

STATES OF JERSEY

Corporate Services Scrutiny Panel

TUESDAY, 15th APRIL 2008

Panel:

Deputy C.H. Egré of St. Peter (Chairman)
Connétable D.J. Murphy of Grouville
Connétable J.L.S. Gallichan of Trinity
Deputy J.G. Reed of St. Ouen
Mr. R. Law (Adviser)

Witnesses:

Senator T.A. Le Sueur (Minister for Treasury & Resources)

The Deputy of St. Peter:

Welcome, Terry. I do not need to go through any introductions. I do not know if you wish to go through instructions for the tape again. As the Connétable tells me, Terry knows the rules, so we know we do not have to go into detail. Welcome. You appreciate that we are rather sad that David is not here because he was a fairly important part of our question plan.

Senator T.A. Le Sueur (The Minister for Treasury and Resources):

Yes. I tossed up whether we should defer this meeting until he was available. In the end Scrutiny was basically about asking the principle questions --

The Deputy of St. Peter:

It depends on the Scrutiny Panel; sometimes there are technical questions that are asked, which are useful to have the 11:16:02(...overspeaking). You might have to --

Senator T.A. Le Sueur:

I say if you could call some other meeting I am happy to do that and come again if needs be. I thought rather than delay this work I am sure you are all anxious to try and get it done. One case that I have already tabled --

The Deputy of St. Peter:

This is our official advisor, Richard Law.

Mr. R. Law:

Good morning, sir.

The Deputy of St. Peter:

Who comes with an impeccable C.V. (Curriculum Vitae), as you would expect.

Mr. R. Law:

That means it is not used very often.

The Deputy of St. Peter:

On that note if we can proceed. The plan is that I will pose the questions really to you, as the Chair, and then we will look at supplementaries coming from the rest of the team. So, if I could start you off, Terry, in basically the first question that you are already aware of, how would the transfer of property to Jersey Enterprise Board affect the States' property portfolio and asset registry?

Senator T.A. Le Sueur:

The simple question is if you take it out of the States' direct ownership it comes out of the States' portfolio and asset register and would become an asset of J.E.B. J.E.B. of course will be owned by the States as well, so from a balance sheet point of view there is no great difference, in consolidation they are still owned by the States, it will become under different administration and control.

The Connétable of Grouville:

Going on from our meeting with W.E.B. just now, it seems to be that the situation is that W.E.B. will be a subsidiary of J.E.B. and then the board of directors of W.E.B. will move up to J.E.B. and become --

Senator T.A. Le Sueur:

I am not sure if the board of directors will move up to J.E.B., I think J.E.B. will appoint directors and those directors will also be directors of W.E.B., I do not think there is any implication that existing board members of W.E.B. will necessarily --

The Connétable of Grouville:

Perhaps I misphrased that but it looks as if J.E.B. will be taking over, not the running of W.E.B. as such, but they will be taking over the administration of W.E.B.

Senator T.A. Le Sueur:

Yes.

The Connétable of Grouville:

I think that is the only question I have on that line, but the W.E.B. will hold their own assets, contracts, arrangements that they have within the sector as they are without 11:18:33(...overspeaking) contracts or assets go up to J.E.B., it just stays on its own as a subsidiary. In other words it is a takeover, not a merger.

Senator T.A. Le Sueur:

Yes. Well, call it what you like, the fact is that there are a number of existing contracts, which W.E.B. have with different 11:18:50(...overspeaking) site. If one had moved all of that up directly to J.E.B. you would have a whole lot of legal wrangling, contracts to reword and maybe another lot of stamp duty and things, to no benefit to anybody. So on the basis that J.E.B. holds W.E.B. and that they run in parallel, it is a more convenient way of dealing with the existing situation.

The Connétable of Grouville:

So you see it as running in parallel rather than J.E.B. being the senior party?

Senator T.A. Le Sueur:

I think by and large W.E.B.'s activities are well under way to fruition and what we have to consider is the ongoing care and maintenance aspect of W.E.B.'s activities to the extent of getting a new working plan on the site not currently contracted. Whether that is done by W.E.B. or by J.E.B. is really pretty immaterial since it is the same board of directors and the same ultimate --

The Connétable of Grouville:

Thank you very much.

The Deputy of St. Peter:

So, in clarification for me, it would appear that with the establishment of the Jersey Enterprise Board that the retention of W.E.B. is there really for administrative reasons to avoid any excess costs on renegotiating contracts, which would be required if it was all one subsidiary.

Senator T.A. Le Sueur:

That is how I see it, yes.

The Deputy of St. Peter:

Just moving on again now to question 2, that question had a statement, "Housing has also aimed to create a property management company." The question is, what is the rationale behind separating social housing from other States property.

