

#### **4.7 The Deputy of St. Mary of the Minister for Treasury and Resources regarding the additional cost of the incinerator over and above the £106.31 million voted by the Assembly in July 2008:**

Can the Minister for Treasury and Resources advise the Assembly in what sense the price of the incinerator was fixed as per P.73/2008 and can he now provide an accurate figure for the additional cost of the incinerator, over and above the £106.31 million voted by the Assembly in July 2008.

#### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

P.73/2008 detailed the capital cost of the E.f.W. project at £106.3 million. This included the fixed price of the engineering contract to deliver the new plant but, of course, specifically excluded the provision for project contingency, which is held centrally. As with any project of this nature, there will be additional costs and savings identified as the project progresses. The project contingency is established centrally to meet such costs. As I have reported previously, the expenditure and savings approved at the outset were £106.2 million. To date, on top of that, there is £2.9 million of additional costs as a result of changes to the design. Further, the Comptroller and Auditor General's recent report detailed his assessment of the additional cost relating to the exchange rate movements and this has now been settled because all of the currency hedge has been put in place and this adds £2.7 million to the estimated cost which is, again, coming from the central contingency. What I can say to the Deputy is that Transport and Technical Services have recently and regularly informed me of the project experience and how the project is going. I have full confidence in the way that they are managing the project. There is strong project management and I am certain that that will minimise any variations and any additional costs on the contract.

#### **4.7.1 The Deputy of St. Mary:**

The figures have changed again. The reason I asked this oral question was that I asked a written question on 8th September, to which the answer was incomplete and unsatisfactory. The Minister then wrote that the expenditure and savings approved outside the £106.31 million is detailed in Ministerial Decisions MD-T... and so on. When I looked at those decisions ... in the first place the Members needed to see the figures, not be referred to a Ministerial Decision, but that is by the by.

#### **The Deputy Bailiff:**

Crisp, Deputy, please.

#### **The Deputy of St. Mary:**

Yes, Sir. The Ministerial Decision said that the sum was for transfer of funds estimated at £5.701 million from the capital risk reserve to the project budget - this was a transfer - the actual sum to be determined once the exchange rate position had been finalised. I just ask the Minister what the actual sum transferred on 14th November was and, furthermore, I cannot reconcile his figure of £2.7 million with the figures given by the Comptroller and Auditor General, which is that we are already on £5.25 million.

#### **Senator P.F.C. Ozouf:**

The Deputy accuses me of giving unsatisfactory answers and I have to say, from where I am standing, that I doubt whether anything that I am ever going to say about

the incinerator cost is going to be sufficient to convince the Deputy that the incinerator was the right project to go forward. I am keeping a very close eye on the project. I require regular updates in relation to additional costs. The figures that I have given of £2.9 million for changes to the design and £2.7 million for the euro cost are accurate figures which my officials have given me. I also need to say to the Deputy is that I am not prepared to release into the public domain the level of contingency which any capital project holds. To do so would simply put into the public domain a figure which contractors would, effectively, bid up for knowing that that was the money available to complete the project. I am not prepared to do so. It is held centrally, we are incredibly tough with T.T.S. (Transport and Technical Services) in managing this project and I have full confidence that the project is being well managed and the risks to the States are being appropriately managed.

#### **4.7.2 Deputy M.R. Higgins of St. Helier:**

Again, I am very puzzled by the figures on the exchange rate. The Comptroller and Auditor General mentioned that the additional cost in his report, as to currency fluctuations, was £5.25 million. In the contract, the exchange rate was set at £1.18 to the euro. In the whole time that this contract has been in being, to the best of my knowledge, the currency has not reached that level. The Pound has always been operating below 1.18 and, therefore, we have been losing money on the contract throughout. Hedging has been going on and, obviously, as they went closer to the 1.18 level then they were perhaps buying currency, but we have made a loss throughout the entire period and still the figures just do not add up. Would the Minister please explain exactly how much they have actually purchased and at what price, so that we can get a true figure.

