

STATES OF JERSEY



COMMITTEE OF INQUIRY: SALE OF BROAD STREET POST OFFICE BUILDING

Lodged au Greffe on 28th April 2014
by Senator A. Breckon

STATES GREFFE

PROPOSITION

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

- (a) to agree that a Committee of Inquiry should be established in accordance with Standing Order 146 to inquire into a definite matter of public importance, namely the circumstances surrounding the plans by Jersey Post to sell the Broad Street post office building in 2008 and the actions of the Minister of Treasury and Resources in relation to the proposed sale;
- (b) to request the Chief Minister to take the necessary steps to select a suitable Chairman and members to undertake the Inquiry and to bring forward to the States for approval the necessary proposition relating to their appointment.

SENATOR A. BRECKON

REPORT

One of the difficulties with Ministerial Government, for a backbencher, appears to me to be getting straight answers to basic questions without the flannel! While questions to be put to Ministers are “vetted”, answers are not.

Prior to Ministerial Government we were assured that there would be appropriate checks and balances and that the Executive would be in the minority; however, that does little to address the above, in my opinion.

I considered seeking to request either Scrutiny or the Public Accounts Committee to look at this issue; however, both have considerable workloads to deal with before the end of this political term, so I believe that it is appropriate to seek a Committee of Inquiry, as I believe that this is a matter of public interest.

By way of background information I have attached at the **Appendix** the e-mail that was sent to all Members by Senator Ozouf on 30th January 2014 (I understand that this was also published in the Jersey Evening Post). Other details that were attached are also included.

I would ask Members to read these again carefully and then read them again, because I believe that there are some inconsistencies in the content. Look at what actually is stated. Also, it may be a coincidence, but neither of the senior officers involved in these e-mail exchanges is still working for the States of Jersey!

The sale of the main Post Office in Broad Street is of interest to the shareholders – the Public of Jersey – the Public should have a degree of transparency which a Committee of Inquiry would give.

I do not believe it would take long or be either too complex or too expensive.

The Jersey Public put a high priority, and have a degree of dependence, on the services of the Jersey Post Office, therefore the affairs and functions of the Company are of public interest.

Postmen and women are out doing their rounds as part of the community – in all weathers – 52 weeks of the year – and are accepted by those they deliver to as reliable friends, often being a helpful contact for one and all, including those without easy access to the outside world.

Those out walking and cycling the streets, or in vans, are supported by a team of others, collecting, sorting and administrating, etc. to ensure the public receive an efficient service.

This also includes the ever-growing parcel service, when all manner of shapes, sizes and weights of parcels and packages are delivered in a friendly and efficient way. This is a vital and increasing service to the Jersey public through the growth of Internet shopping, meaning that this has become a vital public service which is giving consumers a greater choice and accessibility to a wider range of goods and services not previously available – Jersey Post helps this happen – so I believe the affairs of the company are of significant public importance.

Over-the-counter services are also valued and vital public services. As well as basic postal services for letters, packages and parcels, post offices also provide a range of other services for the Jersey public in an efficient and friendly manner in a variety of convenient locations throughout the community. For example, provision of the services has meant that many people in the community – especially the elderly – can now still pay their telephone bill by cheque at a Post Office.

The “landmark/flagship” post office is of course Broad Street, which is the main provider of postal services and a “busy hub”, and is well-used by many in the community, whether town or country dwellers. It is a prominent focal point. Those either living or working in town or visiting to shop, etc. find it a convenient place to use the many varied services or, ever-increasingly, to collect parcels and packages from Commercial Street. This service is very important, especially for those working in town who are able to collect a missed delivery, within a day or two, which they may have missed through not being at home. The current location means that they can do this in their lunch-break, conveniently and fairly soon after the missed delivery. This would not be so convenient if they had to go to Rue des Près, especially if they did not have their own transport and were collecting a bigger parcel.

I have outlined above just a few of the services of Jersey Post and the public reliance on the over-the-counter services provided for them, especially at the main post office in Broad Street. Therefore I believe it is a matter of public interest if the building were to be sold.

Although this may be part of Jersey Post’s future business plan, or intention; that the sale of the Broad Street property would raise money to do other things, then I believe that this information should be shared with the shareholders – the public of Jersey – who they have been in negotiations with, when and for how much, and if this is the case, why negotiations broke down and why the sale did not proceed.

