

STATES OF JERSEY

TOURISM REVIEW - RELOCATION AND LEASE

BLAMPIED ROOM, STATES BUILDING

Committee: **Deputy G. Southern (Chairman)**
 Senator P. Le Claire
 Deputy J. Martin
 Deputy J. Bernstein
 Deputy M. Dubras

EVIDENCE FROM

MR N. SPROSTON **(Principal Valuer/Estates Surveyor,
Department of Property Services)**

on

Thursday, 3rd March 2005

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DEPUTY SOUTHERN: I will start with the formal bit and just get it out of the way. As you are

aware, we are a shadow process and, therefore, there are no statutory powers. It is important that you fully understand the conditions under which you are appearing at this hearing. You will find a printed copy of the statement I am about to read to you on the table in front of you.

Shadow Scrutiny Panels have been established by the States to create opportunities for training States Members and Officers in developing new skills in advance of the proposed changes of government. During the shadow period, the Panel has no statutory powers and the proceedings at public hearings are not covered by Parliamentary privilege. This means that anyone participating, whether a Panel Member or a person giving evidence, is not protected from being sued or prosecuted for anything said during hearings. The Panel would like you to bear this in mind when answering questions and to ensure that you understand that you are fully responsible for any comments you make.

MR SPROSTON: That is fine.

DEPUTY SOUTHERN: If I may start it off with one of the questions that was reflected back with the words that you are speaking to Property Services later and they can answer that.

MR SPROSTON: That's right.

DEPUTY SOUTHERN: This comment of David de Carteret of 14th December 2004, when asked by you to examine what alternative they had looked at, "*To be honest*", he says, "*we did not put much effort into looking for other locations because from a fairly early stage it became obvious that this was a done deal and that the time to change things had long gone.*" At what stage, the question is, do you think this became a "*done deal*", that this was a move that was going to happen?

MR SPROSTON: Well, I think there was talk from David Margason mentioned it that the move in principle of the Tourism Department to the new site was talked of in 2002/2003. I think probably the bare bones mechanism for that happening were in place prior to Property Services;' involvement in this. The transaction itself, which we had been very much involved, say, from 2004 in relation to sort of the nitty gritty of the transaction itself, the basis of the leasing arrangement, possibly looking at the issues related to the market value, whether it related to good value in itself. But, as I referred to in my briefing notes, the way that the move was going to

happen was part of a bigger transaction in relation to the development agreed to the Island Site, and I think even the way that the discussions panned out involving WEB, its chosen developer and from an early stage the Economic Development Committee certainly reflected that.

I mean, I wouldn't say that the deal was 100% hammered down. I think that obviously negotiations and discussions were taking place to ensure that everything that was needed to be looked at had been looked at and that we were as certain as we can be that checks and balances were in place, such as this today, to make sure that everything stacks up and that the move is going to be a successful one for all the right reasons.

DEPUTY DUBRAS: At the beginning of the last session before you arrived, I asked for clarification as to the exact rôle. I think it would be helpful for all of us and for the record to understand the rôle of Property Services in this. My impression is that Property Services is acting on behalf of Economic Development to complete the transaction, the documentation, from its perspective with the landlord, if you like, who is the developer.

MR SPROSTON: I would agree with that. We sort of act in an advisory capacity with regard to States' property. So, with Economic Development in this instance, we were asked to provide advice in relation to the nature of the leasing transaction that was going to take place, but we would like to think that we had fulfilled that rôle, and also to provide any support in relation to, for example, the sourcing of alternative States' property or, for example, we were involved with the identification of the Barette's site, which I think was sourced through Property Services as well. But, yes, our rôle is predominantly advisory in relation to commercial property management, i.e., level of rent, leasing, the purchase and sale of property and these sorts of areas. I think there are occasions where we would like to think that we would be involved slightly earlier in the process than we usually are, but nevertheless I think when the instructions came through to get involved on sort of the leasing arrangements, then I would like to think that we offered the support and advice that Tourism needed.

DEPUTY DUBRAS: We have got in hand some copies of correspondence from you to the Solicitor General's office ----

MR SPROSTON: Yes.

DEPUTY DUBRAS: ---- making reference to an organisation called Baker Almond and referring to Advocate Renouf.

MR SPROSTON: Yes.

DEPUTY DUBRAS: Just for clarification, who are Baker Almond and what is the rôle of Advocate Renouf?

MR SPROSTON: Baker Almond, one of the principals of Baker Almond is Leslie Baker, who had, as I understand it, pre-existing interest in possibly doing a development on this site, but I understand that interest has now waned and he is no longer involved in that capacity. However, Baker Almond acted on behalf of the developer with regard to the negotiation of the lease terms, you know acting in negotiations with ourselves to try and finalise the detail of the agreement.

DEPUTY DUBRAS: Is there anything that is particularly pertinent, do you think, to this Scrutiny Panel that is outstanding and the reasons why you had to communicate with the Solicitor General, or are you dealing with her purely in her rôle as a conveyancing agent for the States?

MR SPROSTON: What happened was that the Solicitor General received from Advocate Renouf the bundle of papers in relation to the contract documentation. We received it through from the Solicitor General approximately two weeks ago and that was an agreement for lease, which is basically, because there isn't a property in existence at the moment, there will have to be an agreement for lease signed, a copy of the draft lease, copies of the specifications for Albert House and also for the Barette Commercial Centre and a copy of the planning permit that had been granted by the Environment and Public Services Committee. All those documents were sent through from the Solicitor General, to ask for instructions on those points.

