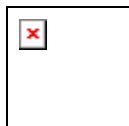


**INVESCO HOUSE, THE FORUM, GRENVILLE STREET,
ST. HELIER: ASSIGNMENT OF LEASE**

**Lodged au Greffe on 4th July 2000
by the Telecommunications Board**



STATES OF JERSEY

STATES GREFFE

180

2000

P.126

Price code: B

PROPOSITION

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

- (a) to approve the assignment of the lease from Invesco International Ltd. to the public of Block 1, The Forum, Grenville Street, St. Helier for the purposes of accommodating the Jersey Telecoms Accounts, Finance, Strategic Planning and other teams for a period commencing at passing of contract until 3rd December 2008, at total annual rent of £405,520 for 17,151 square feet of office accommodation (representing a rate of £22.50 per square foot) and 14 car parking spaces (representing a rate of £1,850 per space per annum) the rental being subject to review on 4th December 2002 on the basis of open market rental value;
- (b) to authorise the Greffier of the States to sign the said lease;
- (c) to authorise the Treasurer of the States to pay the rent as it becomes due.

TELECOMMUNICATIONS BOARD

Note: The Planning and Environment Committee supports this proposition.

REPORT

1. Executive summary

- 1.1 The Telecommunications Board (the Board) needs to free floor space in a number of its engineering sites in order to provide equipment to meet customer demands, introduce new services and continue the enhancement and development of the Island's telecommunications services.
- 1.2 A full review of the Board's current property assets and future accommodation requirements has been undertaken which has concluded, amongst other things, that the current engineering sites should be cleared, as far as possible, of administration staff in order to release floor space for this equipment expansion.
- 1.3 The total requirement is for approximately 17,000 square feet which includes the requirements for ancillary facilities such as meeting and training rooms, and accommodating staff from Channel House.
- 1.4 Invesco House, Block 1, the Forum, has been identified as a suitable property to become central administration premises to house the relocated employees. The Board has worked closely with the Property Services Department to negotiate and secure the remaining term of an existing lease at Invesco House, the details of which are described in the accompanying proposition and later in this report.
- 1.5 The Board wishes to proceed as soon as is possible to take on this lease in order for it to forward its development plans for the telecommunications services in the Island and to develop new revenue opportunities.

2. Background

- 2.1 During 1999 a review of all of Jersey Telecoms property assets was conducted, including an assessment of the suitability of the premises for current and future needs, staff requirements and working conditions.
- 2.2 The main conclusions from the review were -
 - 2.2.1 there is insufficient expansion space for new equipment on most sites without carrying out alterations and/or extensions to existing premises and/or relocating staff;
 - 2.2.2 the termination of cabling network at the exchange sites limits the ability to redevelop existing sites or secure new engineering sites;
 - 2.2.3 the adaptation of former exchanges for administration type functions has not always created the most suitable or efficient working conditions;
 - 2.2.4 teams are fragmented around a number of sites;
 - 2.2.5 many teams are short of space;
 - 2.2.6 Telephone House should remain the main retail site;
 - 2.2.7 in the short to medium-term, works should be carried out at exchanges and at the Engineering Centre to meet immediate business needs. In the medium to long term, the aim should be to amalgamate all administration functions (i.e. non-engineering, and non-retail) into one new corporate headquarters site, to primarily release floor space for new equipment in existing engineering buildings but also, to improve efficiency, communication, and flexibility to adapt to changing business needs.

3. Existing property assets

- 3.1 Jersey Telecoms main property assets are Telephone House in Minden Place, the engineering centre at Five Oaks, four exchanges in the north, south, east and west of the Island, and a repeater station at Trinity Gardens on the outskirts of St. Helier. All of these are owned freehold. In addition, leasehold premises are held at Channel House Green Street (two floors of offices), Trinity Gardens (small store), and part of the Health and Social Services warehouse adjacent to the Engineering Centre.
- 3.2 All of the freehold assets were originally constructed as telephone exchanges with ancillary facilities, and over the years, as telecommunications equipment has reduced in size, many areas of these building have been adapted to

provide offices and workshop accommodation.

- 3.3 Most of the Board's exchange sites are full and there is a need to expand the available space for the installation of new equipment. Whilst electronic equipment has become smaller in size, a much greater range of services is now provided which requires different equipment platforms on which to operate. The expansion into broadband services, the Internet, e-commerce and the growth in mobile services are areas where significant equipment space will be needed in the future.
- 3.4 The explosive growth in demand for more bandwidth and capacity both within the Island and to other countries will also require the installation of new "wave division multiplexing" systems. These systems require several racks to house the equipment and space must be found in the existing exchange premises for its installation.
- 3.5 Where equipment areas have been utilised to provide office accommodation and other work areas for staff, in some cases this accommodation is far from ideal. Many staff work in cramped conditions brought about as a result of "shoe horning" them into the existing premises. Others are working in buildings which are specifically designed as telephone exchange premises rather than offices and some, are working on a permanent basis within exchange equipment rooms which is not best practice from an environmental or health and safety basis. This pressure on accommodation has also resulted in some business functions being spread across different sites which whilst workable, is far from ideal.