It is not the intention of this short Report to touch on the details, it would be for a Committee of Inquiry to fully investigate, should the States agree to this proposition.

Financial and manpower implications

My experience of Scrutiny tells me that the maximum cost should be £20,000, and this cost should be met from contingencies.

E-mail sent on 30th January 2014 on behalf of Senator P.F.C. Ozouf

“ Dear colleagues

A number of members will have received an email which has led to unfounded suggestions I blocked the sale of land owned by a States owned company to a local financial institution. This follows over the last few years, a continuing theme of questions concerning property and specifically the development of Esplanade Square.

I'm advised there has been a meeting of 'concerned' States Members who met to discuss the email and linked issue of SOJDC's own Esplanade Square development, although no member contacted me to verify matters. (One member enquired over the weekend and I met them yesterday and hopefully was able to answer all their queries).

On behalf of the Public of Jersey, the States is the sole shareholder of Jersey Post, SOJDC and other valuable entities. As Treasury Minister, supported and advised by Treasury officials, it is vital that the shareholder role is discharged properly, and always in the public interest. It is my duty to exercise proper oversight over States companies and property sales: it is a responsibility which I and Deputy Noel take very seriously.

Whilst States companies act on an arm's length basis, any potential sale of publically owned entities, land and the development of States land through SOJDC or Property Holdings are legitimate matters that require the approval of the Treasury Minister.

Developers and landowners compete for the future space requirements of tenants. Numerous sites are assessed in these processes: in the past these have included the Broad Street HQ and currently sites owned by SOJDC. Such deals could be worth millions of pounds of value to the public and similar amounts are likely to be at stake for the parties involved in competing schemes.

It is absolutely appropriate for me to be questioned and answer members' questions in the Assembly and generally hold me to account on such important matters. I appreciate the media and civil society also have important roles in doing the same. At the same time, it would be inappropriate for the Treasury to comment publically on commercial discussions relating to schemes and matters which affect often highly respected third parties.

States entities should be permitted to discharge their functions without inappropriate political interference and in a way which prevents them from acting in the interests of their shareholder, ultimately the public of the Island. Attempts to inappropriately delay decisions cost the public money. Whilst the economic situation is now improving, there is a need for us to continue to work as never before in a manner which maximises our economic potential in an ever fast-moving and competitive world, for the benefit of our community.

Turning specifically to the email. It appears it was photographed and sent potentially in breach of confidentiality obligations. Only part of the email was circulated and it's partial content the subject of media reports.

I am taking the unusual step of sending members the full email exchange. I also am sending an email from the Chairman of Jersey Post to which it relates. As members can see, I took advice and acted in accordance with it. Members can hopefully see this puts the issue beyond doubt.

It is a matter of great regret that the reputations of respected third parties people and institutions were also potentially brought into a further attempt which seems to have been designed to besmirch my own reputation.

Resources and significant time are rightly used in answering questions raised: that is a necessary part of the accountability and scrutiny of decisions. Sometimes people forget that time is our most precious resource. This email case has resulted in no productive outcome and has taken the valuable time of many which could have been used for more productive endeavour.

The partial email leak issue has been referred to the Chief Executive and I also invite PPC to investigate if they wish.

As always I am more than happy to learn from every situation, to be as open as possible and always try to answer members' questions. Moreover, together to continue to work hard during this term of office and represent best the interests of all those we serve.

I thank members for their continuing support.

Regards, Philip

**Senator Philip Ozouf | Minister for Treasury and Resources
Treasury and Resources Department**

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P Think of the environment...do you need to print this e-mail? ”

(Full e-mail exchanges referred to above.)

From: Bill Ogley
Sent: 04 February 2009 13:55
To: [DF]
Subject: FW: Office Strategy

for info.
Philip has accepted this advice.
Bill

-----Original Message-----

From: Terry Le Sueur
Sent: 04 February 2009 13:45
To: Philip Ozouf; Bill Ogley
Subject: RE: Office Strategy

I broadly agree with Bill's analysis. On that basis I think there is still scope for a brief meeting tomorrow afternoon (1.15 -1/45 p.m.) but Philip can advise JP that we are not currently interested in the site, and that they should not delay any deal on our behalf.

Terry.