Senator T.A. Le Sueur:

I am not sure whether you need to ask Housing that question. It strikes me the objective, I would have thought, with regard to Property Holdings, was that all States assets should ultimately be owned and managed by Property Holdings. We did not at the time transfer directly the assets in harbours and airports and Housing Department. I think basically, on a practical issue, there was enough to do merging the assets over the different departments, Housing was a huge chunk of property in a self-contained area and that was, in my view, probably stage 2 or stage 3, once Housing had rationalised what assets they were going to keep and what assets they were going to dispose of. But I would have thought that the ultimate objective of the States, when we discussed this at the outset of Property Holdings years ago, was that ultimately a house that was States social housing would be encompassed within Property Holdings, whether directly or through the intermediary of a property management company, is still a matter for discussion, as I am concerned, I do not think there has been any firm policy decision on that one. Clearly the Housing Department and the Housing Minister may have their own ideas, my objective at the moment is to make sure that Property Holdings is fit for the purpose and while it has interest in administration it is capable of dealing with it efficiently.

The Deputy of St. Ouen:

We have a proposal of Jersey Enterprise Board and its brief is going to be to develop and maximise the return on surplus property owned by the States. Is it not the case that obviously with social housing property it should be included in their remit?

Senator T.A. Le Sueur:

I think we need to be quite clear as to what the roles and activities of J.E.B. actually are and what those of Property Holdings actually are. The distinction I see is quite clear. There are a number of States assets, which we, the States, are going to have to continue to own and maintain, things like schools, hospitals, activities that are fundamental to a society infrastructure. Those need to be managed in the most efficient way, making sure they are properly maintained and that there is a standard uniform set of policies for all States assets, including depreciation and their maintenance costs and their replacement costs.

The Deputy of St. Peter:

So those are the retained assets?

Senator T.A. Le Sueur:

Those are the retained assets. Now, those I see as sitting quite firmly with Property Holdings. There are a number of assets, which the States do not need to own, really should not own, if they do they should make better use of them. If they are going to make better use of them within the States' administration then that is something that we need to discuss as a States, but it may well be, in fact it ought to be I think, we have too much property in one way or another and we ought to be selling some of it that is

surplus to our requirements. I say that firstly from the Treasury Minister's point of view, in terms of providing for maintenance and depreciation, either that the asset value of the States' property portfolio, so if I am going to depreciate that over whatever life cycle I would maintain in properties, it is going to cost me, we will say, £10 million a year. That is a hypothetical figure. If I halved the value of the States' property portfolio my maintenance bill probably ought to be about half, depending on which half you sell. Certainly the implication is a reduced asset value is reflected in reduced annual maintenance and depreciation costs. So if there are assets, which are underperforming, then we need to identify them and ask ourselves the question, can we improve their performance, can we improve their use, or should we dispose of them? I think the alternative is to leave them sitting there wasting away, which does not strike me to be particularly sensible.

The Deputy of St. Peter:

Who would actually be making that decision as to what ought to be disposed of?

Senator T.A. Le Sueur:

That decision is essentially made by the States Members in consideration of the Business Plan. I put forward a Property Plan of properties that I believe are surplus to States' requirements and ought to be disposed of and I think there you have the question, should they be disposed of to J.E.B. or should they be disposed of to the F.M.I.(?). As far as I am concerned, in the narrow point of view of a Treasury Minister looking after the property portfolio, it is assets, which I do not believe sit in that portfolio very comfortably.

The Deputy of St. Peter:

If J.E.B. were not to exist, what facility would you use to dispose of those extra properties?

Senator T.A. Le Sueur:

If J.E.B. were not to exist the properties would be disposed of in the normal course of disposals, the way we do now.

The Deputy of St. Peter:

Which unit of the States would be responsible for that?

Senator T.A. Le Sueur:

Property Holdings.

The Deputy of St. Peter:

Property Holdings would be responsible for that?

Senator T.A. Le Sueur:

Yes. But I think what we need to ask ourselves is, can J.E.B. add any value to this process? I think there are a couple of ways in which one can add to that value. Firstly, in terms of urban regeneration, I think one of the concerns that States has about the waterfront is potential migration activity to that part of the town and other parts of the town becoming more disused and falling onto disrepair and needing to be regenerated. I do not see that as primarily an activity of Property Holdings, but I think in terms of an overall concept of linking the regeneration of the port area and west of Albert to the rest of St. Helier, which is, if you like, part of what E.D.O.R.(?) are looking at as part of 11:27:19(...inaudible), that sits more comfortably in an external body like J.E.B. So that is one of the prime purposes of having J.E.B. in existence. The second is, I think, is a very specific one in terms of the harbour area. I said that although the long-term 11:27:40(...overspeaking) might be to put harbours and airports into States Property Holdings as well, I would draw a distinction there in that harbours and airports are commercial areas, which ought to be capable of generating revenue and perhaps even being self sufficient or making a profit.