I have since reviewed them and sent, I think, two or three memos back to the Solicitor General, picking up minor points that I feel need revision from the documentation to ensure that the lease is entered into on the correct terms. But it would be standard procedure for a principal, in our rôle acting for Economic Development, to instruct the Solicitor General on these points, simply because we generally do that as part of our day to day rôle really.

DEPUTY DUBRAS: The lease, will it be a States of Jersey lease with the developer, or is it a

developer's lease with the States of Jersey?

MR SPROSTON: Um, I would say it was a developer's lease, probably straight off a lawyer's WP basically and probably needs revision in one or two areas, but I am sure with the advice of the Solicitor General we are making sure that it is entered into on the correct terms.

DEPUTY DUBRAS: Right. Had the debate gone ahead yesterday as originally planned prior to the involvement of the Scrutiny Panel, can you give us a sense of the level of your satisfaction that everything effectively is in place, that there is nothing dramatically outstanding, so that when it is debated in two weeks time, everything will flow and the whole process can proceed if the States agree?

MR SPROSTON: Um, anything outstanding? I think the fact that WEB are effectively involved as a prime mover in this scheme has been probably of some comfort to us in that regard in terms of the due diligence in relation to Islands Development Limited and Harcourt etc. Property Services hasn't seen itself as part of that rôle, because when it appeared that this development agreement was emerging, we were only really involved at the latter stages of that, so, as part of the development process, we have had no involvement.

Having said that, I think the legal documentation is probably in a form that is going to sort itself out. There are a couple of issues, practical issues, that need to be addressed, and we are working with Economic Development to sort that out, in particular, hopefully the appointment of a consultant to act on behalf of the Economic Development Committee with regard to the construction of the building. It is a technical rôle and something which Property Services doesn't have the skills in-house to fulfil and the documentation actually provides for a monitoring surveyor in relation to the signing off of the building and to act in relation to snagging issues on practical completion. So there are things to sort of put in place and those are being driven by the development agreement. I know they are very anxious to get on site in the middle of April, so I have been at pains to sort of point out to the Solicitor General to try and build in a bit more flexibility so that we are not feeling that we are being pushed into an arrangement that we are slightly uneasy about. For example, there was a penalty clause in one of the agreements whereby, if possession of the back part of the tourism offices wasn't provided

within a certain timescale, we would be paying out money on a daily basis.

DEPUTY SOUTHERN: I saw that.

MR SPROSTON: And I have asked for that to be struck out.

DEPUTY SOUTHERN: Right.

MR SPROSTON: Just so that we are clear, I mean, I don't think there is any problem and there has been quite a lot of co-operation with Ian Macdonald of Axis Mason, who are acting for the developers, so it is a reputable firm of architects who have done the scheme. We are told that it is a high quality product, a so-called iconic building, but we are assured it will be a high quality building, more efficient to occupy and good, flexible, usable space, as one would expect from a newly built building. But it is just that we would like that knowledge that the specification of the building is absolutely up to scratch.

DEPUTY DUBRAS: My last question. In acting on behalf of Economic Development to make sure that, from a States' perspective, the paperwork is generally to our advantage and is normal for these sorts of transactions, are you completely satisfied that, all things being equal, this should go through trouble-free?

MR SPROSTON: Yeah. I wouldn't say I was completely satisfied at the moment, but I am sure once in due course, with full dialogue with the Solicitor General, I am sure the agreement will be in a format that is satisfactory for the public's purposes, yes.

DEPUTY DUBRAS: But your level of satisfaction is not extreme, it is just the normal ----

MR SPROSTON: Absolutely, yes. I don't think there is any reason to be unduly concerned. I think that the format of the agreement will be probably satisfactory for our needs.

DEPUTY DUBRAS: Thank you.

DEPUTY SOUTHERN: Okay, can I just follow up on one thing that you just said? The question of the surveyor, I think I noticed in documentation that there might be some question about who is going to pay for that. Is there a cost to the EDC?

MR SPROSTON: There is a cost. I think the fee quotation has been provided by Colin Smith & Partners, who are acting in relation to the monitoring of the transportation centre and also other parts of the development for WEB, so the idea was for them to be involved and the costs

were shared, so it could be done as economically as possible. I think we are talking about £4,000 to £5,000 in general terms.

DEPUTY BERNSTEIN: Can we move on to your comments about the proposed new building being a quality building and a building that would be flexible enough to fit the bill for the Department? We were actually at the London Assembly last week and there, again, it was very much an iconic building, which didn't make particularly good use of the total floor area, the total floor space and we were shoved into a number of offices, as we get shoved into a number of offices at Morier House that are not particularly user-friendly.

MR SPROSTON: Yes.

DEPUTY BERNSTEIN: And a round building, you know, it is, you know, a bit like a round bed. You know, you are not quite sure which way to turn.

DEPUTY DUBRAS: You need a compass.

DEPUTY BERNSTEIN: Yes, absolutely. But it doesn't always necessarily make best use of the space.

MR SPROSTON: Yes.

DEPUTY BERNSTEIN: And you have to sometimes pay for special furniture that fits the space. So are you certain that what we are getting is going to be ... I mean, it might look attractive, but it is actually going to be user friendly?

