

3.7 Deputy J.H. Young of the Minister for Treasury and Resources regarding the consequences of the loss of the proposed anchor tenant of the Jersey International finance Centre:

Will the Minister inform the Assembly of the consequences for the States of Jersey Development Company's development plan of the loss of the proposed anchor tenant of the Jersey International Finance Centre; of the number and extent of remaining expressions of interest from prospective tenants, whether they are new or relocations and whether he will now be ensuring the economic and financial viability of this development is independently assessed and reported to Members?

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

The recent announcement by R.B.C. (Royal Bank of Canada) not to take a tenancy at the Jersey International Financial Centre has, of course, been well publicised. The most important news of course is that R.B.C. has made such an important statement of confidence in Jersey. R.B.C. represents 20 per cent of the total estimated demand for new accommodation from existing on Island businesses over the next 7 to 10 years and there remains a significant shortage of available Grade A accommodation. While R.B.C. was an important letting, it was not the only tenant that S.o.J.D.C. was in discussion with. Such discussions, of course, are commercially sensitive and will remain a confidential matter for the company with their discussions with tenants until leases have passed through the Royal Court and into the public domain. I can confirm that the Jersey International Finance Centre remains a viable proposition as previously reported. The scheme is estimated to deliver an estimated £50 million in return to taxpayers, being £40 million in net cash receipts and a financially unencumbered car park with a value of £10 million. The delivery phase of the project has been reassessed by the S.o.J.D.C. and will now be delivered from east to west, starting with Building Number 4. The economic and financial viability of the scheme has been the subject of an extensive independent assessment and mostly importantly, of course, by the N.E.D.s (Non-Executive Directors) on the board and there is no reason to undertake, in my view, any further review.

3.7.1 Senator S.C. Ferguson:

Why will the Minister not be following the excellent example of Senator Le Sueur who insisted on an independent review of the scheme when the Minister ... he may be the shareholder but he is representing the taxpayer, not the S.o.J.D.C.? Why will he not follow the excellent example of Senator Le Sueur who got an independent review of the project?

Senator P.F.C. Ozouf:

I have the greatest admiration for my predecessor but, of course, it was a rather different situation then. A single developer taking on the whole of the scheme with significant other risk associated with a handing over of that whole development to one single developer. An entirely different situation. We have restructured S.o.J.D.C., we have N.E.D.s ... Members who have been going to the briefings by S.o.J.D.C. including the Chairman of the Scrutiny Panel who was briefed in advance on P.14, and who said that such was the information that they received they did not think that they needed any more information on the subject and would not raise any further questions. I think we have lots of levels of independence; we have got a good functioning issue. I have the Treasury to advise me. It is a completely different situation. There are lots of independent eyes looking at this issue and I have confidence in the board and the advice of my Treasury.

3.7.2 Deputy M.R. Higgins:

Could the Minister just elaborate on his answer? He mentioned that the project is going ahead from west to east. This is obviously the Castle Street end of the plot. That is one that is dependent upon the car park spaces. Can the Minister confirm that no development will take place again unless pre-lets are in place? So there will be no development whatsoever until they have pre-let that particular building?

Senator P.F.C. Ozouf:

First of all, the car park issue: one downside of R.B.C. not going ahead is that the car park will not be delivered earlier because the car park is on the other side. I am happy to send the details if the Deputy did not attend the S.o.J.D.C. plans. I am happy to send the Deputy the information as to where the public car park is, but it is not contingent on - as he rightly says - the Castle Quay side. Of course pre-lets are important and that is what we are looking for. There is a return and a viability issue. There is a level of pre-lets that are required before any of the buildings can go ahead. We have received briefings from S.o.J.D.C. The exciting news is that there is lots of interest in Jersey with existing firms wanting to consolidate and expand and invest in Jersey. The interest in S.o.J.D.C.'s plan is growing and that is good, no doubt for other private developer schemes. Competition, investment is on the way up and that is good for Jersey. I hope the Deputy would recognise that.