The Deputy of St. Peter:

Just interrupting there, the airport in its own right is a far easier area to review because the majority of the property holdings there are required for operational purposes. But within the harbours, from my own experience when I was in Harbours and Airport Committee, that actually is not necessarily the case, because the harbours have almost inherited property outside of their commercial remit.

Senator T.A. Le Sueur:

Yes. So I think harbours are a bit of an odd beast to have in Property Holdings, but I think it could sit quite happily in terms of an overall development of the area, in a body like Jersey Enterprise Board, which has a wider remit in looking at the infrastructure and the social and environmental infrastructures where there is pure operation of a port facility. So I think there is scope for J.E.B. to do something like that. I think finally there is scope for the fact that J.E.B. by its very nature is more commercially focussed, profit focussed, than Property Holdings, which has as an objective that of ensuring that the States' current and continuing portfolio is well maintained.

Mr. R. Law:

Just to help me understand the points that you are evolving, you have a professional team now supporting you and there has been much work carried out in recent time in getting a terrier(?), a register, pulling all the threads of property interests that the States has. Those skills that are referred to as dealing with maintenance and managing also embrace what I would describe as strategic management perhaps. I note from the accounts of last year, that is 2006 accounts of W.E.B., that the States contracted their skills to assist them in carrying out their function, the W.E.B. function. Having had the benefit of the responses to the questions put to them, it became clear that many of those responsibilities could arguably

rest with you, and what I mean by that Jersey Property Holdings. There is an overlap of skills, in fact the skills of property management and strategic property management are essential and fundamental to change, and that means redevelopment, regeneration. They have an accountability, which I find elsewhere in the United Kingdom, for example, and they take, if I may put it to you, the lead. In doing that, that does not mean that on occasions property will pass out of your portfolio, and I am just wanting to understand that and you mentioned cost as one of the reasons for W.E.B. and J.E.B. getting together in the way that is proposed, but will there not be costs of transferring property from the States into J.E.B., there will be transfer costs surely?

Senator T.A. Le Sueur:

There will be transfer costs.

Mr. R. Law:

So why transfer them at all until such time that they are required to be regenerated or redeveloped or disposed of?

Senator T.A. Le Sueur:

I do not think one would transfer them until there was a 11:31:34(...overspeaking) a clear indication of a policy decision to regenerate or to transform, and I think the proposition envisages that because there would be also a policy document, without going to the proposition I cannot put my hands on it at the moment, but the regeneration team should bring forward proposals for the States of how they see the activity taking place. Until that policy has been agreed by the States I do not see any point in me, as Treasury Minister, transferring any assets to J.E.B., it is putting the cart before the horse. But I think there will be an expectation that if the States agreed the policies of the regeneration taskforce, which might include the acquisition of certain parcels of land in States ownership in order to make a particular block suitable for that regeneration, there is an expectation that in the Property Plan I would then put property in the Property Plan to be disposed of by the States to that team.

The Deputy of St. Peter:

At this particular juncture, what comprises the Regeneration Board or Taskforce?

Senator T.A. Le Sueur:

The Taskforce I think is set out in the document there, it is 11:32:59(...overspeaking) Minister, Chief Minister, myself, Planning and Economic Development, plus the Connétable of St. Helier --

The Deputy of St. Peter:

The intention as I see it from the development of J.E.B. is that the role of that taskforce would be subsumed within the actual function of Jersey Enterprise Board.

Senator T.A. Le Sueur:

I do not think it is subsumed within, I think effectively it sets the parameters within which J.E.B. will work. I see it as sitting more like alongside, or even as a cloud above. Because ultimately J.E.B. as a limited company has a board of directors and those board of directors have to have a clear remit.

The Deputy of St. Peter:

That is a very important point to make.

Mr. R. Law:

On the picture, which I now see very clearly as a result of your response, if I can just test the interpretation of that. What Jersey Property Holdings, with its team, with its professionals onboard, they would be looking to add value in the process, in the strategic process, so if you identify something that is surplus that could be put to a better use, the skills that you would have would be capable of doing that, maybe with a little help from outside. If that is the case, of course, the added value is very clearly vested with the States, because the planning process releases the opportunity to either take cash or enter into a commercial arrangement to produce a product, which will either give you a cash stream or a completed disposal that will get you more than the land was originally worth. In that context of course the work that would be done within your portfolio, with your own professional team, perhaps with support from outside, would ensure that the States is in the best opportunity to have the best outcome, which is partly cash, but also all the public-well matters that are so fundamental to your wider community.

The Deputy of St. Peter:

Yes, and that is why, within that taskforce team, you would have the Planning and Environment Minister, not simply for his planning duties, but also for the wider environmental aspects.