MR SPROSTON: Um, well, we are certainly having dialogue with Axis Mason. We've had a couple of meetings with them and I know that there's been dialogue with the Economic Development Team in the Department to make sure that all their staff have been involved in the basis of this move and that they have all had a chance to input into the design of the building. I think the last meeting was the first week in February with the architects and possibly the details that you have there, Deputy, have possibly been revised now because the interior of this ... the discussions are such that they are sort of designing it as they go along and my slight concern about the surveyor was that, once the specification is agreed, I believe the development is going out to tender or is out to tender presently on this scheme and those tenders are due back in next week. So time is a bit tight on that. But the point I am making is that hopefully internally the

design will be satisfactory for the purposes required. There is ... the building is going to be fitted out in accordance with the Tourism Department's requirements, so where there are fitted furniture, it is my understanding that will become part of the package. Other than that, obviously our own fixtures and fittings will be relocated, again at the expense of the developer, from the existing site into the new building. Now, there may be some issues coming out of that, but, in terms of usability, it will be a modern designed building, with all the flexibility required to comply with coms, IT and all those sorts of issues, and we are working with the developer's architects to make sure that it is satisfactory.

I mean, I take your point about circular. You know, the circular nature of the building is probably not ideal from that viewpoint, but I think the opportunity has been taken to provide what is now a five storey building, because I think it was identified quite early on that it wasn't going to be large enough to accommodate the staff that the Economic Development Committee have. So they agreed to put the additional floor on top of the building and I think the floor areas now are broadly comparable with what is being foregone on the existing site when one adds in the additional storage at the Barette's site.

DEPUTY BERNSTEIN: That wasn't made clear at the last Tourism Board meeting and a number of board members were really quite worried that the move was the right move and that the building was the right building for the job. David de Carteret was going away to reassess that, but that was only 10 days ago, so I haven't heard any more about that.

DEPUTY SOUTHERN: One suspects that that is too late.

DEPUTY BERNSTEIN: Yes.

DEPUTY SOUTHERN: The horse has bolted, I think.

DEPUTY BERNSTEIN: Absolutely.

DEPUTY SOUTHERN: Paul, your turn?

SENATOR LE CLAIRE: Yes, thanks, Mr Sproston. Mainly just some brief answers because I would like to shoot through a couple of questions, if I could?

MR SPROSTON: Yeah, sure.

SENATOR LE CLAIRE: How many floors are at Maritime House and Jubilee Wharf, do you

know?

MR SPROSTON: Er, I think they are both four storeys, I believe.

SENATOR LE CLAIRE: They are both four storeys, okay. In terms of ... I appreciate you are working as a States Department, but I don't really know exactly what Property Services does in detail, so, in terms of making sure that it is satisfactorily fitted out in accordance with Tourism's requirements, we are making it five floors, but, at the end of the day, we are making ... it is the developer that is making the building five floors and it is not necessarily going to be ours in the future. There is some indication from talks I have had with other politicians that 25% of the admin staff have gone in Tourism apparently. What comparison has been made to the work practice and the numbers of people in the current building to the work practice and the numbers of people transferring against what you have put in your bullet point here, which is something else I would like to go over, bullet point 10, where you have said "*With the benefit of hindsight, it would have been helpful if the figures set out in the report had provided a like for like comparison in terms of floor space.*"

Now, I think that is the overall theme, that people are saying "Well, you know, it's all very well quoting us £12 per square foot compared to £26 per square foot, but when you have got 2,000 square feet of that in St. John's, it's not necessarily a like for like comparison. I'm just trying to understand, because in your paper is 695 square metres and stuck on the plans up at Planning yesterday I looked at them and attached to the notes Mr Le Gresley had put 810 square metres of floor space. So that is really what I am getting at, is how much of a building are we building and how many people have we got that are transferring? Has that analysis been done?"

MR SPROSTON: Um, I mean, in terms of the analysis of the staffing arrangement at the Economic Development Committee, Property Services hasn't really been involved directly; nor would we really be expected, to be honest, to be involved in that sort of arrangement. I think that is ... I mean, we have been aware of the Economic Development Committee undertaking a staffing review in terms of how it operates and that really is the extent of our involvement with that. I think, in response to that, our brief has really been to make sure that the accommodation that we're getting is as flexible as possible in terms of its usage and that we are allowed under

the terms of the lease to use it, for example, for any States Department and try and accommodate any changes that might happen through ministerial government. So we do have the ability to sublet up to two floors with the terms being unaffected.

We also have the ability, subject to the landlord's approvals, to assign on our lease should we decide that, you know, such a fundamental change is required that we need to move on, and also a break option which has been inserted in there, which should provide us with ultimate flexibility if, at the end of the initial nine year period, with all the changes that probably are about to happen through staffing etc, the procurement of property in the States, we no longer require the office. So, in brief on that particular point, I think it is to be regarded as a bit of a moving feast, but we have had really to take David de Carteret's lead in relation to the requirements of the building and provide, you know, for what he believes is the future.

I think early on there was a staffing analysis undertaken by the Tourism's Operations and Logistics Manager to review the number of staff, how they were operating, whether there were options available for working at home and hot desking in these sorts of areas. I think that was undertaken quite early on in the process. That was done by the architects to see how the office space would be best worked up.

SENATOR LE CLAIRE: Okay, just two more quick ones and then I will be really quite satisfied with your response. In terms of the lease, I note that we are not going to sign the actual lease until the building is finished to our satisfaction.

MR SPROSTON: Hmm hmm.

SENATOR LE CLAIRE: So that is a comfort. The States can have some comfort in that regard. God knows what we would do if it was built and it wasn't to our satisfaction because then we would have a double whammy, wouldn't we?

MR SPROSTON: Absolutely, yes.

SENATOR LE CLAIRE: So it is obviously very important that we have the monitoring and the quantity surveyor operating, as you put, externally, in that we need an external quantity surveyor. That quantity surveyor isn't the monitoring surveyor, is he?

