



# Corporate Services Scrutiny Panel Jersey International Finance Centre

**MONDAY, 9th NOVEMBER 2015**

**Panel:**

Deputy J.A.N. Le Fondré of St. Lawrence (Chairman)

Deputy S.M. Brée of St. Clement (Vice-Chairman)

Deputy K.C. Lewis of St. Saviour

Connétable C.H. Taylor of St. John

**Witnesses:**

The Minister for Treasury and Resources

Director of Estates, Jersey Property Holdings

[17:02]

**Deputy J.A.N. Le Fondré of St. Lawrence (Chairman):**

All right, shall we start getting the formalities sorted out? Welcome again, Minister, long time no see, and obviously this is now the hearing for the Jersey International Finance Centre. Minister, as you are aware, we try to operate in a public manner where possible, but as you are also aware, we do accept information on a confidential basis and we are sensitive of that and will continue to be so. All such information received will be handled by us in confidence in accordance with the procedures that all Scrutiny Panels are expected to adhere to and we undertake and are agreed with you as regards the receipt of the BNP Paribas Real Estate valuation of the Jersey International Finance Centre development. I would also just like to draw your attention, Minister, to the notice that is sitting in front of you, with which you are very familiar. There is also a notice I also draw members of the public to, which is in the room, in that we do expect members of the public and the media in the public seating to remain quiet at all times while the hearing carries on. So that is the formalities

sorted out. We have a few more questions to go through today, Minister, as well, so we may stop you if we feel you have answered the question sufficiently, because we need to try and be as concise as possible and to answer the question, please. For the benefit of the tape, if we go around stating name and position. I will start: Deputy John Le Fondré, Chairman of the Corporate Services Scrutiny Panel.

**Deputy J.A.N. Le Fondré:**

Good. Welcome to the hearing. Minister, will you confirm that the profit you recently quoted of £7.5 million in a written response to the question by Deputy Hilton in respect of building 4 is correct?

**The Minister for Treasury and Resources:**

Sorry, the £7.5 million profit assessment that you are referring to is in relation to a valuation or assessment of S.o.J.D.C. (States of Jersey Development Company), yes.

**Deputy J.A.N. Le Fondré:**

Sorry, I did not catch the last few words. Is in relation to?

**The Minister for Treasury and Resources:**

That viability assessment undertaken by S.o.J.D.C., their assessment that I was referring to in that particular answer that you just asked about, yes, correct.

**Deputy J.A.N. Le Fondré:**

You are happy that it is correct?

**The Minister for Treasury and Resources:**

Yes. I have no reason to dispute it.

**Deputy J.A.N. Le Fondré:**

You have satisfied yourself, Minister, that it is correct?

**The Minister for Treasury and Resources:**

I made the point in the States the other day and publicly as well that there have been a number of different valuations undertaken for different purposes. This was one valuation that was undertaken by S.o.J.D.C., but it is the latest updated viability assessment that they have got from all the figures currently suggesting £7.5 million of profit on building 4.

**Deputy J.A.N. Le Fondré:**

Okay. Our advisers in their report have stated a profit figure of £3.04 million before the deduction of decontamination costs, any allowance for land value, before any actual incentives offered to the tenant and any additional costs. Will you confirm that your publicly stated figure of £7.5 million profit from building 4 specifically includes the following costs: decontamination; actual tenant incentives agreed and proposed - and I will run through them again in a minute if you wish to do them individually - any additional costs incurred to date for the delivery of building 4, the temporary car park and any contribution to art? I will start at the beginning so you can confirm: first, decontamination costs specifically.

**The Minister for Treasury and Resources:**

I can give you an overall, if you want, or if you want them broken down individually, it is up to you, but I am very happy just to give you an overall assessment. As I mentioned a moment ago, the profit estimation of £7.5 million produced by S.o.J.D.C. is the latest up-to-date assessment, so it takes into consideration all relevant factors in relation to building 4.

**Deputy J.A.N. Le Fondré:**

Right. Let us go down those things, I think, individually, Minister. So do they include a specific allowance for all known and projected decontamination costs for building 4?

**The Minister for Treasury and Resources:**

Yes.

**Deputy J.A.N. Le Fondré:**

That is a yes?

**The Minister for Treasury and Resources:**

That is my understanding.

**Deputy J.A.N. Le Fondré:**

That is a yes?

**The Minister for Treasury and Resources:**

It is my understanding.

**Deputy J.A.N. Le Fondré:**

Okay. All actual tenant incentives agreed and proposed?

**The Minister for Treasury and Resources:**

Again, that is my understanding.

**Deputy J.A.N. Le Fondré:**

Any additional costs incurred to date for the delivery of building 4 over and above budget?

**The Minister for Treasury and Resources:**

Again, that is my understanding.

**Deputy J.A.N. Le Fondré:**

The costs of the temporary car park?

**The Minister for Treasury and Resources:**

Building 4 does not have ... oh, the temporary car park, sorry, yes. No, absolutely right.

**Deputy J.A.N. Le Fondré:**

The contribution potentially for art?

**The Minister for Treasury and Resources:**

I am not specifically sure about that point, but I can clarify it for you at a later point.

**Deputy J.A.N. Le Fondré:**

We have the Director of Property Holdings next to you, so ...

**Director of Estates, Jersey Property Holdings:**

I am afraid it is not on the list that I have that makes up those costs. The percentage for art is a voluntary contribution, but I would imagine S.o.J.D.C. would be providing either a sum of money or a percentage for art contribution in the form of ...

**Deputy J.A.N. Le Fondré:**

No, I think we need specifics, because certainly Ernst and Young in their assessment for the split cost of the temporary car park, which was split between buildings 4 and 5, and the public art contribution attributed a total of £750,000 to building 4.

**Director of Estates, Jersey Property Holdings:**

In that case we will need to come back to you, Chairman, with that.

**Deputy J.A.N. Le Fondré:**

Can you confirm whether those figures are included, please? Minister, can you confirm what the actual decontamination costs are?

**The Minister for Treasury and Resources:**

No.

**Deputy J.A.N. Le Fondré:**

As in you do not know or you will not confirm them?

**The Minister for Treasury and Resources:**

As in I do not know.