Mr. R. Law:

So if that is so, why J.E.B. at all?

Senator T.A. Le Sueur:

Because I think partly it is the nature of the States system, owned by Property Holdings there is still a fair degree of direct involvement that States Members can have on a day-to-day basis, which is not always the best way to run a commercial organisation. So I think, having set out a clear strategy within that Regeneration Taskforce, and the States having determined its potential enhancement of its assets by that policy, we should then let the people with the more commercial focus get on with realising that enhancement. That is not to say that Property Holdings does not have commercial expertise within its team, its focus is less of a commercial one and more of a care, maintenance, improvement of existing assets one. I hope I made the distinction clear, I see you are nodding?

Mr. R. Law:

Yes I am. It is all helping me, I am sorry to put it to you the way I did, but I thought it would enable you to answer more quickly.

Senator T.A. Le Sueur:

That is the way I see it. From my point of view, and I have discussed this with the Chief Minister, in terms of what my role as Treasury Minister might be, and to me it is a very simple balance, in theory, between risk and reward, and that States Members, in deciding to dispose of a property, either to J.E.B. or to some third party, need to look at the potential immediate reward, immediate return on its asset, or the potential enhancement, which could be provided, recognising, as I do, and I think any sound Treasury Minister ought to, that with increased reward generally comes increased risk. I suppose I am saying I should be acting in quasi-trustee status, making sure that I enhance those assets, but do not 11:38:06(...overspeaking) to any level of risk. So from that point of view my focus may be slightly different from that of J.E.B., who will be very much focussed on the commercial outcome, and that is why it is important that the States has control firstly through agreeing as to duty and objectives, and then control in ensuring what I can or cannot sell, to J.E.B. or anybody else, and at what price.

The Deputy of St. Peter:

In the current economic climate, as we know at the moment it is very fragile, how is that brought into your risk calculations in return?

Senator T.A. Le Sueur:

At this stage I am not looking at operating any particular risk, even in this economic climate there are some activities that are more risky than others. I think if one knows that there is a demand out there, an ongoing demand even at this time of the year, for another 100,000 square feet of office accommodation and you propose to build 100,000 square feet, I have a reasonable expectation that I will get a tenant. If I build a million square feet of offices, knowing that there is a demand of 100,000 square feet out there -
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Male Speaker:

You would not be Treasury Minister. **[Laughter]**

Senator T.A. Le Sueur:

You might have concerns about whether you have a wise Treasury Minister. On the other hand, if I was looking to maximise my profitability, my return, I might build a million square feet of offices on spec. That would not be my scene, and certainly I think is not the remit or responsibility of Property Holdings to speculate.

The Deputy of St. Peter:

If I could just wind back to Property Holdings just for one second, we are all aware from our historical involvement in other issues that Property Holdings was a developing art and we have brought in new skills to meet the new requirements. We have had very little time to bed in that new environment, why are we moving so rapidly towards the possible development of J.E.B. without waiting to see exactly how the functions of Property Services were going to get on with the work?

Senator T.A. Le Sueur:

Because I think even when Property Holdings is working at maximum efficiency and capability, which hopefully will not be too long in coming, it will still be a different animal in nature from Jersey Enterprise Board. So I think you would never achieve the same degree of maximisation of benefit by trying to combine the 2 into one formulation. Furthermore I think the size of the States property portfolio at the moment is such that to try to do 2 different activities at the same time could be negative to both. I think what we have here, where the chief executive of Property Holdings would also be involved on the board of J.E.B., so that there is a link between the 2 operations, I will not say it is a compromise, it is more than a compromise, I think it is the most satisfactory solution to what are 2 different problems or 2 different issues.

The Connétable of Grouville:

Apropos that and apropos of your risk assessment earlier on, when we questioned W.E.B., all the developments, we were told, were risk-free from the States' point of view. In other words the developer is taking all the risk on each of those developments. For instance, you quoted the fact that you would not build a million square feet of office space, but would you let somebody else do it? Yes, by all means, provided we get our kickback from it, so that is fine. Would you have that same attitude towards J.E.B., risk-free from the States' point of view?

Senator T.A. Le Sueur:

Yes, that is the ideal situation and I would anticipate that would be their strategy, even though I think if their strategy indicated that they were going to take a high level of risk, or a higher level of risk, then the States might well say, "No, we do not think that is an appropriate thing to do". I think what we have here, and I think maybe your advisor was alluding to this, you wanted to get it to a stage where you hopefully squeeze the maximum profit you can easily get out of a development and probably satisfied with that and then let someone else take the cream and all the risk, because --

The Connétable of Grouville:

We have a situation of course where normally when you are selling off a leasehold development site, which we are down at the waterfront for instance, there is a clause in there, which enables you to take

the land back if the developer has a big problem, he goes broke or whatever, so that would cover us, there would be a very low risk situation with hopefully a share of the reward. The other point I want to go on to here is that Property Holdings, as such, will be not just non-profitable, it will be a loss-making organisation because of maintenance costs and various other things. It is bound to be; you are talking schools, hospitals, things like that?

