

STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY

2. Statement by the Minister for Treasury and Resources regarding Waterfront Enterprise Board:

2.1 Senator P.F.C. Ozouf (Minister for Treasury and Resources):

I have committed to update Members as to the present status of negotiations between the Waterfront Enterprise Board Limited and Harcourt Development Limited in relation to the Esplanade Quarter. I have now received an updated from W.E.B. (Waterfront Enterprise Board) which enables me to set out the position to Members. I am also, of course, conscious that Members are shortly to debate the proposition and the amendment of the Deputy of St. John in relation to the deferral of the development works by Harcourt Development Limited of the proposed Esplanade Quarter. Members will recall that W.E.B. entered into a development agreement with Island Developments Limited, a subsidiary of Harcourt Development Limited, in relation to the development of the former abattoir site on 14th October 2005. That development has progressed and through I.D.L. (Island Developments Limited) Harcourt has developed a new bus station for the Island, an apartment hotel, 85,000 square feet of fully let prime offices and now progressing with the final part of the scheme which involves converting the historic parts of the former abattoir and tourism building into a retail and leisure complex. W.E.B. understands that this scheme has cost approximately £50 million to construct. In July 2007 W.E.B. entered Heads of Terms with Harcourt Developments in respect of the development of the Esplanade Quarter scheme. Those Heads of Terms include financial terms which are attractive to W.E.B. and consequently to the States of Jersey. They contemplate not only the construction of considerable infrastructure at Harcourt's cost but also the payment by Harcourt to W.E.B. of £50 million, together with an uplift based on the achieved rental and sales. One of the fundamental provisions of the Heads of Terms is that the funding of the infrastructure works and the payments to W.E.B. should be backed by a bond to be issued by a bank or insurance company acceptable to W.E.B. in the sum of at least £95 million. I have previously advised Members that W.E.B. have been seeking appropriate confirmations from Harcourt and its funders that such a bond can and will be provided. While letters of comfort have been provided to W.E.B. by 2 potential funders they are not expressed in terms which provide W.E.B. with the level of commitment that W.E.B. is seeking. Harcourt have advised W.E.B. that the contractual document is not in a sufficiently advanced state for any major lending bank to provide the comfort that W.E.B. is seeking. W.E.B. does not accept this. The board of W.E.B. has given much consideration as to the present status of the negotiations on the Esplanade Quarter development. The Board is aware that many of the dates set out in the Heads of Terms entered into on 19th July 2007 have passed and considers that the timetable provided by the Heads of Terms is no longer appropriate in the context of continuing negotiations on the project. As a consequence, the board has come to the decision that the Heads of Terms should be terminated as the framework for negotiations of the development documentation. According W.E.B. has terminated, with immediate effect, the Heads of Terms entered into between W.E.B., Harcourt Developments Limited, Esplanade Finance Centre Limited, Les Jardins Residential Limited, Les Jardins Leisure Limited on 19th July in respect of the Esplanade Square and the Les Jardins sites, now known as Esplanade Quarter. W.E.B. has indicated to Harcourt that it would be willing to continue negotiations, in particular agreeing the terms of the principal documentation which could be put to the States of Jersey for consideration with my support should Harcourt continue to provide the necessary unconditional bank guarantees and funding. W.E.B. have set a deadline of 4th September 2009 to agree the terms of the principal documentation. W.E.B. has asked Harcourt's banks to indicate the nature of their support for the funding of the development and to confirm that they are able to work within this timetable. I have previously committed to the Assembly that I will not approve the terms of any development agreement to be entered into with Harcourt until the States Assembly has considered and given its approval to the terms of the transaction. I reiterate that commitment now. The proposition of the Deputy of St. John, as amended, requests that the States agree that the development works by Harcourt of the proposed

Esplanade Quarter and other areas of the St. Helier Waterfront should be deferred until there is a significant improvement in the economic situation in Jersey with clear indicators of economic growth. The Deputy confirms in the report to his amendment that it is his intention to exclude the former abattoir site from the scope of his proposition. No such development works can commence until the development agreement has been entered into which, as I have said, requires the approval of this Assembly. I have also previously explained that the development agreement will provide that the Esplanade Quarter development works will not commence until agreements have been entered into for the letting of at least 200,000 square feet of office accommodation. If potential tenants are identified for such a considerable area, that will be indicative to me of an improvement in the economic situation. On that basis I intend to support the Deputy of St. John's proposition. I think it is important for me to reiterate to Members that the delivery of modern office accommodation built to meet the needs of the Island's financial services industry is a fundamental requirement for the future economic success of this Island. I have previously said that meeting the requirements of such institutions is a material factor in seeking to persuade them to retain or expand their operations in Jersey. The Esplanade Quarter provides the Island with the ability to meet these requirements. In addition, it will also provide much needed additional residential accommodation on the Waterfront and public amenities.

2.1.1 Deputy R.G. Le Hérissier of St. Saviour:

Can the Minister, as a result of his statement, confirm that the offer to Harcourt has now been extended by W.E.B. to 4th September and can he confirm that he is absolutely convinced of the viability of the office development?