**Deputy J.A.N. Le Fondré:**

What is the latest figure you have been given, Minister?

**The Minister for Treasury and Resources:**

I cannot give you a latest figure at this point.

**Deputy J.A.N. Le Fondré:**

Do you have any indication? Have you been given any indication as to what the decontamination costs are?

**The Minister for Treasury and Resources:**

What I have been told is that it is within the budget that has been contained for the building and that they are satisfied - when I say "they", I am obviously talking about S.o.J.D.C. - that there are no material costs outside of the contract, which as you know is a contained figure, which the contamination cost is not included. That is going to vary the figure that I have just mentioned to you. The £7.5 million includes the latest up-to-date estimates for decontamination.

**Deputy J.A.N. Le Fondré:**

But you do not know what those figures are?

**The Minister for Treasury and Resources:**

I do not have the figure off the top of my head, no.

**Deputy J.A.N. Le Fondré:**

But you have not been informed of those figures?

**The Minister for Treasury and Resources:**

I have been previously given some figures, but as I have also answered questions in the States in relation to decontamination costs, I have made it clear that until all the bills are in and the process is complete, then we will not know the updated figure. That is the relevant bit, not what the projected costs are as you go through.

**Deputy J.A.N. Le Fondré:**

Anyone want to come in at that stage? One observation I will make, Minister, while we are just digesting that information, you have made reference to the fact it is included in the budget, which I think includes reference to the fact that contingency will absorb any extra decontamination costs. Is that a fair comment?

**The Minister for Treasury and Resources:**

Sorry, could you repeat that again?

**Deputy J.A.N. Le Fondré:**

You have made reference to the fact that decontamination costs are effectively included in the budget costs for the building and that is essentially being covered by - I am inferring from this and earlier comments - the contingency allowance in the overall cost of the building.

**The Minister for Treasury and Resources:**

In effect, yes.

**Deputy J.A.N. Le Fondré:**

Have you noted that our advisers make the comment that it is not appropriate, in their view, for that contingency allowance to be used up in its entirety for decontamination costs when they are a known event?

**The Minister for Treasury and Resources:**

I have noted that within the E.Y. (Ernst and Young) report and that is a reasonable and fair comment, in my view, that the contingency, the 2.5 per cent, in its entirety should not be allocated solely for that purpose.

**Deputy J.A.N. Le Fondré:**

But you persist that the £7.5 million takes full allowance of the decontamination costs to date? Sorry, and projected?

**The Minister for Treasury and Resources:**

That is my understanding.

**Deputy J.A.N. Le Fondré:**

Anybody else at this stage? No, okay. Our independent adviser has commented that it may be reasonable to continue with building 4 provided it can be demonstrated it will not be delivered at a loss. Will you, Minister, confirm that the continuation of the development of building 4 will not result in any loss to the public purse whatsoever?

**The Minister for Treasury and Resources:**

There is no indication whatsoever. The estimate that has been produced by E.Y. is, as I said the other day, in our assessment a reasonably conservative one and updated figures from S.o.J.D.C. themselves reported to the shareholder are still showing a profit of £7.5 million, considerably in excess of what E.Y. have said, so there is no indication whatsoever it will be anywhere near even break-even.

**Deputy J.A.N. Le Fondré:**

Bearing in mind the level of confusion over how much profit building 4 will generate, when are you going to implement our key recommendations 1 and 2 to undertake an updated viability assessment of building 4?

**The Minister for Treasury and Resources:**

There is an ongoing updated viability assessment undertaken by S.o.J.D.C. That is part of the remit they have to ensure that before they commence any building, they undertake a viability assessment and they update that during the process of the development for any unknown or unexpected costs that may come in.

**Deputy J.A.N. Le Fondré:**

When was the last viability study undertaken solely on building 4?

**The Minister for Treasury and Resources:**

That was undertaken by S.o.J.D.C. prior to the commencement of the building, which is one of the commitments that they have got to make, along with ensuring that they have pre-lets in place in order to cover the cost of construction.

**Deputy J.A.N. Le Fondré:**

Was that performed by S.o.J.D.C. themselves or are you referring to, for example, the BNP calculations that were done previously?

**The Minister for Treasury and Resources:**

Not BNP, no. They did carry it out themselves, although there are various other inputs that are delivered by third parties.

**The Connétable of St. John:**

Before S.o.J.D.C. started building 4, did they come to you with all the preconditions met and then did you subsequently specifically give them permission in writing to start the build?

**The Minister for Treasury and Resources:**

Effectively the preconditions were in place prior to my appointment as Minister for Treasury and Resources. Since then, of course we have continued to monitor the situation, as the shareholder does, with regular meetings with the company to ensure that they are meeting them, so yes.

**The Connétable of St. John:**

The specific question was ... the answer is yes, they did come to you, or your predecessor, with all the conditions pre-met?

**The Minister for Treasury and Resources:**

The conditions were met, yes.

**The Connétable of St. John:**

Were met, and permission was given in writing?

**The Minister for Treasury and Resources:**

My predecessor, I could not confirm exactly what happened, but my understanding is that the progression was approved, yes, in that way.

**Deputy J.A.N. Le Fondré:**

Can I ask, you say the conditions were met and that was assessed prior to your appointment. Can you confirm that those conditions were assessed independently by Treasury?

**The Minister for Treasury and Resources:**

They would have been assessed independently by Treasury, yes, the shareholder function, which assesses to ensure that the company meets its necessary obligations.

**Deputy J.A.N. Le Fondré:**

Are you absolutely sure on that, Minister?



**The Minister for Treasury and Resources:**

I suppose it comes down to a definition as to what you say “independently assessed” means, what is your expectation as to the function that the shareholder, Treasury, have undertaken.

**Deputy J.A.N. Le Fondré:**

Did Treasury validate the various conditions that were in place, and did the Treasury validate themselves the various conditions that were in place for that building to commence?

[17:15]

**The Minister for Treasury and Resources:**

My understanding is that it was checked and it did meet the requirements that were laid out.

**Deputy J.A.N. Le Fondré:**

Was it checked by Treasury?

**The Minister for Treasury and Resources:**

It was checked by Treasury. That is my understanding.