Senator T.A. Le Sueur:

Yes. I do not call it loss-making because I do not see it as a commercial business.

The Connétable of Grouville:

It will be costing us money.

Senator T.A. Le Sueur:

It will cost the States money.

The Connétable of Grouville:

Through their budgets. So would there be any point in sort of merging the 2 to use profits from J.E.B. to subsidise the non-profit making side?

Senator T.A. Le Sueur:

I think that would happen in a way in that dividends from J.E.B. will come into the States and therefore be used 11:44:15(...overspeaking). I think if you had, say, the 2 combined you would blow accountability. What does the States property portfolio cost us to run? I can draw a slightly different distinction. If you look at the budget for Housing Department you will see it says about £1 million a year, because Housing have £30 million a year rentals and £31 million a year property expenses and you net the 2 of them off so it looks as though it is a minor department.

The Connétable of Grouville:

Does that include the trusts, housing trusts?

Senator T.A. Le Sueur:

No, I am just saying what States expenditure is. There was not meant to be a whole discussion here on housing policy. If you mix income generating activities and expense activities in the same pot and you end up showing apparently a balance, you may well be misleading yourself.

The Deputy of St. Ouen:

You are obviously aware that prior to the establishment of Jersey Property Holdings a number of reports were commissioned on considering alternatives and how best to manage the States property, and the

conclusion obviously drawn from those reports was that rather than seek to create a limited company that it was to establish Jersey Property Holdings, which was proposed to the States and the States agreed with. Prior to that proposal was that in effect Jersey Property Holdings might, at a later date, convert into a trading company. Can you explain then, with all that in mind, why we then appear in a relatively short space of time we are now seeing a proposal to create a limited company along the lines of Jersey Enterprise Board when actually that was a consideration that was looked at prior to the setting up of Jersey Property Holdings?

Senator T.A. Le Sueur:

I think, without going back over the debate about why we set up Property Holdings the way we did, and whether there was merit, clearly at the time we set up Property Holdings we wanted to have flexibility that if it needs to have a trading company or a property holding company within it there is no reason why you should not. But I do not think even at that stage it was envisaged that Property Holdings should get into commercial property development activities, other than if, for example, we have some office accommodation, which is old fashioned and out of date, in the right site and we decided it ought to be renovated, you can call that property development, it may be you should look at it from a commercial point of view, what is the increased property yield you get from that property in terms of a rental stream, what is the cost of it and how many years does it take to repay that regeneration. What we do not have at the moment in the States generally, and it is nothing to do with Jersey Enterprise Board, is that we do not have proper costings of what each department's assets cost that department to run. If the departments paid a square foot rental for the space they use, they might decide they would run their business more efficiently.

The Deputy of St. Ouen:

That is part of the problem. I think that we all signed up, the States, to the creation of Jersey Property Holdings, and it was clear there were a whole load of aims and objectives that Jersey Property Holdings would meet. One of them was clear, the development of a strategic property plan, because that is the only way to identify property surplus, values, so on and so forth. 2 years later, roughly, we still have not reached that point but what we do see is a sort of, what I would call, or could be considered perhaps, a piecemeal approach of a list of small properties, non-connected properties, submitted in a business plan. Going back, you spoke about the cart before the horse, but 11:49:02(...overspeaking) agree that actually the creation of Jersey Enterprise Board to develop and maximise the value of surplus properties is a bit premature when the States has yet to determine, and departments I hasten to add, have yet to determine exactly what they require?

Senator T.A. Le Sueur:

I think we have a presumption there that Jersey Enterprise Board are going to go out and suddenly develop properties here, there and everywhere around the Island. I do not see that at all. It may well be,

although I think it is unlikely, that you would have Jersey Enterprise Board set up and for a year or 2 be doing virtually nothing until 11:49:45(...overspeaking) opportunity headed its way. It is not to me a question of trying to look at all the States properties and see where they can make a fast buck here and changes there, this is far longer strategic activity. Where I do agree with you, that it has to be linked to a strategic plan for Property Holdings, but until Property Holdings have identified what is surplus to requirements, then they are unlikely to be able to get all that much further in developing the Jersey Enterprise Board. I think these 2 are going to go along more or less side-by-side. But straight away I can see, and there has been talk about regeneration of the port area, now that is something that is at the moment certainly peripheral to Property Holdings' core activities, but it is something I think, from the States' point of view, we need to be addressing and we need to be addressing it in a more coherent way. We have things like development in 11:50:50(...inaudible) area, we have development of the port area, and we have roads infrastructure and so on, so there are going to be a variety of activities there with potential interconnections, some of which are owned or maintained by Property Holdings, some of which are run by Harbour Department, some of which may even be in private ownership, but there is a whole mixture there, it is not the sort of thing that Property Holdings are going to get its hands on, but it is the sort of thing that from the States' point of view we should not just ignore it.