MR SPROSTON: Yes, he would be regarded as the monitoring surveyor under the

documentation that David Margason referred to.

SENATOR LE CLAIRE: Because that is the same individual that is working for the developer.

So what satisfaction do we have that the advice that the external quantity surveyor is external inasmuch as the external quantity surveyor is actually an internal developer's quantity surveyor?

MR SPROSTON: I would need to check the documentation, but I believe it is the case that he would actually be employed by WEB and also by Public Services in relation to the transportation centre. I don't think, I don't see ----

SENATOR LE CLAIRE: It is not the developers?

MR SPROSTON: No, I don't think so, no, no.

SENATOR LE CLAIRE: Right, so that is good, because obviously I don't imagine there being a problem, but we do want to make sure that if we are going to go through this we do get the building. I had another question, but it is really in relation to something you might not know, and that is in relation to whether or not we are getting involved in any risk in relation to the building and whether or not there is an ability for us to sell on a profitable level. I mean, at the end of the day, we own the land and they are getting the building. I don't know for how long and I don't know for how much. It is the overall scheme that is actually meshed into this so it is pretty much to eke out an analysis.

MR SPROSTON: Yes.

SENATOR LE CLAIRE: But at the end of the lease, why wasn't it considered, or isn't it being considered -- I think you have actually mentioned it in your report -- that we should be able to sell that lease on for some return?

MR SPROSTON: Um, I don't know about the ability to sell on. I think what is important to realise is that the rental payable on this site is heavily subsidised. It is actually referred to as a subsidised rent in the documentation because it ... I mean, I did a brief calculation and came up with some figures that if we were actually paying market value for the space that we are actually occupying, then we would be paying in the order of about £160,000 to £170,000 a year. So that ... I mean undoubtedly the developer is making this site available to us on very cost effective terms and I think that reflects the fact that they have viewed the relocation of Tourism as a key

element of this site, as has been mentioned around the table.

SENATOR LE CLAIRE: But how is it possible to produce a realistic analysis of cost effective market rental when the entire scheme itself is factored into every other part of the scheme?

MR SPROSTON: I don't know about analysis. I mean, I can perhaps give you some comfort. I mean, I am aware through the work that I am involved in on a day to day basis that rents on the Esplanade are in the order of £24 to £25 per square foot commonplace. When one analyses the areas that are under discussion here, it is clear that we talked about a rent of £12 per square foot. I think I would concur with that. We are down at about that level. The figure of £16 per square foot was in relation to the overall floor area and is possibly not the best comparison.

But, I mean, in terms of risk, every transaction involves a certain degree of risk. I would like to think that, through the work of WEB and through the work of Property Services with the Law Officers Department, our rôle is really to try and minimise any risk. We have tried to make the building as risk-free as possible with regard to future use, for example, under the terms of the lease. There will be certain guarantees and collateral warranties that are going to be requested, for example, from the specialists involved in the procurement of the building. So, if we get an inherent defect, in that if the building hasn't been designed properly or built correctly, hopefully we will have recourse there. I mean, we are only the lessee of the building, but I think we will be joined with the owner in that regard. So we are making sure that there are safeguards built in there.

SENATOR LE CLAIRE: Okay, thank you.

DEPUTY SOUTHERN: Can I move it on to the question -- again, you were present earlier when I referred to it -- the question I was talking about in nine years time? We are talking that substantially at the moment we are below market levels. In nine years time when we revert to market levels, assuming a similar differential, where we don't fall further behind market levels so it gets even worse, but let's assume that the differential remains broadly comparable, that might mean a significant increase in what we are paying out in our costs plus built into that we have nine years free at around £16,000 in a year storage space out in St. John which is going to be up at the same time. Now, should we still require that storage space, similarly that will be

available to us at market rates and, again, there is a multiplier effect and we could ... I mean, what is your analysis? I mean, I put it to the EDC that in nine years' time we could be in for a hefty bill.

MR SPROSTON: I think that is correct. I think that is inevitable, but that is clearly, you know, the net result of the fact that we are on a subsidised rent from day one. That is absolutely, you know, going to follow on. I think what we can do is try and ... I think probably the responsibilities that flow out of it is to make sure that we are in a position to make decisions as we move forward about the property portfolio which the States has. So, for example, with regard to the lease itself, the first thing just to note is that I have asked for a provision to be put in the lease whereby the landlord is under an obligation to make sure he provides us with his assessment of the market value prior to the review so we have an opportunity to decide whether we want to stay on, whether we go to arbitration or whether we sort of tough it out, negotiate and stay on, you know?

But, coming back to the States' property portfolio, I mean, I am aware that there have been discussions about reviewing the portfolio and I think that, as I said, will come out of ministerial government. It will also come out of the staffing arrangements of the Economic Development Committee as to whether anybody, an agency, is going to deliver those services for the public -- is it the Tourism Board or some other third party, for example?

So, I mean, I think we took the view that nine years was a fair point in time to sort of ask for this rent-free head rent because any longer than that we thought really wasn't sustainable from the developer's viewpoint. We were just asking for too much effectively because, apart from the negotiation on the lease, there is the negotiation with the developer and WEB going on in the background, which David Margason was referring to. From what I could understand of what he was saying, the deal in relation to the Island Site and the development generally will allow that money to be converted by WEB and receive positive benefits at day one. It is not like a retrospective sort of nine year sort of payback.

DEPUTY MARTIN: Could you explain that more? I couldn't quite what he was ... when I was asking about why and he was saying "Well, we need the money in the early years to redevelop", I mean, what extra money? I mean, if we're only paying 109 ... could you explain?