**The Connétable of St. John:**

Could you just confirm when you were elected, Minister?

**The Minister for Treasury and Resources:**

After the last elections last year, November.

**The Connétable of St. John:**

Last November, so the conditions were signed prior to your election? I am just trying to get the timing.

**The Minister for Treasury and Resources:**

Yes, yes.

**The Connétable of St. John:**

At that time, there were no tenants signed up as pre-lets?

**The Minister for Treasury and Resources:**

There were some heads of agreement ... heads of terms, sorry.

**The Connétable of St. John:**

Agreed, but there were no pre-lets in place at that time?

**The Minister for Treasury and Resources:**

Basically, the conditions were put in place at the time, that there was an earlier tenant about to be secured for the building and I believe all the necessary terms that were laid out were met as a result of that.

**Deputy J.A.N. Le Fondré:**

But that tenant ...

**The Connétable of St. John:**

But at the time when the Treasury or the Minister for Treasury and Resources, your predecessor, gave permission for the building to begin, there were no pre-lets in place?

**The Minister for Treasury and Resources:**

All the conditions that were necessary that had been checked were checked and agreed, I understand, at that time in those circumstances. Clearly since then we have had a position where a proper lease has been signed; when I say "properly" it is a lease that ensures that the value ...

**The Connétable of St. John:**

A binding pre-let.

**The Minister for Treasury and Resources:**

Effectively a binding pre-let, which ensures that the value of the construction costs of the building can be satisfied, so that allowed us ... as I said, this is an ongoing process that has to be updated on a regular basis, as you can appreciate, and the company does that, the shareholder. As part of that event, we were satisfied that the company had met its obligations with that pre-let being secured and therefore was covering the costs of construction and was able to proceed and so it did.

**The Connétable of St. John:**

Can you confirm that at the present moment there is only one tenant signed up to this pre-let agreement?

**The Minister for Treasury and Resources:**

There is one legally binding agreement in place.

**The Connétable of St. John:**

When did they sign?

**Director of Estates, Jersey Property Holdings:**

I do not know those details.

**The Connétable of St. John:**

I believe it was in April or May of this year.

**The Minister for Treasury and Resources:**

It was. I just do not have an exact date.

**The Connétable of St. John:**

Some 6 months after the agreement by Treasury that the building could go ahead?

**The Minister for Treasury and Resources:**

Yes, but it was agreed at that particular time, based on previous circumstances, that all the conditions that were necessary for Treasury to agree had been met at that particular point, so when this new agreement was put in place and the lease was ultimately signed, that was perfectly appropriate.

**Deputy J.A.N. Le Fondré:**

That was in relation to the tenant that is now going into the building by the ground, I assumed.

**The Minister for Treasury and Resources:**

Correct.

**Deputy J.A.N. Le Fondré:**

So that was a significant rent of 80,000 square feet, as opposed to the present tenant, who has got 16,000, I believe.

**The Minister for Treasury and Resources:**

Yes, but the pre-let condition is about ensuring and satisfying oneself that the cost of the building can be covered by the pre-let, so in other words it is capitalised with an event that will ensure the cost of construction is covered. Whether it is far exceeding that, which would have been the case in the one you are referring to, or for that matter, the existing circumstances, either way ... and this has been validated independently since then by both the bankers that are providing the funding. They are the ones most relevant, of course. If they are providing funding for the project to go ahead

and the development to occur, they want to be certain that they are going to be covering their costs and they far exceed ...

**Deputy J.A.N. Le Fondré:**

Can I just check your interpretation, Minister, of that condition, which I think you have just said is that the capital value of the legally binding pre-let must equal or exceed the construction costs of the building, correct?

**The Minister for Treasury and Resources:**

Yes.

**Deputy J.A.N. Le Fondré:**

That is your interpretation? Can you just say "yes" for the purpose of the recording, Minister?

**The Minister for Treasury and Resources:**

The value of the pre-let, but just let me be clear about this: it is not just the value of the pre-let, you have got to also take into consideration - and there has been some debate about this - that there is value in the unlet space as well. The pre-let of course secures the majority of the value, I suppose is the best way of putting it, but there is value in the rest of the building. It is not value; it is clearly once it has been constructed.

**Deputy J.A.N. Le Fondré:**

Okay, so your interpretation, Minister, of that condition is that it was the value of the legally binding pre-let plus the value of the unlet building must exceed or equal - or equal or exceed - the ...

**The Minister for Treasury and Resources:**

Must cover the cost of the construction.

**Deputy J.A.N. Le Fondré:**

Hang on: must equal or exceed the cost of constructing the entire building?

**The Minister for Treasury and Resources:**

The building, correct.

**Deputy J.A.N. Le Fondré:**

And anything else linked to that construction ...

**The Minister for Treasury and Resources:**

I am not sure what you mean by that.

**Deputy J.A.N. Le Fondré:**

... of building 4 or phase 1A. It is building 4, but phase 1A is slightly larger than just building 4.

**The Minister for Treasury and Resources:**

Correct.

**Deputy J.A.N. Le Fondré:**

But essentially the start of that project, phase 1A, the capital costs of that phase should be met, or the pre-let side must either equal or exceed in terms of the value of the pre-let the capital value of the pre-let, and/or the value of the unlet building. That is your interpretation of that condition?

**The Minister for Treasury and Resources:**

That is exactly what the valuation undertaken by the bank proved to be the case.

**Deputy J.A.N. Le Fondré:**

I am just asking what your interpretation of that provision is.

**The Minister for Treasury and Resources:**

My interpretation is more or less than, but it is covering the cost of the construction of the building.

**Deputy K.C. Lewis:**

You confused me there, because you said even the unlet section has a value. Surely it has no value whatsoever unless you intend to sell it?

**The Minister for Treasury and Resources:**

It depends what you mean by value. The building, once built ...

**Deputy K.C. Lewis:**

Yes, has a value.

**The Minister for Treasury and Resources:**

... has a value and if you build a building ...

**Deputy K.C. Lewis:**

This has a value if you wish to sell, yes.

**The Minister for Treasury and Resources:**

... there is a value associated with it. As a commercial building such as this one, the value will increase depending on the covenants that you have, so if you have part of it let and part of it unlet, it does not mean the unlet part is of no value at all; of course there is value there.

