

**THE JERSEY NEW WATERWORKS
COMPANY LIMITED - LOANS:
MAJOR CAPITAL WORKS PROGRAMME**

**Lodged au Greffe on 2nd June 1998
by the Finance and Economics Committee**



STATES OF JERSEY

STATES GREFFE

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PROPOSITION

THE STATES are asked to decide whether they are of opinion -

- (a) to agree that unconditional guarantees should be given by the States for the repayment of loans up to a maximum of £16.2m, and the payment of interest on those loans, to be negotiated by The Jersey New Waterworks Company Limited in relation to the exceptional major Capital Works Programme;
- (b) to authorise the Finance and Economics Committee to make the necessary arrangements in respect of such guarantees;
- (c) to authorise the Greffier of the States to sign such guarantees on behalf of the States.

FINANCE AND ECONOMICS COMMITTEE

Report

In its latest business plan, the Jersey New Waterworks Company Limited has identified £31.3 million of expenditure on capital projects through to the year 2007. The Company currently estimates that it will need to borrow up to £16.2 million to finance this expenditure.

The Company has been negotiating with its bankers to raise the necessary borrowings and in the course of negotiations it has become clear that the Company could borrow at a more favourable interest rate if the States were to guarantee payment of the principal and interest on the loans required.

The financial benefit to the Company (and ipso facto consumers) of this reduced interest rate would be a saving of approximately £10,000 for each £1.0 million borrowing over a ten year period.

The Finance and Economics Committee has considered the request and believes that as the States has a controlling shareholding in the Company it is in the public interest to guarantee the borrowings of £16.2 million. In the past, the Jersey Electricity Company Limited has been assisted by the States in guaranteeing two stock issues.

The States are asked to agree that the Finance and Economics Committee be authorised to approve the terms of the guarantee.