-----Original Message-----

From: Philip Ozouf
Sent: 04 February 2009 13:03
To: Bill Ogley; Terry Le Sueur
Subject: Re: Office Strategy

That's sound advice. Will speak to Mike along these lines.

Philip

From: Bill Ogley
To: Terry Le Sueur; Philip Ozouf
Sent: Wed Feb 04 12:31:33 2009
Subject: RE: Office Strategy

I will certainly make myself free.

I have spent an hour with [DF] this morning and here is my initial view, not all of it driven by my discussion with DF..

I think that the JP proposal should be divorced from the consideration of States accommodation needs. I am not sure what the requirements are on you in relation to the question from the Board, but I don't think that it is in order for you to try to arrange a different deal. I do think it is appropriate for you to look at it in the wider context of the Island than just a straight financial shareholder value.

If you wanted to consider the States accommodation needs then I just don't think that the proposals have even been considered in sufficient principle to support a decision by you that this property should be held by JP until we are ready to make them an alternative offer. Even if you wanted to consider it for States accommodation I think there is a fundamental principle as to whether we want to take such a prominent central location. Personally I think we should be as far removed from the centre as possible without removing trade from the shops.

The second question in my mind is therefore whether it would be appropriate for you to try and decide whether this proposal undermines the Esplanade quarter in any way. If the Esplanade scheme was firm and definitely happening and (bank) were known to be an anchor tenant who had already signed up then you could consider that. However even then they as a commercial enterprise have the right to determine their own occupation and costs / business risks. As it is the Esplanade scheme is far from certain in timing and whether it will ever happen in the current form. I would advise you not to make a decision on the JP proposal based on any further consideration of the Esplanade scheme. If however you felt it to be relevant I would offer the following advice:

-you have a major employer and a very important member of our business community who wants to acquire a substantial building in which they will invest considerable monies to integrate with their existing offices. This seems to me to be a very good signal from them in terms of confidence in their business and in Jersey. At a time of great economic uncertainty such a decision should be supported as strongly as possible. If you were to block the deal you would be seen to be being unsupportive or even blocking the actions of a major employer. It's hardly a message of encouragement. You would need to have a very good reason, provided of course that the deal is commercially sound and I expect you will require the Board to assure themselves of that. So what could your reason be, only that you think (bank) should be on the Esplanade and that you are more intent on making the Esplanade happen than you are on securing a major business. You would be backing your judgement against that of (bank). That's the sort of central planning that Russia pioneered and that eventually failed them.

So my advice to you is very clear, if the deal between JP and (bank) is commercially sound then there are no justifiable grounds on which to block it.

Turning to the office accommodation plan I suggest that you allow us to go through it properly and then come back to you, Terry and Freddie to discuss it politically as soon as we can.

I'm sorry this is a bit of a long answer, but I hope it's helpful.

Bill

-----Original Message-----

From: Terry Le Sueur
Sent: 04 February 2009 11:07
To: Philip Ozouf; Bill Ogley
Subject: RE: Office Strategy

Could we meet tomorrow lunchtime before/after media briefing ?

Terry.

-----Original Message-----

From: Philip Ozouf
Sent: 03 February 2009 22:19
To: Terry Le Sueur; Bill Ogley
Subject: Re: Office Strategy

I agree.

The urgency is I am being pressed by JP to sanction sale of Broad Street to (bank). Once Post Office site is sold to (bank) the option for States consolidation on Broad Street is lost and (bank) move to Waterfront. I was only alerted to this on Monday. Would just appreciate an initial view.

More tomorrow.

Philip

From: Terry Le Sueur
To: Philip Ozouf; Bill Ogley
Sent: Tue Feb 03 22:14:01 2009
Subject: RE: Office Strategy
Philip,

My reaction is "yes, if we have enough time". Our priority has to be to agree and then despatch the Strategic Plan documents. If we do not have time tomorrow morning then perhaps later on Thursday morning would be a suitable alternative ?

Terry.

-----Original Message-----

From: Philip Ozouf
Sent: 03 February 2009 22:09
To: Bill Ogley; Terry Le Sueur
Subject: Fw: Office Strategy

Dear Terry and Bill - can we have a word about this tomorrow morning?
Thanks. Philip

From: (DF)
To: Bill Ogley
Cc: Philip Ozouf; John Le Fondre; Edward Noel
Sent: Tue Feb 03 21:20:12 2009
Subject: Office Strategy

Dear Bill,

As you may be aware I am due to circulate the States Office Strategy Report to CMB members on Thursday prior to presentation at the CMB meeting on the 11th February. This paper presents the case for consolidation, the options considered, the cost benefit analysis etc., and recommends that we progress planning for the redevelopment of the former JCG site as the most viable option.