3.7.3 Deputy M.R. Higgins:

Just for the avoidance of doubt, though, no development will take place until a sufficient number of pre-lets for that site have been received?

Senator P.F.C. Ozouf:

Sufficient, but not necessarily 100 per cent. One of the important things, I think, on which I am taking advice from Economic Development and other people, is that we get some space available for the expected upturn. There is no Grade A office space available that people could come into today. Of course pre-lets must be dealing with all of the costs but there may well be some additional capacity that could be made available if a sufficient number of pre-lets could, for example, kick-start 2 buildings. But no risks will be taken and we will continue to keep Members, including the Deputy, informed, but some of those will be in private briefings because having public debates about private tenants clearly is inappropriate, as I think we have realised.

3.7.4 The Deputy of St. Ouen:

Deputy Young asked for the Minister to inform this Assembly of the number of remaining expressions of interest from prospective tenants and whether they are new or relocations. Could he answer that question?

Senator P.F.C. Ozouf:

There are a number but what I think I have learnt from the R.B.C. issue... and I have to say congratulations to the successful bidder, but what I think is inappropriate and what my experience... and as Members will know I spend a lot of time talking to local financial institutions and their chief executives in London and other worldwide centres. What these institutions do not want is to be political footballs and I understand the reasons why the Deputy would make ... and I know he is not asking me to name them but when I get into a situation where we are naming institutions and they become politicised, that is wrong. What I can say to the Deputy is, I have been told of - I think from memory - between 6 and 7 prospective tenants are looking for real space, expansion space, investing in Jersey and that is fantastic.

3.7.5 Deputy J.A.N. Le Fondré:

I do join the Minister in welcoming the potential growth and investment in the Island, no one in this Assembly, I do not think, would question it. Just for clarification, the issue for me has always been the private sector versus the public sector and competing with the private sector. However, the question I wanted to ask the Minister is how does he demonstrate to the Assembly that there is appropriate oversight of the activities of S.o.J.D.C., and I am not calling into question the capabilities of the non-executive directors, but, because of this issue of commercial confidentiality and the ability to hide behind it, 8 weeks ago we were told that any delay was going to push S.o.J.D.C. back to square one. The loss of a key tenant, which has happened, was going to cause a significant problem to that scheme. In my view, to date, that means the taxpayer is down about £4 million. So how do we demonstrate, given the circumstances, that there is appropriate oversight of the realism of the assumptions being made in moving the scheme forward?

Senator P.F.C. Ozouf:

There are lots of questions in there. I will do my best to very quickly run through. The issue of the private sector versus the States, S.o.J.D.C. is operating at arm's length and they are not putting any issues ... as far as the office development is concerned, they are at arm's length. So that is the issue. S.o.J.D.C. is operating in no different situation than other state corporations in other places; the Crown Estate in the United Kingdom, the City of London Corporation in London and other places. It is normal. My responsibility is in the interests of taxpayers there. The issue of governance and oversight of S.o.J.D.C., the Assistant Minister ... Deputy Le Fondré was a former Assistant Minister and I agree with him on many of the issues of governance and the importance of oversight. Those issues exist with S.o.J.D.C. in spades with non-execs and Treasury oversight. I am very confident that all that exists. So I think I answered that question but I am not sure I answered everything that he wanted to know.

3.7.6 Deputy R.G. Le Hérissier of St. Saviour:

Despite the disavows from the Minister, would he not agree that having a government quango department leading development has muddied the waters and that is why the whole thing has become so politicised?

Senator P.F.C. Ozouf:

S.o.J.D.C. is not a quango. Quangos are these other entities that are kind of agencies. I do not regard S.o.J.D.C. as a quango. S.o.J.D.C. is set up to give taxpayers the best return for their land and that is my job and most importantly. If that is conducive with economic growth, then good. I just say to the Deputy, even though S.o.J.D.C. did not win the R.B.C. contract, the fact is that if S.o.J.D.C. had not existed then R.B.C. would have had no other competitor in order to choose from. They chose the other developer, fine, but competition is good, competition is always good and the fact is that S.o.J.D.C. is providing competition which is helpful ultimately to the Jersey economy and ultimately taxpayers. I did not answer the previous thing. What has changed is the interest in Jersey, the up-level of interest in Jersey, and that is why we are seeing more investment and more prospective tenants. That is a really good thing.

