

5.2 Deputy J.A.N. Le Fondré of the Minister for Treasury and Resources regarding legally-binding pre-lets in relation to the first building on the Jersey International Finance Centre, the robustness of financial estimates and financial assessment of the development:

Further to the press release issued on Friday, 29th May in relation to the signing-up of UBS as the first tenant of the Jersey International Finance Centre, the J.I.F.C., would the Minister: (a) confirm the total number of legally-binding pre-lets that had been signed in relation to the first building on the J.I.F.C. as of the date and time of the press release and state the total amount of square footage this represents; (b) indicate what measures if any he has taken to ensure that the financial estimates produced by S.o.J.D.C. to justify the position that building can now commence are robust, that is the Minister ensuring that they are robust; and (c) give an undertaking to instruct the States of Jersey Development Company not to take any further steps to progress the development until the results of this financial assessment have been presented either to Members or, if the data is confidential, to the Corporate Services Scrutiny Panel?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

We have covered a lot of this ground, but in any event, one tenant has signed a legally binding pre-let last October and a further tenant has signed heads of terms to enter into a legally binding pre-let. As reported last week, the legally binding pre-let with UBS represents in excess of 13,000 square feet and, as I have just mentioned, they have also agreed to an option of a further 7,000 square feet. The answer to (b), the final sign-off of the deal was always subject to third-party funding that required an independent Red Book valuation prepared for the bank that would substantiate S.o.J.D.C.'s appraisals. Third-party funding has been approved to construct building number 4 of the Jersey International Finance Centre for UBS to occupy. There is no public funding involved, as I have already stated. The answer to (c), contracts have been signed and there are penalties for each party involved should they not carry through those contracts as set out. This is standard practice. The States of Jersey Development Company has had to sign confidentiality agreements with UBS and other prospective tenants. The information being sought by the Deputy is not only commercially sensitive but S.o.J.D.C. would be in a breach of contract should they disclose it.

Deputy J.A.N. Le Fondré:

Just before I go to the supplementary, the Minister said 13,000 square feet whereas previously he had been referring to 16,000 square feet. Could he just clarify the figure?

Senator A.J.H. Maclean:

My apologies. If I said 13,000 square feet that was a mistake, it should indeed have been 16,000 square feet. That is what UBS have signed-up on, with an option for a further 7,000 square feet, just for clarification.

5.2.1 Deputy J.A.N. Le Fondré:

I think we want to know what the legally binding situation is at the moment. To go back to the P.73 issue, the Minister is cited in the media that he is acting in the spirit of P.73 which established the rules under which S.o.J.D.C. was to operate. Given that the proposition is very explicit on the matter, could the Minister explain in broad terms how S.o.J.D.C. is complying with the requirement that, before committing to the construction costs, S.o.J.D.C. would have to secure a sufficient level of binding pre-lets to fund the cost of constructing the first phase of a scheme when we are talking about less than one-quarter, less than 25 per cent of the buildings?

Senator A.J.H. Maclean:

Again I have covered this point, I believe, several times. The key factor is that bank funding is required; third-party bank funding is required by S.o.J.D.C. No public money is being utilised.

The bank has had an independent valuation, Red Book valuation, and their valuation of this construction, the cost of constructing the building, is going to be covered as a result of the one legally binding lease agreement that has been signed; that alone. We do not expect it to just be that. Clearly it is going to take something like 18 months, 2 years to build and there is a significant additional amount of space. There is already one pre-let in place. We expect the value to increase. But the cost of construction is covered, by quite a significant margin I might add, and that is all the detail that I can give the Deputy.

5.2.2 Deputy S.M. Brée:

The Minister makes reference to the funding provided to S.o.J.D.C. and that no public money is being utilised. Could the Minister confirm whether he has any intention, or has been requested to or already has done so, to sign a letter of comfort to the lender as being the 100 per cent shareholder in S.o.J.D.C.?

Senator A.J.H. Maclean:

I am delighted to put that myth to bed. I have not signed any letter of comfort and there is no guarantee whatsoever provided to the bank. S.o.J.D.C. have gone out and got their own funding arrangements with the bank, based on this particular site.

5.2.3 Deputy J.A. Martin:

I apologise if I did miss the exact size of building number 4, and that is my question. Then on from that I think the Minister for Treasury and Resources said even if we only let 16,000 square metres ... sorry feet. Even smaller. Sorry, it does matter. The 16,000 square feet will pay for the whole of the building being constructed and the States will not lose any money. Did he say that and can he confirm the actual square footage of the whole of building number 4?

Senator A.J.H. Maclean:

I can confirm both those points. Yes, I did say that. It is about 16,300 square feet to be precise, but that is the size that UBS have taken in terms of the legally binding agreement and, yes, the valuation carried out by the bank has confirmed that the construction costs will be covered, in fact exceeded comfortably, as a result of that commitment for the 16,300 square feet. The other point that the Deputy asked was the size of the building. It is 67,000 square feet.

5.2.4 The Connétable of St. John:

The Minister earlier referred to a lot of misinformation. Could he confirm that the bulk of this misinformation is coming from his department, himself and S.o.J.D.C.? As an example, we have been told 200,000 square feet would have to be given before building would commence. This, we are now told, is not true. The misinformation that we are having to deal with is coming, not from the public but from Government itself.

Senator A.J.H. Maclean:

No. I have explained the 200,000 square feet several times. It was a mistake that was made by my predecessor early last year. That matter hopefully has been clearly explained, and I am not aware of misinformation coming from either myself or my department and I would respectfully ask the Constable to withdraw that. He suggests that I am deliberately misleading and I take offence at that.

The Connétable of St. John:

The Minister has said there is no risk to the public but if S.o.J.D.C. are forced to pull out of ...