**Deputy K.C. Lewis:**

No letting value, but obviously a resale value should you wish to sell, yes.

**The Minister for Treasury and Resources:**

Yes, capitalised, and most of the valuations that have been undertaken are on the basis - certainly the way that S.o.J.D.C. looked at it, and it is part of their strategy - that on practical completion, 3 years after that point at review ...

**Deputy J.A.N. Le Fondré:**

We will come on to DTZ later on.

**The Connétable of St. John:**

My interpretation of what was agreed was that it would be legally binding pre-lets, not on residual and other values added to it. It was on legally binding pre-lets and it was quite specific in P.73. Now, if you take P.73 as it clearly defines "legally binding pre-lets" the capitalised value of renting out only 16,000 square feet is under £10 million and the construction costs are north of £20 million, so how could this project possibly have gone ahead on that basis?

**The Minister for Treasury and Resources:**

We have had a valuation. Not "we", but the bank undertook a valuation in order to lend the money. The bank valuation on that, looking at the pre-let, came up with a valuation in excess ...

**The Connétable of St. John:**

I am not interested in what the bank said, it was what the Treasury did, because ultimately it was you, as Treasurer, who gave permission for it to start, or should have been, and therefore surely the Treasury should have checked that the level of pre-lets gave sufficient capital value to cover the cost of construction.

**The Minister for Treasury and Resources:**

Do you not think, Connétable, with the greatest respect, that a valuation undertaken, aside from all the others, by the bank lending the money to S.o.J.D.C. - not taxpayers' money, but the bank lending

money to S.o.J.D.C. - to build the particular building, that satisfied itself that the building was worth in excess of the construction costs is good enough?

**Deputy J.A.N. Le Fondré:**

Minister, first, I think we need to move on from this, but what we were just looking for was your interpretation of the condition on P.73 and I think you have given us your interpretation, so that is fine. Simon.

**Deputy S.M. Brée:**

Hopefully you will be able to answer the following questions with a simple yes or no, Minister. Minister, are you aware that this panel has been prevented from viewing certain documentation essential to the panel's understanding of the financial viability of building 4, yes or no?

**The Minister for Treasury and Resources:**

Yes.

**Deputy S.M. Brée:**

Thank you. Minister, are you aware that this panel has issued a formal summons to S.o.J.D.C. for the provision of this documentation, yes or no? Are you aware of the fact?

**The Minister for Treasury and Resources:**

Yes.

**Deputy S.M. Brée:**

Thank you. Minister, will you confirm that you are aware that the board of directors of S.o.J.D.C. have issued a legal challenge against the summons, yes or no?

**The Minister for Treasury and Resources:**

Yes.

**Deputy S.M. Brée:**

Thank you. Therefore, Minister, do you support the position of the board of S.o.J.D.C. in this matter, yes or no?

**The Minister for Treasury and Resources:**

I have a difficult responsibility here in terms of managing this particular situation. The board have a legal responsibility to ensure ...

**Deputy S.M. Brée:**

Its shareholders, who are the public of the Island of Jersey.

**The Minister for Treasury and Resources:**

Yes, but they also have a legal responsibility ...

**Deputy S.M. Brée:**

I merely asked for a yes or no answer here, Minister. Do you support the position of the board of S.o.J.D.C. in this matter, yes or no?

**The Minister for Treasury and Resources:**

Yes, I do.

**Deputy S.M. Brée:**

Thank you. Therefore you do not fully support the process and operation of Scrutiny, despite having said so on other occasions?

**The Minister for Treasury and Resources:**

That is not correct.

**Deputy S.M. Brée:**

Well, I think ...

**The Minister for Treasury and Resources:**

That is an interpretation, if I may say so, Deputy.

**Deputy S.M. Brée:**

... that is the interpretation that most people will glean from your comments. Let us move on.

**The Minister for Treasury and Resources:**

I am not sure "most people" is correct.

**Deputy K.C. Lewis:**

Minister, are you fully aware of the actual and proposed incentives that have been offered by the States of Jersey Development Company to UBS?



**The Minister for Treasury and Resources:**

I am aware of a package of incentives. I do not have all the details to hand, and indeed, they are commercially confidential in any event.

**Deputy K.C. Lewis:**

But have you seen them personally, as Treasurer? Are you aware of all the details?

**The Minister for Treasury and Resources:**

Minister for Treasury and Resources, not Treasurer, sorry.

**Deputy K.C. Lewis:**

Minister for Treasury and Resources, sorry.

**The Minister for Treasury and Resources:**

Sorry, say again?

**Deputy K.C. Lewis:**

Are you, as Minister for Treasury and Resources, aware of all the details?

**The Minister for Treasury and Resources:**

I am aware of the majority of details, yes.

**Deputy K.C. Lewis:**

The majority. Will you advise this panel what they are?

**The Minister for Treasury and Resources:**

In a public hearing, no, and indeed, we have covered this before with regard to the commercial sensitivities of such matters. Can I just add though, in terms of ensuring the necessary information does get the ability to be properly scrutinised and considered, that all the information that you are asking me about here was supplied to your professional adviser, E.Y., under an N.D.A. (non-disclosure agreement).

**Deputy J.A.N. Le Fondré:**

Yes, Minister. As you are fully aware, we have not been able to discuss any of that information with Ernst and Young.

**The Minister for Treasury and Resources:**

No, I am aware of that, but nevertheless, the professional adviser still had all the commercially sensitive information supplied to them.

**Deputy J.A.N. Le Fondré:**

The advisers have also not incorporated the actual 10 incentives in their calculations of value.

**The Minister for Treasury and Resources:**

They still had sight of all the details to inform the tone of their report.

**Deputy J.A.N. Le Fondré:**

But we are not in a position to assess what that position is. Now, what we are going to do, Minister, is move on to demand. One of the reasons you have publicly stated for the building of the Jersey International Finance Centre is that there is sufficient demand out there in terms of jobs to justify the continued development. What evidence do you have to support that statement?

**The Minister for Treasury and Resources:**

What, the sufficient number of jobs or ...

**Deputy J.A.N. Le Fondré:**

Demand.

