

2015.07.14

4.15 Deputy S.Y. Mézec of the Minister for Treasury and Resources regarding the viability of the International Finance Centre:

Following the news that a private sector developer has secured pre-lets of 41,000 square feet in planned office space along the Esplanade from 2 major local finance firms, does the Minister still consider that the International Finance Centre is viable and, if so, why?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

Yes, the Jersey International Finance Centre is still viable. What is important is that sufficient Grade A office space is available for the finance industry to expand and for new entrants to find suitable space. In the past 12 months there have now been 4 pre-lets signed up in the market totalling 146,000 square feet. A further 57,000 square feet is under option. This is more than the previous 3 years put together and very encouraging news that signals renewed confidence in the Jersey economy. The Jersey Development Company are confident, as indeed I am, that the first building will be a financial success and we will see several Jersey International Finance Centre buildings under construction in the next few years provided we let the Jersey Development Company get on with it and do not undermine the confidence of potential tenants that are looking to lease space in the Jersey International Finance Centre.

4.15.1 Deputy S.Y. Mézec:

The firms which have signed up to these private sector offices were quoted in the media as saying that they did consider the I.F.C. (International Finance Centre) but came to the sensible conclusion that they would go for the best commercial option which was not with the I.F.C. So on that basis, if it is going to be a success, what sort of concessions is it going to have to be able to give to match what the private sector is able to offer to get firms to sign up? In doing that is that going to reduce its viability and ultimately how much money we are supposedly meant to be making out it?

Senator A.J.H. Maclean:

This is a demonstration of a commercially functioning market. The fact there is choice is really a very positive thing for the market, it is very positive for the economy, for the finance sector in particular. They have choice and they have value and that is exactly what we want them to do so that we have a competitive economy here in Jersey. No it does not automatically lead to more incentives being given but what the Deputy might be interested to know is all development companies, whether they be the States of Jersey Development Company or private development companies, negotiate with potential tenants. That is just a fact of commercial life. Prospective tenants then make a choice as to what they feel is most appropriate for their needs. What I can tell Members is that greatest single reason that we are finding tenants are reluctant to sign on the dotted line for the Jersey International Finance Centre is due to the uncertainty that has been created.
[Approbation]

4.15.2 Deputy M. Tadier:

They were not even signing up before the uncertainty was created so we wonder where that is going. I look forward to the Minister branching out into ferry companies, cinemas and perhaps ice cream vans so that we can have more choice for consumers from government-run entities. The question is, I guess, what happens if the Scrutiny Panel's report comes back and says that in their opinion the finance centre is not viable and that there is a glut in office space in the market and that the whole process shows some flaws? What is the course of action then or is it not possible that the Scrutiny Panel might be right and the Minister might be wrong?

Senator A.J.H. Maclean:

I am not going to stand here and predetermine what the results of a Scrutiny Panel review is going to conclude. We will deal with that when we get to it. All I can tell the Deputy is as far as this

particular building is concerned, the first one where construction has started, there have been independent valuations undertaken by the bank lending the money for the construction to go ahead and those have come out in a very positive way demonstrating that the cost of construction is more than covered by the value of the building. I think that is a positive thing and we will just progress and wait for Scrutiny to conclude their report and deal with it at that point.

4.15.3 Deputy S.Y. Mézec:

The Minister says he will not predetermine what the Scrutiny report is going to say but in a sense he already has done that because he had gone ahead with it before Scrutiny has had a chance to report back anyway. So he is presumably assuming that they cannot come back with anything negative. If they do come back with something negative, what will the course of action be to hold the relevant people to account for what will have transpired to be a big mistake? I say this as somebody who likes and admires the Minister for Treasury and Resources as a person, but if it turns out that he has made a mistake in doing this would he be prepared to offer his resignation over it?

Senator A.J.H. Maclean:

The Deputy is again predetermining potential outcomes. I am not prepared to enter into that at this particular point. The issue around starting before Scrutiny have concluded their report, this development has been going on for years. It was 2001 when the Island Plan first identified this area for development. There has been a masterplan in 2008. This has been ongoing and we made it clear to Scrutiny at the very beginning that of course it is absolutely their right to undertake a review, which is what they are doing, but you cannot stop a development. What we have is the first building which is under construction. Indeed if something comes out of the review from Scrutiny we will consider that in the context of the rest of the development in due course. I have already given an undertaking, which I think is very reasonable, that we will not seek to find through S.o.J.D.C. (States of Jersey Development Company) or sign up more to the point, any additional tenants in the second building or any further buildings until the review has been delivered. That is, of course, assuming it is delivered within a reasonable timeframe. I am expecting it in a matter of a month or 2. If it runs on past the end of this year, which is unlikely, of course one might have to review that position.