do not think it would be wise. The contents are in the public domain, they have been referred to a number of times, but I hope it is in order for me to refer to it as put in a supplementary.

**The Deputy Bailiff:**

If there is not a debate ...

**Deputy J.A.N. Le Fondré:**

No. It is relevant to the comments that the Minister has just made. The actual King Sturge Report, which is the page I am referring to, states that: “The effect of the changes from the previous proposal that had been done was to generate a result in a negative figure of minus £50 million today.” That is a verbatim quote, I will not show the rest of the document, from that section. This is the section that was going to be sent around to Members. I do not want to take it out of context; there are all sorts of complexities around it. The point is, and also to assist Members, in a question to the Minister for Treasury and Resources in 2011, I specifically asked: “Is the Minister saying that there is not a loss and that was never reported and does not exist or is there a loss in the scheme that this Assembly has previously endorsed?” After a lot of prevarication I said: “Is that a yes or a no?” and the answer from Senator Ozouf was: “The answer is no.” The question is, given my reference directly to comments that have been made in this Assembly before, which clearly states that: “The appraisal by King Sturge did result in a negative figure of £50,000, i.e. a £50 million loss on the Esplanade Quarter masterplan” I am not that interested in how you phase it now, what I am saying is that in the overall scheme, how do we have assurances that we are going to get significant financial return, which is the point the Senator made. Given the denial by the Minister in 2011, given the denial now, how do we have assurance that the figures that the Minister refers to are remotely accurate and, instead, that the actual impact of the Esplanade Quarter will not be a loss to the public, of substantial risk being borne by the public, loss of significant parts of the public realm, and the other non-financial benefits held out to States Members on the plan and referred to in various debates, including by the Minister, and including a devastating economic impact on St. Helier?

**The Deputy Bailiff:**

Minister, is possible to give a succinct answer as to why ...

**Senator P.F.C. Ozouf:**

Not really, when the Deputy is taking pockets and bits of information, completely unlinked, from years ago when he was discharging the functions of Assistant Minister for Treasury and

Resources or Chief Minister, which he was no longer then charged with doing. The situation has moved dramatically on. S.o.J.D.C. under my request has briefed Members on numerous occasions on the scheme. Trying to reinvent the current scenario of what will happen with the S.o.J.D.C. would be wrong. Members have been briefed. If the Deputy thinks that the Treasury supports a scheme that will bring a loss to taxpayers, then I do not think he understands how the Treasury operates. This scheme will benefit taxpayers if it goes ahead with S.o.J.D.C. getting suitable tenants. Nothing will shift me from that position because that is what I am advised by S.o.J.D.C., in which I have high confidence in the board that has been briefed by Members in relation to these matters.