However, I have just finished a meeting with Senator Ozouf who has raised some concerns regarding this recommendation and as I understand you are meeting him tomorrow morning I thought would be appropriate to give you an outline of the issues discussed

Philip's primary concern (and one which I fully endorse) is that any change in the States office usage must be set in the context of the changing economic climate for Jersey and in that respect he raised the following issues

- *Should the States not be looking to take existing office space from the private sector as this becomes available rather than constructing new offices at JCG?*

We discussed the option of combining the (bank) offices in Broad Street with the Jersey Post Office site as a alternative centre town site for States offices, thereby encouraging (bank) to take space on the Esplanade. (This has only recently been drawn to my attention and is currently not considered in the Strategy paper)

(bank) have indicated their wish to acquire the Post Office site and by doing so would increase their potential office space from 35,000 sq ft to 70,000 sq ft. We can therefore assume that if they were to go to the Esplanade they would be prepared to take a similar area. This would be about 12% of the planned 600,000 of office space.

I have done a rough development appraisal of the combined site on Broad Street and estimate the current value of the (bank) site to be in the order of £12m. - there is also a cost for the Jersey Post site (although this may be wooden dollars?). For consolidated States offices we require a gross area of 170,000 sq ft - this could be reduced with a more aggressive approach to space utilisation / working practices etc but I doubt much below 150,000 sq ft. We would therefore need to build significantly higher on this site to achieve the required floor plate.

Development costs would be in the order of £50m and would require a somewhat innovative design to get light into the lower floors as this is a "deep" site (33m front to back) with buildings on each of the long sides.

- *The JCG proposal is too far out of the town centre, breaches planning policy by being office use outside the ring road, will cause traffic congestion and take States employees away from centre town lunchtime shopping.*

These are all valid matters which have been discussed with Andy Scate but in the absence of a better alternative this is the closest central location that can be found.

Not all of States employees relocating have easy access to the town centre at present, but for those that do, the walk would be longer.

- *The States would be releasing office space to the market at a time when the Esplanade is seeking to attract users to fill new space, thereby reducing residual values for "old" space and acting as a disincentive to move.*

We do need to do some further work to understand the alternative uses of each location. However it is anticipated that the bulk of the space vacated would go to uses other than office. (including for example Cyril Le Marquand).

- *The States should consider the Esplanade as the preferred option for its offices*

This is a valid option, provided 1) The time frame is acceptable 2) Taking over 25% prime office space for States offices a politically acceptable option. 3) The scheme is still viable if we take the space

In conclusion I am happy to support the redevelopment of JCG for either housing or offices or a mix. However I believe that it is pointless to attempt to create a central office campus unless it is housed in a fit for purpose efficient new building which will support new ways of working. The report shows that this route delivers ongoing average annual benefits of at least £4.7m excluding "soft" benefits

However, I am equally sure that the economic future of the Island comes first and want to make sure that I am not pulling in the wrong direction.

I agreed with Philip that the World has made a significant shift and it is time to take stock and re-evaluate assumptions that were made before the financial crisis.

Regards [DF]

From: ML >
Date: 23 January 2014 18:39:16 GMT
To:
Cc:
Subject: Fwd: JPost/ Broad St

Philip

I've just seen the qstns from [journalist]

He asserts that those close to JPost at the time say we had agreed Heads of Terms and an agreed price but were stopped by you from proceeding. I have told him that I am perfectly content to state publicly that categorically you nor anyone else led us to believe we would be prevented from concluding a sale to [bank] , but that the discussions between [bank] & JP never reached the point of even of negotiating a price because the [bank] never declared to JP the direction it was seeking to take, as part of the Global Business Strategy debate it was having throughout the period we in Jersey were trying to get traction on our proposed transaction. I did say to [journalist] that I sensed your preference at the time was for [bank] to move into new premises, but that at no time did we believe this would impede any deal we might reach with [bank].

I sent him an extract from a JP Board paper to give some further conviction to my assertion.

Best regards

[x]