**The Minister for Treasury and Resources:**

... sufficient demand?

**Deputy J.A.N. Le Fondré:**

You have cited various increases in jobs, et cetera.

**The Minister for Treasury and Resources:**

I have. Do you want me to repeat that again? Okay, that there has been an increase in the performance of the economy over the last year. We have seen the finance centre - sector, sorry, that was a Freudian slip - pick up, I am pleased to say. You have seen an increase in profits in the financial services sector, which is encouraging. We have seen an increase in job numbers last year. We have seen, and you will be aware, Chairman, of reports which went into the public domain of a survey undertaken from the industry themselves of 1,000 new jobs to be created over the next 3 years, supporting the increased profitability that we are seeing. We are seeing job numbers: financial services peaked at 13,200. I cannot remember exactly, but it is pretty close to 13,200. In the depths of the recession, employment numbers fell down to around about 12,000. We have seen

a recovery now up to about 12,800 or so. I am using round numbers, because I do not have the exact figure in front of me. I think that is something we can be satisfied with and encouraged to see that our sector, the financial services sector, one of the most important aspects of our economy, is not only recovering, but has been pretty resilient through the deepest global recession in living memory.

**Deputy J.A.N. Le Fondré:**

For the record, I am sure that we, as a panel, are delighted to see improvements in the financial services industry. What we are trying to establish is demand for a property development.

**The Minister for Treasury and Resources:**

I have no doubt of that.

**Deputy J.A.N. Le Fondré:**

Minister, can you just confirm that last year, for example ... sorry, last week you stated that there were 400 new jobs created in the finance industry last year. Is that correct?

**The Minister for Treasury and Resources:**

I did use a figure of 400 jobs created last year. Those were the figures that were relevant as of, I think it was, November of last year.

**Deputy J.A.N. Le Fondré:**

Of 2014?

**The Minister for Treasury and Resources:**

Yes. Sorry, yes, those were the figures for December, for the 2014 years.

**Deputy J.A.N. Le Fondré:**

For the year of 2014, okay. According to the Jersey Statistics Unit reports, only 220 posts were created that year, not 400. Can you just explain the discrepancy?

**The Minister for Treasury and Resources:**

Yes, because I answered that very question this morning, to get some updates on that. There is a discrepancy there, I think, in the figures.

[17:30]

The previous figures were as I stated: they were published in whatever format at 400 for last year. The labour market at June this year stated 250 and I understand that the updated or revised/restated figures are 220.

**Deputy J.A.N. Le Fondré:**

Right. So is it possible that what we are comparing is one might be new posts and one might be - let us call it - net new posts, in other words, increases less jobs lost?

**The Minister for Treasury and Resources:**

There is going to be a bit of both.

**Deputy J.A.N. Le Fondré:**

But anyway, the point is that although there is an increase, it is not the level of 400 jobs compared to 2013.

**The Minister for Treasury and Resources:**

In relation to those figures, that is correct.

**Deputy J.A.N. Le Fondré:**

So the increase is less than was stated on the radio. Right, so the other question then is the 1,000 new jobs. You have made reference to the 1,000 new jobs cited by Geoff Cook, as Chief Executive of Jersey Finance. Have you seen any evidence to support that statement by Mr. Cook?

**The Minister for Treasury and Resources:**

I have not directly seen the evidence that supports that, no, but again, that has been put into the public domain and I am sure that he would have no reason not to be prepared to supply that sort of information to the panel.

**Deputy J.A.N. Le Fondré:**

Good. Hopefully he will. Could you clarify whether the 1,000 new jobs that Mr. Cook has stated takes account of the loss of jobs within the finance industry, for example, the unfortunate loss of ABN Amro and HSBC? In other words, we are trying to look at overall net demand.

**The Minister for Treasury and Resources:**

On the basis that I have not seen the breakdown of the data, I cannot confirm that sort of level of granular detail, but there will be and have been job losses, as I stated earlier on, with the fluctuations in the overall headcount numbers. Some lower-value jobs have gone, as an example; some other

higher-value jobs have been created, so there will be a mix within that and I am sure that will be contained within the data that he will be willing to supply you.

**Deputy J.A.N. Le Fondré:**

Obviously for the purposes of people and assessing the demand for a building, it is the number of people that is important here and not necessarily whether they are high value or low value. It is important for the economy, but it is the numbers of people that we are trying to assess for the future demand for a future building. I think on that basis, we will just note that for the moment, Minister, subject to receiving different evidence, we continue to stand by our key finding 6, that there are severe reservations as to whether there is sufficient demand to enable the development of the full J.I.F.C. (Jersey International Finance Centre) proposals over the medium term.

**The Minister for Treasury and Resources:**

If I may say, Chairman ...

**Deputy J.A.N. Le Fondré:**

Also, Minister, for the record, will you note that despite his comments and your comments, the Chief Executive of Jersey Finance was approached to meet the advisers, but declined that invitation? He may not have been available. The advisers met with another member of the board, as we understand it, and with the Director of Financial Services. On that basis, I will now hand over to Chris on question 14.

**The Minister for Treasury and Resources:**

Chairman, if I could just pick up one point, we have been talking about employee numbers in relation to demand. Of course that is just one metric of demand. I have also pointed out there has been a certain amount of work undertaken looking at whether demand exists, both from existing businesses wishing to expand, and also from new businesses coming in. As you know - and I have said this publicly - in excess of 300,000 square feet is the level of demand from prospective tenants that S.o.J.D.C. currently has. There are 20 active discussions going on with prospective new tenants, and indeed, since the construction started on the site for building 4, there have been 6 brand-new inquiries that have come forward. Just the final point I will make on the demand issue: I note in the excellent E.Y. report - and I think it is a very good report generally, it raises some good points - it is important to note that demand in the short term is much easier to assess, and to an extent the medium term. The further out you go ... and I suspect that is part of the rationale behind the reluctance of E.Y. to say that they can be convinced that there is going to be demand for the whole programme over in excess of 10 years of build, nobody can estimate that far out with any degree of accuracy. You continually have to update and validate your assumptions as you go along. That is the basis and underpins the reason for pre-lets and such like and doing each building in a phased

approach. The International Finance Centre is going to be phased, one building at a time, once the demand is proven and once completely binding agreements have been signed. So just the point that it is not just about people. It is an important element: as businesses expand, they want people and so on and so forth, but there are very many other metrics to consider.