The Deputy of St. Ouen:

But is it not the case that the consideration and development and the overall scheme and plan of that area, if there is going to be any development whatsoever, is actually the responsibility of a department of the States, namely Planning and Environment, and linked directly to the States, which actually will approve any overall overarching proposal?

Senator T.A. Le Sueur:

I think we use the word responsibility there in a casual sort of way. Yes, you need an Island plan, you need a town plan, which sets out the acceptable level of uses and the desirable configuration of that area, and the States has to agree an Island plan or a town plan with those things in mind. Having agreed that plan, that is the planning bit done, there is then the actual delivery of that, which is certainly not within the remit of Planning and Environment, it would be in the remit of some other body, and I am suggesting that other body is Jersey Enterprise Board. During that process the Planning Minister may well impose conditions on what J.E.B. can do within that area and may set out requirements of what environmental benefits it should deliver, both to that area and perhaps to other parts of the town.

The Deputy of St. Ouen:

What part will private developers play, because normally Planning determine usage for sites and the private developer then takes over and promotes whatever scheme, hence why do we need a Jersey Enterprise Board as another layer between Planning and the private developer?

Senator T.A. Le Sueur:

Because I think in this particular case the States is not going to, immediately anyway, transfer the ownership of an entire part of land to a private developer. It might in the course of time decide that the harbour activities should be sold into a limited company or even privatised, that is a political decision, which I think is certainly not for this week, and before you do that you have to make sure that the thing was in a fit state to sell. Going back to the maximisation of profits if you like, you do not sell a bit of a mish-mash as there presently is there and hope to get anything like its true potential value for it. Put it together into a coherent package, joined together, and you then have a far more saleable asset on your hands. Who develops that building work in terms of the bricks and mortar, I suggest it not be done by Property Holdings or by J.E.B., it would be done by a building developer working to directions and oversight of Jersey Enterprise Board.

The Deputy of St. Peter:

If I can just --

Mr. R. Law:

I was going to say, would it be perhaps -- I find it quite difficult, the way that the word "developer" is used within the States, and it already appears to me that it has different meanings, unfortunately, to make it even more amusing to try and understand, but listening to the clarity to which you see, if I can say, your department's role, and that element of it that is Property Holdings, I see the word "facilitator" having more direct meaning than the word "developer", because developer, as some of the observations that have been made, conjures up this sort of profits and -- yes. It is half full and not empty and all that sort of thing. But it does seem that and you have also mentioned that you have your Property Plan, do you see that coming together, which your team are working on in Property Holdings, without interference?

Senator T.A. Le Sueur:

The answer is yes. The answer is that plan has to go to the States for discussion.

Mr. R. Law:

Yes, but do you see it that you are not fettered by pressures from other interest groups?

Senator T.A. Le Sueur:

No.

Mr. R. Law:

That is most reassuring.

Senator T.A. Le Sueur:

You may need to ask officers if they have been pressured, and certainly from a visible point of view the answer is no.

Mr. R. Law:

That seems very important, because do you see, once things go out of your control as Property Holdings, because they are directly out of your control then, what about the fears of cherry picking, because that does happen elsewhere, outside the States, and I see that where people will cherry pick public sector property. There could be interest groups that the public sector are serving the community that is to the detriment in the long term to that particular local authority or whoever it may be.

Senator T.A. Le Sueur:

I think there are the restrictions on that in that the Regeneration Taskforce has to set out its stall(?), and secondly I have to satisfy firstly myself and then the States, if I am disposing of a public asset, it is for a good reason and a good price.

Mr. R. Law:

So you could actually say no, even if they were saying, "We want"?

Senator T.A. Le Sueur:

Yes.

Mr. R. Law:

The control is there?

Senator T.A. Le Sueur:

The control is there. That is why I say there may well be tensions from time to time between what I believe is right --

Mr. R. Law:

So you can attach the conditions to the disposal?

Senator T.A. Le Sueur:

Yes.

The Deputy of St. Peter:

This is for regeneration?

Mr. R. Law:

No, through anything, because you can only sell things once, I have understood, because I am not very old yet. But seriously, you can only sell them once and once you have --

Senator T.A. Le Sueur:

Seriously, yes, although you may well sell it in phases.

Mr. R. Law:

Yes, to get the best return, but the point I am making is if you are diluting your portfolio you have to either have cash reserves or something.