The Bailiff:

Connétable, before we go there, I thought you were going to deal with the Minister's request that you confirm you were not suggesting that he was deliberately misleading the Assembly.

5.2.5 The Connétable of St. John:

I apologise if the accusation was incorrect, but I believe we were misled over the 200,000 pre-lets position. I am glad that he has now clarified the position and I will humbly withdraw the accusation. If I could continue, if S.o.J.D.C. is forced to pull out and forced to pay compensation - as you said it is legally binding on both parties - where will S.o.J.D.C. obtain the finances to pay the compensation? As this is part of the package that has been given by the Island to S.o.J.D.C., will it not be public money that would be handed over?

Senator A.J.H. Maclean:

S.o.J.D.C. has significant assets and they are involved in other developments where other profits are going to ensue. College Gardens is an example, albeit a year or 18 months down the road before the profits start to flow. Nevertheless there will be profits there. There are some other sites that they have planning permission on that they are considering either developing or possibly selling. So they have the wherewithal to cover the costs but I would simply ask Members: do we really want to stop this development at this stage? I do not think it is realistic to even consider that. It would cost millions of pounds if we were to do that, not even considering the reputational damage to this Island, [Approbation] the finance industry, and our economy more broadly. It is bad enough seeing front page articles talking about protests against the finance centre, thousands of people. That gets picked up, not just in Jersey. It gets picked up internationally. What sort of impression does that give of our financial services industry or of this Island as a whole? It is not doing any us any good whatsoever. We have been through a process to get to this point. Let us for goodness sake get behind the States of Jersey Development Company, celebrate something successful, UBS signing-up and committing, one of the major banks in the world, and let us get a move on with this. [Approbation]

5.2.6 Deputy J.A. Hilton:

The Minister, and indeed the Council of Ministers, is obviously very confident of the financial success of the Jersey International Finance Centre. Would the Minister be prepared to prove this by allocating some of the potential £50 million to purchase the Jersey Gas site to enable the Millennium Town Park to be extended? [Approbation]

The Bailiff:

No, that does not flow on from the question.

Senator A.J.H. Maclean:

Good try, Deputy. Am I not able to answer that, Sir?

The Bailiff:

You are not required to answer that.

Senator A.J.H. Maclean:

What a shame.

5.2.7 Deputy M. Tadier:

In preparing his statement and saying that the previous Minister for Treasury and Resources was mistaken, did he draw on the words of George Orwell's book *1984* and practise Newspeak, which is the quality to be able to claim that black is white in contradiction of the plain facts and to be able to rewrite history to the effect that we have always been at war with Eurasia and that is the way it is? What it seems to me is that the Minister is very concerned about the reputational risk that Jersey is facing but he is not concerned at all about the risk that his own Government is facing when they renege on promises and fail to listen to the public, whether that be at Parish meetings where there is universal support to give due weight to Scrutiny or to listen to the Scrutiny Panel's and the public's opinion themselves.

[11:30]

Senator A.J.H. Maclean:

I am not quite sure where the question was in there, but all I would say to the Deputy is that things change, we have to move on, we have to continue to review the progress of the International Finance Centre, and that is exactly what is happening. Both S.o.J.D.C., the board of directors are doing that, but equally so are we from a Treasury point of view with our responsibility as the shareholder. We do listen, Deputy, to what the public have to say. That is why I came to St. Brelade to Communicare and listened to what the 40 or so people who were there had to say about that particular development. I think where we are failing ... sorry, you think there were more than 40 people? Okay, 50. We have to listen, we have to make sometimes difficult decisions. What I am really concerned about is ensuring that we get all the facts out so that the public can fully understand the position. I am at an advantage, in a sense, that I have seen both sides of the story. I think we are failing from the point of view that we are not getting the full story across about what S.o.J.D.C. are doing, what the Jersey International Finance Centre is all about. That is where we have made a failure and we have got to work up on that and that is why we are going to have the public meeting, and hopefully a meeting that Members will all attend, so that we can have an open debate.

5.2.8 Deputy J.A.N. Le Fondré:

As I asked the question, I would just like to note 2 points for the Minister and for the Assembly. Obviously our role as Scrutiny is to inform the Assembly on this matter and we have advisers in place. They are top-notch advisers.

The Bailiff:

It is a question, not a speech.

Deputy J.A.N. Le Fondré:

No, it will be a question, Sir, but I wanted to clarify something, which is that we were expecting the advisers to come back to us on a Red Book basis by the end of this month. That is our timeframe. It would have been a lot quicker if we had had the BNP valuation some weeks before now. The question I am going to ask, the reason I state that, is: it is a numbers issue and that is what we are looking at. It will either come out one way or another and that is what we are going to report on. But in asking the question, it picks up on the Minister's point about public perception. The public and this Assembly - the Assembly as the landowner on behalf of the public - were told that the project was going to be low risk. They were told it was going to be done by pre-lets and they were given undertakings, even if they were mistaken or not, as to the level of those pre-lets, and it is not just about one day. There are a variety of mistakes that have been made and those are some of them there. How have we got to the stage, from a public perception point of view, where those undertakings appear to have been watered-down and watered-down even more to something which is less than one-quarter of one building and less than 4 per cent of phase one? Does the Minister accept that, from a public perception point of view, there has been a change in the position?

Senator A.J.H. Maclean:

I said a moment ago that circumstances change and, indeed, your position needs to also change because the commitment that we have is to ensure that we manage the relationship with S.o.J.D.C. and to ensure that they, to the best case possible, de-risk. In that respect, taking the buildings on a building-by-building basis is a very sensible thing to do. This Assembly, do not forget, put in place the commitment to ensure pre-lets and that is exactly what we are following through on, and I think that is the right approach to take. I do not think there is anything wrong with that at all. If circumstances change in the future then we will adapt as and when is necessary.