I mean, you know, I didn't really get it, but I didn't want to ask him.

MR SPROSTON: Well, I think what he was alluding to was the fact that the transaction being entered into between WEB and the developer, which I'm not privy to, will mean that obviously money is going to be coming into WEB's coffers and that money is then directly usable in relation to the works proposed for the Weighbridge and the public square.

DEPUTY MARTIN: Yeah, amenities, yeah.

MR SPROSTON: And that sort of thing. If maybe the site had been excluded and this leasing arrangement wasn't within the framework as it is, then that money wouldn't be available, or so much of it, and he was saying there would be a hole in the budget that has been allocated towards those works.

DEPUTY MARTIN: Still where is the money coming from?

MR SPROSTON: Well, the money would be coming from the developer. It is a standard development agreement/joint venture, so I would imagine ----

DEPUTY MARTIN: It is nothing to do with what we are paying for the building, because that is peanuts.

MR SPROSTON: WEB would be making available the site for development and, in return, the developers developing out the scheme, but to do that obviously there has to be an agreement in terms.

DEPUTY MARTIN: Yeah.

MR SPROSTON: What they are paying for is basically the right to receive those monies in the future, so there is an initial capital investment and then the leases are agreed with third parties and then the money flows out payable to the developer and WEB on a joint venture arrangement.

SENATOR LE CLAIRE: Can I ask just one quick question?

MR SPROSTON: Yes.

SENATOR LE CLAIRE: Overall we are going to have a transportation centre that is possibly ... the whole thing is being developed by Islands Development Limited. They are putting in their money to develop it on our land, which will revert back to the States after 150 years. We know that.

MR SPROSTON: Hmm hmm.

SENATOR LE CLAIRE: They are going to develop out the different areas and they are going to allocate leases to people according to what they can put into those areas. I've seen the plans at Planning, which show a lot of food activity in relation to the entrance where the current tourism office is, so I don't know exactly how much of an economic impact they have assessed that type of an operation against the rest of the business, because this is Economic Development obviously. But also it is interesting to note, or it would be interesting to note, in relation to CTP's lease on the Waterfront, we had an understanding of exactly before we agreed the lease in the States of what the proportionality of the return to the States would be in relation to the profit made by the developers. So with CTP Limited we knew that X times Y equals what we got in return. If they made this, then we got that.

Where is the analysis in this area, in the Island Site, inasmuch as if they are leasing out the transportation centre to, for example, Connex for 20 years and they are getting market rent on that for 20 years, where is the analysis and where is the decision making on the States, because this is not just a decision on the tourism building, this is linked in with the whole Island Site. So where is the analysis of what we will be getting as a return on this whole thing and do you think ... have you got cognisance of the development as it is progressing in relation to those features like the food courts etc?

MR SPROSTON: Um, I don't know if I am going to be able to answer very satisfactorily to be honest with you, Senator, because I think, as has been alluded to, the decision of the States to lease the site to WEB for 150 years basically put the responsibility for that clearly in WEB's court and they haven't had recourse to Property Services in relation to what they are doing there and how they are doing it. I think what they see as their remit, which is perfectly understandable, I think, is that they wanted to bring forward a satisfactory scheme in relation to the Island Site as quickly as possible and what they have sought to do is broker a deal which brings that forward, the transportation centre and all that comes with that and, at the same time, have regard to a fair and reasonable deal for the Tourism Department in terms of its offices.

I mean, in terms of analysis, we haven't seen any analysis as to how that goes on. As far

as I am aware, it is outside the States' decision making process.

DEPUTY DUBRAS: You wouldn't expect to see it.

MR SPROSTON: No, I wouldn't, no, no. It is purely with WEB.

SENATOR LE CLAIRE: I meant actually the analysis of the ... because this is all part of one scheme, the analysis of how the food courts work in with the new entrance way, because this is a two part deal, isn't it? We are getting a new building, understandably, but we are losing the building that we are operating in right now.

MR SPROSTON: I think ----

SENATOR LE CLAIRE: Maybe that is going a bit too far.

DEPUTY SOUTHERN: I think you are going beyond ----

MR SPROSTON: I mean, the only thing I would say is that what the ... there will be an agent presumably acting for the developer now to try and get those units pre-let as best they can and there will be a responsibility for making them as attractive as possible for public consumption to attract the investment of occupiers.

DEPUTY BERNSTEIN: I have got a couple of comments. As a businessman, I can't quite understand why they haven't looked at alternatives for the tourism site because, if they are going to be given nine years at basically a half price rental, why haven't they looked for somewhere else to put the tourism operation so that they could let out that space at a full price, because they clearly want to make as much money as possible? So I can't quite understand that and I know from my own experience that these food courts that Paul is talking about -- I worked in them in America -- you need a tremendous footfall to make them economic and I think they are going to have difficulty in finding people to build large catering operations on that site.

DEPUTY SOUTHERN: Interestingly, you are saying that food halls are going to go where the tourist site is.

DEPUTY MARTIN: They are.

SENATOR LE CLAIRE: That is on the plans. At Planning, it looks ----

DEPUTY SOUTHERN: And what you are saying is that that requires a major footfall if that is going to work.

DEPUTY BERNSTEIN: Yes.

DEPUTY SOUTHERN: That is interesting.

DEPUTY BERNSTEIN: I don't see the whole plan particularly. I don't see ... in my own heart, I don't see the whole plan working as efficiently and as well as well as they hope.