**Deputy J.A.N. Le Fondré:**

So on that number, the 300,000 square feet of potential demand you stated is approximately 3,000 people would be looking into the Finance Centre on the numbers you are talking about, if it is 100 ...

**The Minister for Treasury and Resources:**

If you are using averages, which obviously you would have to come up with a figure like that.

**Deputy J.A.N. Le Fondré:**

That is a reasonable ... anyway, I will just note that our advisers expressed severe reservations and I think we maintain that position at this stage, subject to any further evidence you can provide us with, Minister. Chris, speculation.

**The Connétable of St. John:**

Speculation, yes. As detailed in key finding 5 of our report, the development of building 4 is being commenced on a speculative basis despite the fact that only 24 per cent of the office space has been pre-let. Could the Minister explain why you do not believe this is speculative?

**The Minister for Treasury and Resources:**

I do not believe it is speculative. It is fine to say that only 24 per cent of the building is subject to a pre-let. The fact is - and we have discussed this at some length already - the cost of the building, the construction of the building has been covered as a result of the value of that pre-let, and the building itself, and as such it can hardly be described as speculative when you already have a legally binding agreement in place. There are developments not far from here which are entirely speculative, where the developer chose to build - one just down the street here, which is just in the process of being completed, which is ...

**Deputy J.A.N. Le Fondré:**

Are they funded by the taxpayer, Minister?

**The Minister for Treasury and Resources:**

They are not, and it is not that point that I am trying to make. I am just trying to make that this is not a speculative building because it was not started without any idea or sight of potential agreements.

**The Connétable of St. John:**

I think what you need to understand is that within the development industry anything under 60 per cent pre-let is regarded as speculative, so this is significantly below.

**The Minister for Treasury and Resources:**

Yes, Connétable, but it is also not fair to draw a comparison between the private sector developers and the S.o.J.D.C. You have to bear in mind S.o.J.D.C. are also putting in place public realm, they are putting in place facilities for the community that no private developer would do. If that development site had been sold to a private developer, there would be none of the potential rewards that are on offer should this development be completed.

**Deputy J.A.N. Le Fondré:**

Just for the sake of clarification, Minister, while Chris prepares his next question, what public realm are you referring to that will be delivered?

**The Minister for Treasury and Resources:**

The stated public realm of parks.

**Deputy J.A.N. Le Fondré:**

So that is the underground car park and the park?

**The Minister for Treasury and Resources:**

All those stated in the development of the car park site for the 6 buildings, assuming that is completed as laid out, then that is what you will get. The point I am making is that no private developer would have been able to provide that level of public realm.

**Deputy J.A.N. Le Fondré:**

You are satisfied that that will be delivered?

**The Minister for Treasury and Resources:**

I am as satisfied as I possibly can be at this stage. You are asking me to be satisfied of an outcome in 10 plus years' time, so we have to be realistic.

**The Connétable of St. John:**

Will you reaffirm, please, that there is no risk to the public purse?

**The Minister for Treasury and Resources:**

Connétable, you say “will I reaffirm.” I have never said there is no risk to the public purse. I have previously said there is risk in virtually every undertaking. I think what the States sought to do and what we continue to try and do, and what is S.o.J.D.C. is mandated to do, is to mitigate the risk to the greatest extent possible as far as the public is concerned and to fulfil its remit to maximise the value of public assets. That is why S.o.J.D.C. was set up, let us remember that, to maximise the value of public assets, rather than a private sector developer doing so.

**The Connétable of St. John:**

A private sector developer would not have undertaken this particular project.

**The Minister for Treasury and Resources:**

Not with all the public realm and everything else. They could not possibly have dreamt of doing so.

**The Connétable of St. John:**

No, just simply building 4 on its own, according to Ernst and Young, the E.Y. report, they would not have started building 4 on its own.

**The Minister for Treasury and Resources:**

That is interesting. I am not sure that necessarily absolutely represents the facts, because looking at the executive summary of E.Y., they suggest that continuing with building 4 is perfectly reasonable and indeed so is building 5.

**The Connétable of St. John:**

You are misquoting: as it has already been started, they have recommended that it could be continued on the basis it will not make a loss. You need to read it in full, but the E.Y. report has clearly stated that the private sector would not have started such a building.

**Deputy J.A.N. Le Fondré:**

I will wrap up on that observation. The comment I would make, Minister, is that the quote that the Connétable is looking for is that: “This profit margin is below the level at which a developer would normally undertake a speculative office development with pre-let of only circa 24 per cent of the total floor space.” But I think we need to move on, and on that note, I am going to go to Simon.

**Deputy S.M. Brée:**

I would like to talk to you about the latest DTZ report. It has been brought to our attention that at the time of the press release by you on 19th October, the DTZ report was still in draft form. Will you confirm that this was the case?



**Director of Estates, Jersey Property Holdings:**

I procured the DTZ report on behalf of the Minister. The DTZ report was a final document and the draft was agreed before the Minister issued his press release.

**Deputy S.M. Brée:**

To confirm, it was in final draft form at the time that the Minister issued his press release?

**Director of Estates, Jersey Property Holdings:**

That is correct.

**Deputy S.M. Brée:**

Do you think it is good practice, Minister, to be making significant press releases based upon draft information?

**The Minister for Treasury and Resources:**

As Mr. Foster here has just said, it was the final draft. We were satisfied that it was in the completed stage and I think the greatest concern, and in fact the point that I need to make, is first of all this report, the DTZ report, was commissioned for largely internal purposes from a Treasury perspective. It was not initially intended to be published at all. The only reason that the press release went out was to provide some comfort from a public perspective on the basis that a great deal of concern had been raised around the future viability of the Jersey International Finance Centre specifically in relation to stories around contamination and contamination costs.

**Deputy S.M. Brée:**

However, you still went ahead and issued a press release while something was in final draft form. If I may move on, on 19th October, the same day as you issued the press release, this panel requested that a copy of the DTZ report be provided to it with immediate effect. To date, we have received nothing. Will you provide us with a date on which we will receive the unredacted DTZ report?