#### **Senator P.F.C. Ozouf:**

This is not really a complex set of numbers which can be dealt justice in relation to an oral question. What I can say to the Deputy is that the exchange rate euro exposure has now been hedged. When the Comptroller and Auditor General published his report he estimated that there was, at the time of his report, an additional cost of £3.06 million. As a result of the policies and decisions that I made, following the C.A.G. (Comptroller and Auditor General) and the P.A.C.s (Public Accounts Committee) report, I can confirm that this figure is £2.7 million and there is no further exposure to exchange rate movements. To date we have acquired 58 million euros, a further 18 million euros are taken from the airport income euro receivables from 2009 to 2011 and they have been allocated and matched against future payments at an agreed fixed rate, which I decided during the course of the summer. Therefore, I can say to the Assembly, with absolute confidence, that the euro exchange rate matter has now been solved; it is now £2.7 million, which is lower than that of the C.A.G.s report.

#### **4.7.3 The Deputy of St. Mary:**

I am getting more and more amazed at the Minister for Treasury and Resources' replies. He is still stuck on this £3.06 million additional costs due to the euro and now it has gone down to £2.7 million, which I accept, because of the various mechanisms put in place. Will the Minister give the House a figure for the cost of the euro going up against the pound between May, when the figure of £106.30 million was voted by this House, and the date of signing the contract? That is the figure that I am asking

him to give. I know it already because it is in the C.A.G.s report and I am fed up with hearing £2.7 million when the actual figure is £5.65 million.

**Senator P.F.C. Ozouf:**

The Deputy can get cross. He can start getting angry with me across the Assembly, but if he knows the figures - and I am being asked to give all sorts of different interpretations and extrapolations of figures - if he knows the costs, why does he not just tell the Assembly? I do not have every single figure of every single variance in euro costs in my head in order to answer the Assembly. The point that the public wants to know is what was the cost of the additional costs concerning the euro and I have said, and I will say again, it is £2.7 million on the basis of now having hedged everything and matched the income from the euro from the airport and that is the end of the matter. [Approbation]

**The Deputy of St. Mary:**

The Minister is deliberately misleading this House and the public.

**The Deputy Bailiff:**

Excuse me, Deputy, I must ask you to withdraw that accusation of deliberately misleading the Assembly.

**The Deputy of St. Mary:**

Well, it is a bit difficult, because I keep asking the Minister to give a figure to the House and the public which can be relied on. He knows the figures, the C.A.G.s report has the figure, but we constantly get the figure for after the contract was signed, which I accept is around £2.7 million, but he is ignoring the figure between the date the P.73 was published and the signing of the contract. Why does the Minister not give the public this figure?

**The Deputy Bailiff:**

Deputy, that is not what is currently an issue. The requirements of Standing Order 104 are that you should not impute improper motives, directly or by innuendo, to any Member of the States. You have accused the Minister for Treasury and Resources of deliberately misleading the Assembly. Are you prepared to withdraw that comment?

**The Deputy of St. Mary:**

I will withdraw “deliberately”, Sir. He is misleading, in my view - I am perfectly entitled to my view - the House and the public by ignoring a great slice of the additional cost.

**Senator P.F.C. Ozouf:**

I deeply regret the insinuation. Let me be clear to the Deputy. This Assembly agreed that the contract would be fixed at the point of signing. It is academic and simply puts more information and confusing information into the public, as to what the different strike rates were at the point at which the contract ... The point is, this Assembly approved the strike rate should have been when the contract was been signed. All of these figures were in the Comptroller and Auditor General’s report; it has been further examined by the P.A.C. and there has been significant debate about this. I would have thought now that the time has been to move on from having learnt the lessons of the euro mistake. I have hedged it. I have taken advice. The matter is now closed.

**The Deputy Bailiff:**

This particular question is closed.