The Connétable of Trinity:

Can I just clarify, Terry, are all these properties that you will be disposing of still going to be debated by the Members of the House?

Senator T.A. Le Sueur:

Sadly yes.

The Connétable of Trinity:

Surely there must be a better way forward than that.

Senator T.A. Le Sueur:

I do not think there is. I have an obligation to present in the Business Plan my proposals for disposal. I think when we have a clearer Property Holdings strategic plan, so that Members can see the overall framework, they may well then be more relaxed about saying, "Yes on the basis of that strategic plan I see why you wanted to sell this that and the other and I have no objection to that". So I think debates on sale of sites may well be far fewer and far less prolonged than they currently are.

The Deputy of St. Peter:

How close are we to Property Holdings to getting a strategic plan? I know David Flowers is very busy and I agree he has a rapid learning curve.

Senator T.A. Le Sueur:

I have been twisting his arm ever since he got behind a desk and saying, "I want the strategic plan, I want the strategic plan", and currently I am being told May or June this year.

The Deputy of St. Peter:

May or June of this year, so if we said June?

Senator T.A. Le Sueur:

Say June of this year.

The Deputy of St. Peter:

That is a very important foundation to the structure we are looking at.

Senator T.A. Le Sueur:

It is, and if you saw last year's Business Plan I was not going to bring forward much in the way of - property disposal until we had a clear strategic plan, and I think I have made that clear at the time. It may well even be that in this year's Business Plan, unless we have a strategic plan in front of us, I am not going to suggest other major disposals. But in the Business Plan of 2 years ago I did indicate sites for further investigation, and they remain sites for further investigation.

The Deputy of St. Peter:

That will still be on hold until we get the strategic plan.

Senator T.A. Le Sueur:

They will still be sites for further investigation at this stage. In terms of then having a Property Holdings strategic plan, what I believe we need to retain and improve on for States' use, there will then, alongside that, be a regeneration plan of what we might need to do for certain aspects of the Island, mainly I think at this stage (...overspeaking) there could be other sites in the Island, and we need to see whether those 2 plans have any conflict.

Mr. R. Law:

So you would set out the strategy as part of your plan, so that there will be the strategic element as well as the operational and maintenance element? So overarching States property there will be strategic reference, so it gives the direction in fact. Will it include priority, will it be prioritised, would you go that far?

Senator T.A. Le Sueur:

All I can say at this stage is wait and see. I am afraid I do not know the answer now, it is very easy to set priorities and then find 2 years later that the priorities have changed and you have to revisit them.

Mr. R. Law:

Actually I was not meaning it in that sense, because I understand your point, what I meant was that you could identify sites that should be considered. You have already, 2 years ago, picked on certain sites, you said, "These should be looked at".

Senator T.A. Le Sueur:

But that is not to say that they are the only ones that should be looked at, or equally having looked at them we might say, no, there is nothing much we can do about them.

Mr. R. Law:

There is a reference in one of your reports, I think, to looking at governance arrangements, I think the words that I have picked up, and performance measures. Will that come into your current report as well?

Senator T.A. Le Sueur:

Yes. It comes in and I hinted at that when we were talking about the use of the square foot. If people realised what it was costing the Islands to maintain the certain assets, or to use certain assets, or to under-use certain assets, then that might open a few people's eyes.

The Deputy of St. Peter:

I am conscious of time, we have 10 minutes to run, I also want to point out, from my position in the Chair, I would like to follow this up with a meeting with David Flowers. I think that is almost essential to our overview. On that basis I wish to remind members of the panel that we will have opportunities to question in a bit more detail some of the areas that we have missed out in our current question time. On that basis --

Senator T.A. Le Sueur:

To be honest, I did not come here to talk about Property Holdings' strategic plan, so if we are going to talk about that next time we will be better prepared.

The Deputy of St. Peter:

Hence the reason why David was coming as your right-hand man. So on that basis are there any follow-up questions that we need for the Minister?

The Connétable of Trinity:

The one I would like to ask is just simple really. If J.E.B. was formed the plan is actually not to put any properties in until we see they are fit to use it properly, because I think where the big concern is everything is going to be transferred into J.E.B. now and I think if it is not going to be I can see the vehicle, but if that was given an assurance that property would only be transferred to J.E.B. when it was thought the right time to develop this or improve the assets of the Island then I think that would be a great thing. I think there are a lot of people out there that think that all of a sudden Property Services are going to hand the whole lot over to J.E.B. and that is it.