**The Minister for Treasury and Resources:**

If you expect me to give you a date sitting here, I cannot give a specific ...

**Deputy S.M. Brée:**

Yes, I do. Since 19th October, you have had the opportunity to provide us with the date.

**The Minister for Treasury and Resources:**

What I will say to you is that, as is the case with many of these issues, and I know it causes a great deal of upset, but the fact of the matter is that companies such as DTZ that prepare valuations and appraisals and advice of this nature have conditions attached to them. So we have sought their advice in terms of what can be released and what is necessary in order to allow that release to occur. I am pretty sure we have not yet had a final agreement on that.

**Director of Estates, Jersey Property Holdings:**

I am awaiting the final agreement.

**Deputy J.A.N. Le Fondré:**

Can I just make an observation, Minister? This is a report to Treasury, not a third party.

**The Minister for Treasury and Resources:**

No.

**Deputy J.A.N. Le Fondré:**

We have made it very clear we are very happy to receive it on the normal confidential basis, exactly the same basis we received the BNP valuation or report, so again, what is the reason for the delay?

**The Minister for Treasury and Resources:**

There were terms contained within the particular report issued by DTZ - who are now Cushman and Wakefield; they have merged, just to confuse issues even more - which I think is the reason. Could you just confirm that?

**Director of Estates, Jersey Property Holdings:**

Indeed. There is no expectation that the delay will be prolonged and I can give the panel assurance I am seeking to finalise this with all due speed.

**The Minister for Treasury and Resources:**

Just for clarity's sake, that is indeed a position that I support. I said that we would do that and we will, but clearly we want to meet these necessary obligations. So as quickly as we can, Deputy Brée, but I cannot give you a date because we are reliant on a third-party response, but I would not anticipate it will be terribly long.

**Deputy S.M. Brée:**

Will you undertake in a public hearing to guarantee that you will provide a copy of the unredacted DTZ report to this panel at some time in the future?

**The Minister for Treasury and Resources:**

That is correct. It will be subject obviously to the usual confidentiality ...

**Deputy S.M. Brée:**

But you agree you are making that undertaking?

**The Minister for Treasury and Resources:**

Yes, I am. You are looking inquisitively at me. Yes, I am making that undertaking. I have said it previously and I will repeat it again, that is the case. It will of course be subject to the usual N.D.A.

**Deputy J.A.N. Le Fondré:**

That is the usual N.D.A., not one with individual liability?

**Deputy S.M. Brée:**

The confidentiality agreement that Scrutiny Panels accept information on, not an N.D.A.

[17:45]

There are differences in legal terms between the 2. We have accepted in the past the confidential agreement, as with the BNP Paribas report. We are willing to accept it under the same agreement. Should you seek to impose on this panel further conditions, as you have supported the board of S.o.J.D.C. in doing, then obviously we will have an issue.

**The Minister for Treasury and Resources:**

Indeed, noted.

**Deputy S.M. Brée:**

I hope you accept that fact.

**The Minister for Treasury and Resources:**

Noted.

**Deputy S.M. Brée:**

Thank you.

**Deputy J.A.N. Le Fondré:**

Right, just continuing with the DTZ report, and it is also on the basis of what you said in the Assembly, I think, last Tuesday or the last sitting, you referred in the States Assembly to the DTZ report. Can you confirm that, broadly speaking, the BNP report and the recent DTZ report achieved broadly the same outcome, i.e. the £55 million in BNP is before inflation, and the DTZ report of £95 million to £105 million - because it is £95 million plus £10 million for the underground car park - is with inflation and other special assumptions and is at a time point a number of years from now?

**The Minister for Treasury and Resources:**

That is broadly correct.

**Deputy J.A.N. Le Fondré:**

So they are, broadly speaking, achieving the same outcome?

**The Minister for Treasury and Resources:**

Yes, they are.

**Deputy J.A.N. Le Fondré:**

Anybody else at this stage, because otherwise we will go to Kevin? Kevin.

**Deputy K.C. Lewis:**

Minister, the panel's key findings 13, 14, 15 and 16 state that the masterplan is no longer viable. Do you agree that the detailed plans, as approved by the States in 2008, are unlikely to be delivered?

**The Minister for Treasury and Resources:**

Again, there was a question similar to this in the States Assembly which I answered in relation to the masterplan. The masterplan of course that was provided in 2008 was updated in 2011 and part of that updating was changing the phasing works between phase 1, which for the avoidance of doubt is the car park and the 6 buildings that are on it, and phase 2 is, if you like, everything south of the road, for simplicity sake. I have stated in the public domain that we believe that the delivery of the buildings is on track and viable and that is progressing on a building-by-building basis, as we have stated, and that will continue to be monitored. I have also stated that a masterplan is a living document. It is not rigid, it is not a straitjacket, and it has to evolve over time. We are talking about a development over the next 10-plus years and so I have no doubt that as circumstances change there will need to be a review, an updating process undertaken of the latter phases of that particular plan.

**Deputy K.C. Lewis:**

If, as you say, it is a living document what are your objections to the masterplan for the Esplanade Quarter being brought back to the States Assembly for further debate and discussion?

**The Minister for Treasury and Resources:**

I think that would be a matter we need to be clear about the masterplan. It is a document that is effectively ... I was going to say "owned" but that is not quite right. It is the case that the Minister for Environment has responsibility for the masterplan and it would really be a decision ultimately for him to drive any particular change and, indeed, as the previous Minister for Environment - or was it the one before last - before Senator Cohen took the decision to take that to the States. He did amend the masterplan in 2011, as I have just referred, without referring to the States, which of course he had the authority to do. So it would be a matter for the Minister for Environment to decide if he was going to go down a similar route.

**Deputy J.A.N. Le Fondré:**

But as a principal, for example, there was a very key element of that whole masterplan, which was burying the road, and that was all tied into that it was critical to achieve the connectivity between St. Helier and the south side of what is also part of St. Helier. At this stage do you accept that that is no longer commercially realistic?

**The Minister for Treasury and Resources:**

It is a point, I think, that was raised in your own panel's report that they have ...