3.7.7 Deputy R.G. Le Hérissier:

Just a supplementary? Does the Minister not think it goes against all his free market principles that he has to have state competition in order to provide competition to the private sector?

Senator P.F.C. Ozouf:

No, because I think that this is the aim, providing that it is at arm's length, and this is operating properly, and ultimately my job - as has previously been requested - is to act in the interests of taxpayers. What are taxpayers going to get the best return from? Rather than just selling land cheap with no planning applications, as we have done so many times before, we are getting real return for taxpayers' land. Is that not a good thing?

Deputy M. Tadier:

I have a point of order I did not want to raise earlier. I suspect the Minister might have inadvertently misled people and I would like to give him the opportunity to clarify when he said that no risks would be taken. Does he accept that there are inherent risks in all investments? I think he told us as much only a few weeks ago, and to say that there are no risks and no risks will be taken is not the correct message for this Assembly or for the public.

Senator P.F.C. Ozouf:

Of course the Deputy is right. I am answering political questions under cross-fire from Members and no inappropriate risks will be taken in terms of pre-lets, which was effectively what Deputy Higgins was asking. We are not going to be starting buildings which have not got pre-lets. In other words, no risk. Are there no risks? Of course there are absolutely no risks completely but it is an independent limited liability company.

3.7.8 Deputy J.H. Young:

I do understand the Minister's contention that I am sure prospective tenants do not want to be the political football but of course, unless I am mistaken, it was mentioned or brought R.B.C. into the public arena, upping the ante as it were. Now, I think the Minister has told us that the consequences are that there is going to be a change in the phased development; it is going to start from the Castle Street end, only one block. He has not told us whether or not there are any losses, as of the £4 million already spent in response to Deputy Le Fondré's question. He has not told us the percentage of the number of prospective interests; he has not told us the percentage of pre-lets that will be required to go ahead. I will give him one more chance to give us those pieces of information which I think are important in the public record.

Senator P.F.C. Ozouf:

I do not understand the question. Could he rephrase the question? I just simply do not understand what he is asking.

Deputy J.H. Young:

I suppose it was a very long-winded question which really got to the end that he has not told us the information, is there a £4 million loss or not as a result of the rephrasing of the scheme, the fact that the car park will not happen? What will be the proportion of pre-lets required on Block 4 to go ahead? Are they new or existing replacements? Those are questions that came out of my question and the supplementaries and we do not have the ...

[10:45]

The Bailiff:

There are 3 questions there.

Senator P.F.C. Ozouf:

Of course if the S.o.J.D.C. had won R.B.C. then there would have been a return, so to the extent that there is a foregone... and here is where I am going to be criticised, not succeeding

with S.o.J.D.C. means that S.o.J.D.C. has not got a return for £4 million for taxpayers. They lost the contract, fine. That building will be available hopefully to a future tenant. Costs: if the scheme goes ahead, and I was briefed again yesterday with the Chief Minister by the Chief Executive of S.o.J.D.C. about the latest plans with all the tenant details, *et cetera*, and it is extremely exciting. Again, the company operates at an arm's length basis, if they win against private sector schemes then they will win and taxpayers will benefit. If they do not, tenants will choose. But ultimately we want to ensure that there is Grade A office space available for States Members ... sorry, Freudian slip... for inward investors and as I have just seen in Saudi and Qatar and the Chief Minister in U.A.E. (United Arab Emirates), finance centres and clusters are where finance centres are growing, and I am excited with private sector and S.o.J.D.C. working together to deliver that cluster for Jersey's economic future.