DEPUTY SOUTHERN: That is interesting. Can I just follow up here, and it is related to your first question about the alternatives, which is where we started, at the alternatives. What we have got is this. Historically, we used to pay this £100,000. Tourism used to pay that to Public Services.

MR SPROSTON: Yes.

DEPUTY SOUTHERN: And it was a subsidised, it wasn't market rates.

MR SPROSTON: I believe so, yes.

DEPUTY SOUTHERN: So the alternatives like ... and I have read about that they were looking at the airport, they were looking at going in to something with Post Office facilities if there was a space there, it would have been perfectly possible on a different scheme to use States' property currently to house the back offices. The essential thing was to get them out of that particular building so it could be developed. It didn't really matter where back office went and that a presence was retained somewhere. Now, whether that was a small kiosk or whatever, that would have been perfectly possible. There were alternatives, do you imagine?

MR SPROSTON: There are two points there to answer really, isn't there? The first point was in relation to why it came about that this site was identified. My understanding is that the site was identified through those discussions that took place quite early on in 2002/2003, because you would have had WEB, the administrators of the site at that time (or they were going to take it on in 2002/2003), the developer and the Economic Development Committee. I think probably the discussion would have gone something like "Is there an opportunity to relocate us in proximity?" or "This development is going on here. Is there an opportunity to relocate us on the Island Site?" The area was under the control of WEB. They didn't have to be engaged with anybody else. They didn't have to revert back to the States particularly because they could ... it was within their control to do that. So I think probably the site was identified quite early on and

certainly, at the time that Property Services got involved from sort of 2004, the proposal to locate them on that site was quite reasonably well established.

On the second point, the splitting up of visitor services and the back office staff, I suppose, if we are talking about, say, one or two storeys of staff being engaged in visitor services, the back office staff would total, say, three storeys. I think there are two storeys of actual accommodation and then the top floor is meeting rooms and conference facilities, I believe. We would be talking about probably something in the order of 1,500 square metres, 2,000 square feet. I mean, I do accept your point that you would think there was some spare capacity within the States where those staff could be accommodated, but working on a day to day basis, I am not aware that there is 2,000 square feet of spare office accommodation which could readily accommodate those staff.

DEPUTY SOUTHERN: And given the property review that is taking place at the moment, there is unlikely to be more available in nine years time.

MR SPROSTON: Well, I think obviously we have got to move forward with that in mind. Clearly the fact ... there is going to have to be a trade-off. Accommodation is going to have to be made available or there is going to have to be a budgetary provision made available at the time. I mean, there was mention made of Jubilee Wharf earlier on, wasn't there? I mean, there was an opportunity at that point because a site was made available and it was quite fortuitous at the time because the lease, I think, was coming to an end. The lease wasn't renewed on the Broadway restaurant and that site was then ... the site was made available and the decision was taken to build that site out.

DEPUTY SOUTHERN: And brought in on budget ----

MR SPROSTON: Yes. I mean, that was a scheme ----

DEPUTY SOUTHERN: ---- for 2.5 million.

DEPUTY BERNSTEIN: We owned that site, didn't we?

DEPUTY SOUTHERN: Yes, yes.

DEPUTY MARTIN: Or we will when we have paid the land back.

DEPUTY SOUTHERN: Effectively we own the Island Site through WEB.

MR SPROSTON: We own the Island Site.

DEPUTY SOUTHERN: We still own this plot of land, so it is not a problem. It is how we develop packages to actually develop them and, again, I made an analogy with Maritime House, which was done with a private/public partnership but has already reverted to us and that seems to me, that sort of stuff, I am not clear that ----

MR SPROSTON: I mean, if ... I can understand the rationale that WEB have used in this particular scenario because you can say the argument well what if, you know, the site had ... a site could have been made available freehold? Well, as far as I am aware there was no budgetary availability to construct an office that would satisfy the needs. I mean, using the figures that Cameron quoted on Jubilee Wharf, I think that came back at about £165 per square foot. That would make the cost of construction on the icon building, on the new office building, about 1.7 million. So we are talking about well in excess of a million pounds to build that building.

DEPUTY BERNSTEIN: Yes, but over the years the rental ----

DEPUTY SOUTHERN: Can I ... I have seen that Judy wants to get in.

DEPUTY MARTIN: No, no, no, yeah, no, it is basically what you are already explaining, that because you ... I mean, your email of the 17th you actually say that you've looked around and there's no suitable, but obviously, I mean, is it no obvious property because tourism would rather be "in one building" from the top, coming from the top, or would, you know, would there have been ... you say they are doing up Albert House and that will locate ... we must have some office space, but it just follows on. As you say, 1.7, but you say actually, again, "*There is no alternative accommodation suitable and it would cost capital costs of around 1.5 million to build*", or so you have said 1.7 they are building this for.

I am still not convinced that, you know, as I say, we're paying rent and at the end of the day after 21 years our lease is up and when it reverts to market value, Alan Breckon's figures worked out at a 2.5% increase and then go into market value that we are going to pay 2.5 million in rent. Are you as Property Services sure? You know, I mean it's not coming back to the States. It's not going to the States' portfolio of property, it's going to them and do you think what I asked them? I mean, whoever did the deal, they want that building. They need that

building. The criticism is that it is crucial to the whole development site. Do you think that we have actually been hard enough, whoever negotiated from the beginning, that we have got the best deal for the States, for the public purse?

MR SPROSTON: Well, as I said in the briefing, I think, all things considered, the deal is recommendable to the States on its existing format. I believe that the leases that are going to be in place will protect our position and offer fair and reasonable value for money in the circumstances. I mean, the Economic Development Committee have been clear that the only way that they are going to entertain this was going to be on a costs neutral basis, so they need a full indemnity from the developer that the costs are going to be met in terms of relocation and, at the end of the day, we are going to be occupying that building on a heavily subsidised rent over a nine year period.