Senator T.A. Le Sueur:

Yes. Certainly from my point of view I cannot see any purpose in just giving the properties we do not know what we are going to do with to them. I think any property transferred to J.E.B. has to have a clear benefit to the States. I think that there can be plenty immediate benefit to be generated from the harbour area, which I think at present is a bit of a mixture. I could say all sorts of things, but with transcription -- **[Laughter]** But I think in terms of that link to the town regeneration, because we see that this development is already underway, albeit relatively slowly, there is going to be a continued change in the nature of the existing part of St. Helier, which needs to be managed, and so I think there is a need to have a natural succession between the development of the harbour area in conjunction with this development and in conjunction with the parish and the town of St. Helier as well. So I think that is a fairly immediate task and not a small task. That by itself, I think, would keep J.E.B. quite happily involved for 2 years and maybe would enable them to demonstrate their ability or otherwise to deal with it. So it could well be a useful test bed. So I think, from the point of view of getting the thing underway, we should set up J.E.B. fairly soon and there are still various steps to take before it then has anything really it has its hands on.

Mr. R. Law:

I do not see many nettles on the Island, but it is quite clear, if I may make an observation, you are to be commended for grasping one, which is something that all local authorities, central, regional government in the U.K., finds very difficult, and that is putting occupation on to a commercial basis in the public sector.

Senator T.A. Le Sueur:

It is still at the moment only an objective, it has not happened yet.

Mr. R. Law:

I said you are commended for grasping the nettle, because it is very difficult and it is something that my firm has had a lot of experience of and how difficult it is to achieve. But actually, there is nothing to stop you doing it in any event, because it really does bring home what things really cost.

Senator T.A. Le Sueur:

If you ask a Jersey farmer he will tell you there are ways of grasping (...overspeaking) not so badly stung.

The Connétable of Grouville:

A Jersey farmer would probably find a way of making money out of it as well.

The Connétable of Trinity:

No, you get a doctor to get rid of the nettle sting.

Senator T.A. Le Sueur:

At any rate, I have never been afraid of grasping nettles if they need grasping.

Mr. R. Law:

It has to be done, there is no other way to actually release a lot of potential that you have, other than by doing this.

Senator T.A. Le Sueur:

What I think my objective would be would be to get a greater understanding of what objectives we are trying to achieve here and once those objectives are clearer then people will feel perhaps a little more relaxed about how J.E.B. should operate.

The Deputy of St. Peter:

How are we going to develop these objectives so that they can be put on paper, if you like, and dispel some of the concerns that may be there?

Senator T.A. Le Sueur:

I like to keep a clear focus, and my clear focus is on developing Property Holdings' strategic plan. Somebody else can tell me what J.E.B. are going to do and I shall endeavour to work with it in order to achieve an outcome, which is in the best interests of the Island. But I like to know what I am dealing with.

Mr. R. Law:

But you will not mind actually, whoever you are dealing with, whether we call it J.E.B., Bev, Barry, or whatever, would you, as long as it achieves the objective?

Senator T.A. Le Sueur:

Yes. Ultimately they are the States' objectives, not my objectives.

The Connétable of Grouville:

Apart from wanting to get it done, is there any reason why it should be rushed through? Is there an underlying urgency of any kind that we cannot see?

Senator T.A. Le Sueur:

I think no ultimate underlying difficulties. When we appointed the new chairman of W.E.B. 18 months

ago it was a short term temporary fix until we got the thing right, and I think time flies when you are having fun and I suspect even starting now in approving this it is only one link in the chain, I think it is giving an indication, if you do not have that link in the chain then maybe my strategic plan for Property Holdings does not get some of the external follow-up delivered in the best possible way. So I might have to say to myself, should I dispose of this asset at this stage or should I wait until J.E.B. is there? So I would far sooner have it sitting there effectively marking time than not have it there at all and then find you need it in a hurry. Even with no property to develop, there is still the ongoing activities of W.E.B. So if what is still the same infrastructure to deal with W.E.B. as it currently has, the idea is to build on that and say, as it grows, then the skills and resources of W.E.B. may need to be extended.

The Deputy of St. Ouen:

In summing up, as Treasury Minister, what are you expecting Jersey Enterprise Board to deliver?

Senator T.A. Le Sueur:

Effectively, those 3 things, regeneration of St. Helier; improvements to the harbour area; and the possibility of maximising profits on integration of schemes and enhancing the existing revenues. That means that we then get a dividend coming out of Jersey Enterprise Board back into the States. The alternative would be simply to sell those assets piecemeal to a developer who would then have to assemble activities, pursuant to his requirements, and generate his profits. It strikes me that when we know what the objectives clearly are, as we do in the case of the harbour, and we can see that there is this scope to improve our existing return, then to let that profit opportunity go to a developer is not exercising proper control or authority.

The Deputy of St. Peter:

Any other final questions? Terry, thank you very much for your time and we will be in touch with your office to organise a time to get together with yourself and David.

Senator T.A. Le Sueur:

Thank you very much.

(adjournment)