**Deputy J.A.N. Le Fondré:**

Do you accept that statement, Minister?

**The Minister for Treasury and Resources:**

They have concerns about it and I think they are perfectly reasonable concerns to have raised.

**Deputy J.A.N. Le Fondré:**

So you do accept those concerns?

**The Minister for Treasury and Resources:**

Absolutely. I have said that this report on the whole, I think, is a generally pretty good and helpful report.

**Deputy J.A.N. Le Fondré:**

If on the basis one of the key elements of that masterplan is no longer commercially realistic, in other words they are commercially unrealistic, does that not just change the entire masterplan?

**The Minister for Treasury and Resources:**

As I have said to you before: to be absolutely clear, the masterplan that was developed in 2008 and approved in 2008 was then amended in 2011 to split it into 2 phases. What we are focusing on is phase 1, which is delivery of the 6 buildings on the car park, and that is progressing. Now the road that you are particularly asking about is not directly relevant to the phase 1 that I am specifically referring to.

**The Connétable of St. John:**

You say the masterplan was revised in 2011. Correct me if I am wrong, but the end to delivery is the same before as after 2011, it is just how it was going to be phased, that was all? That was the only change?

**The Minister for Treasury and Resources:**

There are a few changes to it. Effectively it was about ... yes, it changed the phasing to clarify that position so the 6 buildings on the car park site were in phase 1, and that is what is progressing at the moment.

**The Connétable of St. John:**

The end delivery is more or less the same?

**The Minister for Treasury and Resources:**

Yes, if you put the 2 together you have phase 1 and then you have got phase 2. What I am saying is that - and it was the same as the other point on demand for that matter - the further out into the future you go the greater the level of uncertainty you are going to get and that is why masterplans, and this is not unique to Jersey, masterplans the world over, are living documents that evolve as time passes. They are used by planning authorities as guidance. That is what they are there for, they are not a straightjacket.

**Deputy J.A.N. Le Fondré:**

There are 2 issues, Minister, while people are collecting their thoughts. One is: is it materially changed and the implication if burying the road is commercially unrealistic that would be a material change. Secondly, while it may be a planning matter it is also public land and the public or the States Assembly on behalf of the public has agreed the purpose of that land and the general

direction of travel. If that direction of travel has materially changed is it not right that it should go back to the land owner, or the land owner representative, to consider those material changes?

**The Minister for Treasury and Resources:**

If there is going to be a material change at some point in relation to whether the road is buried or not or whether some other form of connectivity ... it was all about connectivity obviously. If some other view is going to be taken in the future about connectivity that perhaps does not involve burying the road, then I would have thought that that is a matter that needs to be given further consideration by the Assembly; as a personal opinion. My point is that is not my decision to make.

**Deputy K.C. Lewis:**

Having said that, Minister, if you are concentrating on 6 buildings, which you say you are at the moment, in order to sink the road then either a new road will be built north of the present road from Gloucester Street or south on a temporary basis while the old road is sunk. Either it goes through Cineworld, which is unlikely, or it goes through ...

**The Minister for Treasury and Resources:**

I would not say that.

**Deputy K.C. Lewis:**

... the Esplanade car park. So as you are building on your side of the road then if it is not done within the next 2 years then it is not going to happen because the only other alternative is to take the high volume of traffic that we have down the Esplanade in front of the old Esplanade buildings, which would be a complete and utter nightmare. So it is a chicken and egg situation and the road would have to be done within the next 2 years; do you not agree?

**The Minister for Treasury and Resources:**

You are venturing, if I may say so, an opinion. I have no evidence to suggest that your timescale is correct at all. What I would do is point back again to your own very good Ernst and Young report, which talks about the completion of building 4 and sees no reason, if there is no material change to circumstances, that building 5 should not be completed, as that quite naturally completes the Castle Street, if you like, end.

**Deputy K.C. Lewis:**

That would be the north end of the project, not the south end.

**The Minister for Treasury and Resources:**

You are absolutely right but the point I am making is that that is going to happen over the coming 2-year period that you are talking about. Any changes that the project has to continually be evaluated, in fact before every building starts there has to be a viability assessment undertaken. That is what S.o.J.D.C. do, overseen by their board of highly experienced individuals, property professionals and so on, and that also gets, passed to the shareholder on regular updates that we get to ensure that the project is on target.

**Deputy J.A.N. Le Fondré:**

So at this stage, Minister, you do not see any necessity to change the Esplanade Quarter Masterplan despite the potentially immature part of it not being capable of being fulfilled, and you are content that the Jersey International Finance Centre, namely the 6 office blocks and/or the public realm, will be delivered?

**The Minister for Treasury and Resources:**

Chairman, if I may say, you are trying to put words in my mouth.

**Deputy J.A.N. Le Fondré:**

I think that is what you said earlier, Minister. I was trying to sum up.

**The Minister for Treasury and Resources:**

Let me be clear. I am satisfied with the progress of this development as we stand today. I am satisfied with the appraisals that have been undertaken in terms of viability and value. I am satisfied with the projected demand in the short term, short possibly medium term, that we can see at the moment. I cannot be giving you or anybody else any guarantees about the medium to longer term, the latter parts of this period, because it is impossible. I do not have a crystal ball. The important thing is that we continue to monitor and manage this development on an ongoing basis, and that is exactly what is happening. If it means that at some point in the future there is going to be a variation to the masterplan then that is something that will come out in a considered manner, that will need to be properly debated in due course. But at the moment we are just getting on with the job in hand. I say “we”, S.o.J.D.C. who will be set up; “we” as a States Assembly set up to maximise the value of States-owned assets; assets owned by the public of Jersey. That is what they are there for and that is what they are seeking to do.

**Deputy J.A.N. Le Fondré:**

I think at this stage we will probably draw a line, Minister. I think I would note our reservations on some of your comments and I suspect we will be raising them again with you at some point. Obviously at this stage we are awaiting the outcome of the challenge on the summons in terms of



getting access to information. We would prefer not to be there. We would prefer just to have had the information on a normal confidential basis. We also await the receipt of the DTZ report, which hopefully can be done on a normal confidential basis and at that point we will assess things from then onwards. Thank you very much, we will call the hearing to an end.

[17:57]