I think probably, thinking a bit laterally, that if the administration of that site had been fully in States' ownership, there would have been a possibility of looking at the possible development in a different way, but, by the same token, I believe that WEB are discharging their remit in bringing forward this proposal to see the Island Site developed. Hearing about all the pressure on WEB to actually get on with the scheme, there has been extreme States' pressure brought to bear to get that site developed and with the transportation centre and on very favourable terms, then I can't see that really there is a lot, you know ... I think it would be difficult to extract any more value from the deal that we are actually getting, to be honest with you. I mean, I don't know the detail. I don't know the detail of the agreement.

DEPUTY SOUTHERN: Paul and then Maurice.

SENATOR LE CLAIRE: It's unlikely, isn't it, let's face it, but, I mean, just take this analysis, if we were to build the building ourselves, it is unlikely that it would stand for 150 years, but if it was to stand for 150 years and it was our building and we could do with it what we wanted, including subletting, it would cost us, you say, 1.7 million. So let's call that topped to 2 million. But if the rent stayed exactly as it is, year one to year 149, it would create a rental of 16.3 million, if it just stood still, if the building was able to last that long. So the developer is able to build a building with very little risk because we are going to be paying the rent from day one.

They have got a blue chip covenant, inasmuch as they can go to the bank and say “Right, well, we have got the tenants, give us the money for the building”. They make the building and, after nine years when the building has effectively been paid for, they still have another 140 years to ... I mean, even if the rent stood still, to generate that kind of income. Isn't it really ... I know we have discharged our responsibilities to WEB, but in trying to achieve something have we really given over more than what we are achieving?

MR SPROSTON: That is a very interesting point. I mean, the only thing I would say on that is that analysis with regard to rental payment is difficult. What you would normally find, I would imagine, with regard to conventional valuation theory and the like is that it would have some regard for the time value of money. So, for example, when you are looking at a calculation in relation to the benefit of an income stream, then the benefit of receiving money in the early years is far preferable to the receipt of value for money over a long period of time. So, I mean, I accept what you say, but a developer would have regard to his likely returns in that way over a given period of time.

SENATOR LE CLAIRE: But would you say ... I mean, transportation is going to change, I would imagine, dramatically in the next 150 years. Whether or not we still have buses will be something to wonder over.

DEPUTY SOUTHERN: Paul, we are wandering way outside our ----

SENATOR LE CLAIRE: Wandering, but is the ... in your analysis, is the deal that we are doing effectively leaving ourselves out in the cold after nine years and something that, effectively, it would have been better value for money for us to have taken up our own building?

MR SPROSTON: Um, well, I think at the end of the day, as far as I am aware, there isn't a site available upon which to put this building. The Island Site, as we have said, the way these discussions have emerged was that WEB took the decision quite early on that ... or there was a general agreement that we would try to relocate this building on the Island site and the only mechanism for doing that would be within a 150 year leasing structure. If that site had been taken out of that, if there had been an agreement to take that site out of that arrangement, then there would have to have been a sum of money paid over by us to release that site back and we

are not having to pay that.

SENATOR LE CLAIRE: Is that what happened with Maritime House, as I believe that was on a 150 year lease as well, wasn't it, or not?

MR SPROSTON: I couldn't say, to be honest with you. I think it is a freehold site, Maritime House.

DEPUTY SOUTHERN: Maurice?

DEPUTY DUBRAS: I was taken by this image and I was wondering to what extent in the leasing arrangement and the fee that we are getting how much is the ability to advertise tourism a bonus there? If this was a conventional building, how much more does one expect to pay in a lease to get the benefit and in your arrangements for an agreement with the developers, has any thought been given to retaining that capability to advertise the function even though the people living inside and operating might be completely different? Is that something that has been thought about, because it seems to me that that has a tremendous value which you would otherwise have to pay in some other way?

MR SPROSTON: Yes. I mean, I think Axis Mason obviously came up with a very innovative design and they have sort of labelled this building an "icon" building quite early on. The actual graphic there is an artist's impression, but what the advertising feature on the exterior of the building is made up actually of a series of steel cables from the top to the bottom of the building which will allow the opportunity to present graphics on the front of the building for whatever purpose. So that can change depending upon who the user of the building is.

DEPUTY DUBRAS: My question is has it been thought about in your working out the lease to our advantage, to the advantage of the States, to retain the ability to continue to advertise that for Tourism or for the public of the Island regardless of who is actually in, who is actually occupying it? Would that be an added benefit after the nine years, if it was sub-let or handed off to somebody else, would it be to our advantage to retain the ability to continue to use that as a billboard for Tourism?

MR SPROSTON: I think the opportunity to advertise from the site certainly isn't lost on Economic Development and Tourism widely because ----

DEPUTY DUBRAS: But I am saying beyond.

MR SPROSTON: Yes, I think quite possibly, yes, quite possibly, I think ----

DEPUTY DUBRAS: Have you got that reservation in the lease?

MR SPROSTON: Um, that can be picked up. I mean, the point I did raise actually was that there was a restriction about posting advertisements, I think the way the lease was drafted and the Solicitor General picked up on it straight away as well. Clearly we are going to need flexibility from the landlord to use that façade in whatever way we chose to within reasonableness, of course. Yeah, I am sure that can be worked in to make sure our position is protected, or indeed it can be worked to our advantage if we need to.