4. Current business needs

- 4.1 During the last six to 12 months, customer demands and the speed of the development of new services in the telecommunications industry, led by the Internet revolution, e-business developments, mobile services and the advance of broad band networks has forced Jersey Telecoms to re-examine the timing of the implementation of the recommendations made as a result of the property review.
- 4.2 In particular due to the following factors -
- 4.2.1 the requirement to create a Network Management Centre in Telephone House by the end of 2000 which will -
- bring together the control of all exchanges and the network into one place, rather than being fragmented as at present;
 - meet customer demands for 24-hour 365-day managed network services;
 - improve efficiency and;
 - demonstrate the quality and scope of Jersey Telecom's services.
- 4.2.2 the need to expand existing equipment areas in the exchanges and in Telephone House in particular, due to -
- the development of e-commerce business opportunities;
 - the demand for hosting managed network solutions for clients;
 - the development of broadband services;
 - expansion of Internet business opportunities and;
 - growth in mobile services.

5. Immediate space requirements

- 5.1 There is no spare capacity within Telephone House or the other exchanges to meet the specific demands of 4.2 above and as a result, certain teams will have to re-locate to create this space. If administration functions are being moved, it makes commercial sense not to fragment these, but to try to bring them into one location.

5.2 The total requirement is for approximately 17,000 square feet, which includes the requirements for ancillary facilities such as meeting and training rooms, and accommodating staff from Channel House where there is a lease break option in June 2002.

5.3 Whilst this full amount may not be urgently required during 2000 due to the gradual installation of the new equipment, there is an immediate need for at least 10,000 square feet in the short-term. As stated above, it is not recommended that a piecemeal approach be adopted in securing additional accommodation in a number of fragmented premises, as to do so would have a detrimental effect on efficiency and communication, as well as adding delay.

6. Availability

6.1 There are currently few offices available in St. Helier of sufficient size to meet the Board's requirements.

6.2 There are several schemes under development and several more with planning consent which would provide high quality new offices of sufficient size, but these will of course be at prime rents. The earliest will also not be available for another six months and most, for two to three years. This delay is too long for the Board's business requirements.

6.3 Of the second-hand properties available, most will require works to bring them up to a standard for modern occupation.

7. Block 1, The Forum

7.1 The headlease on Block 1, The Forum, currently known as Invesco House is currently on the market and the property is of sufficient size and quality to meet the Board's requirements.

7.2 The tenants, Invesco, currently hold a lease which expires in December 2008, which is available on the open market by way of an assignment. To dispose of their lease the current tenants are prepared to offer a premium as an incentive to cover repair works, and some fitting out works [BL1].

7.3 Surveys have been obtained from a Chartered Building Surveyor on the condition of the fabric and from specialist engineers on the mechanical and electrical engineering services. These reports have been reviewed by Property Services and as a result of the repair works identified the current leaseholders are prepared to pay the Board a premium of £675,000 to cover the costs.

7.4 The building is in fair condition, but there has been some lack of maintenance over recent years. The above figure represents the costs therefore of putting the building into a good state of repair although the surveys have also reviewed the Tenant's continuing obligations to repair until the end of the lease.

7.5 The building comprises basement parking and offices on ground to 4th floors, and provides good modern office accommodation, mainly open plan, with raised floors, suspended ceilings, air conditioning and two lifts. The basement area of parking is included within the demise under the terms of the lease.

7.6 It is intended that vacant possession of the whole building be taken as soon as the legal documentation can be completed (subject to the termination of a short-term licence on the ground floor until November).

7.7 The building's demise already includes a Telecoms main cable distribution room for this area of St. Helier, located in the basement parking area. This would therefore be easier to access and maintain and extend.

7.8 Depending upon the growth in telecommunications services, the Board would also consider its options to break under the existing leases in nearby Channel House, which take effect on 24th June 2002, and to move the staff into Block 1, The Forum.

7.9 Taking an assignment of the existing headlease on the building would put the Board in a strong position to negotiate to purchase the freehold of the building if this becomes a business requirement and/or the freeholders decide to sell at some point in the future.

8. Conclusions

8.1 The Board has no real option but to expand the areas for equipment at Minden Place and other sites in order to

continue to meet customer demands and to provide new services. If enough staff cannot be relocated to enable this expansion of equipment, the Board will be hindered in developing the Island's telecommunications services to meet future needs. This would be a wholly unacceptable position given the drive towards encouraging e-business in the Island.

8.2 From a business perspective, the Board expects to increase turnover and profitability by utilising the freed up engineering space in its exchange buildings to meet customer demands and provide new services.