DEPUTY DUBRAS: Last question on that element. Having had some experience as President of Environment and Public Services and knowing that there is a preference within the planning function to restrict advertising, I would like to think that the lease will not be in some way subverted by Planning at some later stage and that they have already agreed to this as part of the planning approval. It seems to me that there needs to be something built in to the lease to retain that capability regardless of who the tenant is on behalf of the Island.

MR SPROSTON: Right, I see what ... yes, sorry, I misunderstood what you were saying. Yes, well, to be honest with you, that point hasn't been raised at the moment with the landlord and, I don't know, that could be something that could be looked at in the future maybe.

DEPUTY DUBRAS: But it has a value.

DEPUTY SOUTHERN: Yes, yes, it does, but it is so late in the day to raise it. Yes, it has been raised. It has been raised formally in public now. Can I just ask two final ones to wash up, I hope? One is, accepting that the developers are very keen to more Tourism to where they are going to, given all the effective sweeteners put in like relocation costs, refurbishment of Albert House, free storage out at St. John. I picked up at some stage the question about the service charges on the building and the statement, I think, that someone was saying "Leave it with me, I can assure you that the service charges will be wiped", or words to that effect. Has that actually happened? Has that also gone into the contract?

MR SPROSTON: Subject to confirmation from the Solicitor General, I think that is actually the

case. I think the service charge element has been waived in relation to this building, so what we have is a stand-alone building that, for any sort of incidental costs to do with, it could be, cleaning the exterior paving around the building will be met directly by us and, in that way, whilst there may be a cost to incur, those costs will be directly associated with our building as opposed to common costs incurred in sweeping the thoroughfare that is the transportation centre or the walkways in the scheme generally.

DEPUTY SOUTHERN: Right.

MR SPROSTON: So what they have decided to do is self-contain this building and, in that way, it doesn't form part of a wider service charge arrangement.

DEPUTY SOUTHERN: Right.

MR SPROSTON: I think that is quite a reasonable thing to do.

DEPUTY SOUTHERN: And then a final question. I don't know what your answer will be genuinely, but are we ... I return to my in nine years' time, do we have a problem? Are we putting off an issue? Whilst we have got benefit now, yes, we are on a low, subsidised rent as you say, in nine years' time are we going to have a problem?

MR SPROSTON: I don't believe we should have a problem if Officers and States Members proceed with diligence in relation to property provision in the States generally. Clearly this has got to be looked at with a watching brief over a period of time to get to that nine year period. We haven't got to leave it nine years and suddenly decide "Oh, we have got an extra £100,000 a year to find." Some thought has got to be given in the wider scheme of things as to how that accommodation fits into the bigger picture. You know, we have time to do that. I mean, the bill period on the offices is probably, you know, 12 months or two years.

DEPUTY SOUTHERN: I have this image of a one week call in Scrutiny having to revisit this in seven years time to make sure somebody has noticed that we have got an increased build coming up. Finally?

SENATOR LE CLAIRE: I can only think of one thing and you have really been very good in the work that you have provided for us. Thank you very much. I just wonder -- I get back to that bit again -- we have to relocate Tourism because they need Tourism as an access point for the Island

Site. They have identified that that is the reason why we have the need to move. It used to be the old access site for the railway station, so that has been put in there.

MR SPROSTON: Yes.

SENATOR LE CLAIRE: Most of the people going to the Island Site and most of the people on that square are going to have to funnel through the doorways of the existing tourism office and that is why they have to move. Are they going to be moving through a restaurant area or the restaurant areas on the floors above, because in the plans at Planning it looks like there is allocations of food spaces and, where there are allocations of food space, generally you get to have a congregation which are difficult to lug suitcases through.

MR SPROSTON: Yes. I don't know. Probably, I would imagine David Margason would be the best person to ask about the scheme itself and how it has panned out, but I understand there is provision for restaurants at first floor level, including al fresco dining etc.

SENATOR LE CLAIRE: But not ground floor?

DEPUTY SOUTHERN: On the old site or on the ----

SENATOR LE CLAIRE: It is access and egress.

MR SPROSTON: No, this is the current tourism offices you are talking about?

DEPUTY SOUTHERN: In their current location.

SENATOR LE CLAIRE: Where my concern is that they are telling us we have to move because this is the gateway to the new Island Site that they need. That is why they are doing everything, giving us the free this, the free that and the free other. But, in terms of access and egress, they have even put in, you know, different bits and pieces. In terms of access and egress, is it going to deliver the accessibility of the people that are going to be using the site?

DEPUTY SOUTHERN: I see the validity of the question, but actually that belongs to the previous session. It is not your realm.

SENATOR LE CLAIRE: Could you get back to us if you could make enquiries?

MR SPROSTON: I am more than happy to try and get back to you with some details on that basis.

DEPUTY SOUTHERN: Okay.

SENATOR LE CLAIRE: Because it is difficult to see from the plans I have looked at and the plans that we have been given exactly how that existing tourism building is going to be chopped up.

DEPUTY SOUTHERN: Okay. Is that is? Well, I think we have probably gone over. Is there anything else you want to add, Neil?

MR SPROSTON: No, nothing more to add.

DEPUTY SOUTHERN: Okay. Well, thank you. Thank you for your time and your efforts. Thank you.

DEPUTY DUBRAS: Could we perhaps, Chairman, thank Neil because it seems to me, in response, he has provided us with a lot of information in very short order and it is much appreciated.

MR SPROSTON: Thank you.

DEPUTY SOUTHERN: Yes, thank you very much indeed.

DEPUTY MARTIN: Yes, thank you.