Senator P.F.C. Ozouf:

The offer has not been extended. The Heads of Terms have been terminated. That is a substantial change in relation to the contractual relationship. What W.E.B. have done because of their continuing relationship with Harcourt is to suggest that negotiations generally with Harcourt can continue. In relation to the office development the view is that this office space is needed for the growth of our financial services industry, for the consolidation of it and of course he asks about viability. If the 200,000 square feet pre-let space is identified, which is part of the development agreement, then it will be viable.

2.1.2 The Deputy of St. Mary:

We have been told in the previous debate that since May 2008 the change in the world situation is unprecedented, the world has changed, banks have been nationalised, the world has changed so totally that we must have a depositor compensation scheme. I do not understand why the world has not changed so totally that we no longer need 600,000 square feet of office space and I would like the Minister to comment on that.

Senator P.F.C. Ozouf:

I am deeply, deeply disappointed that we cannot offer our financial institutions and our local depositors the issue and certainty of a statutory scheme. The world has changed and we are marketing Jersey and efforts are out there to retain existing operations in existing banks and difficult discussions are happening. Moreover, in a more positive light, there are opportunities for a well regulated country such as Jersey to identify new lines of business. I believe in the future economic prosperity of Jersey. I want to give every chance for Jersey's long-term prosperity and giving indications of positive areas of modern office accommodation together with regulatory frameworks and a depositor compensation scheme is all part of the package. The Deputy does not seem to understand that.

2.1.3 Senator S.C. Ferguson:

I have 2 points. One, will the Minister confirm that he will ensure that W.E.B. understands that letters of comfort which I understand are almost impossible to enforce contractually will not be

acceptable and will he confirm that there is no truth in the rumour that there are plans to put all States offices on part of the site?

Senator P.F.C. Ozouf:

Yes, letters of comfort are not acceptable to me in bringing the development agreement to the States and, no, there are no plans of moving all States offices or any substantial part of States offices to the Waterfront. Discussions have been happening in a number of different areas, but they have not had any political support thus far.

2.1.4 Deputy J.A. Martin:

Yes, and this is genuinely because I do not understand, the Minister has told us that W.E.B. has terminated the Heads of Terms and on the third paragraph down, W.E.B. has still got until 4th September to agree the terms of the principal documentation. Are we fiddling away to try and get out of some different agreement as we have terminated one heads of lease that we were quite comfortable with? I would really just like the Minister to explain exactly what the principal documentation is that they are now negotiating.

Senator P.F.C. Ozouf:

The Heads of Terms set out the general framework and have different obligations in it. The development agreement, if it were the case and I read, as I am sure other Members did, with interest Harcourt's interview in the *Jersey Evening Post* yesterday that indicate that they will come up with the documentation and can come up with the bank guarantees. I think what W.E.B. is saying, and I think they are taking absolutely the right stance in this regard, is if Harcourt do come up with all of the bank guarantees, not compromising in any way as Senator Ferguson has sought that undertaking, then that would be a good thing for Jersey. The deal that was previously negotiated is positive for the States of Jersey, as I have said in my statement, and if they were able to come forward with all of those criteria, I would bring the deal to the States and this Assembly would opine on it. I hope that answers the question.

Deputy J.A. Martin:

Just for clarification then, so if by 4th September everything is met, although today you are supporting the Deputy of St. John, will we have to wait for the other indicators in the upturn? I am a bit confused to the way forward now.

Senator P.F.C. Ozouf:

We will obviously come to the Deputy's debate shortly, but I think, and I have discussed the issue of the Deputy of St. John's proposition in detail, frankly it would be churlish to not accept it upon the terms I think that he is basically making clear. The economic upturn in Jersey will be indicative by people wanting to take space, 200,000 square feet seems to me strong evidence and, therefore, if that were to happen, if the documentation requirements were to be fulfilled, then I would bring the deal to the States, but the important point is the Heads of Terms has been terminated and that is significant as I am sure Members can understand.

2.1.5 Deputy M.R. Higgins:

Again, just for clarification, the Heads of Terms lease, the fact that it has now been terminated with immediate effect, does that mean that if another developer came along that negotiations could be entered into with them? You also mention further this other development agreement which again, providing they come up with the guarantees by 4th September, they can still go ahead on that one. What I want to understand is is it now open to anyone to come forward with proposals to develop the Waterfront if they wanted to or are you still wedded to Harcourt?

Senator P.F.C. Ozouf:

I do try and speak through the Chair and I wish the Deputy would learn States procedure. It is through the Chair, it must be. The approval in relation to the situation with Harcourt, the Heads of Terms gave effectively Harcourt exclusivity. The Heads of Terms are no longer in place. It must be to W.E.B. to take instructions from this Assembly which I thought was the clear indication of approval for the master plan and consider all options. That is a matter for the board of W.E.B. and they will report in due course. I am giving the update as to where the position is now. I am not going to speculate on what W.E.B.'s next position is going to be because I am dealing with the narrow point of the issue that Members are concerned about and the bank guarantees and my role in that.

2.1.6 Deputy G.P. Southern:

Does the Minister not agree that the level of 200,000 square feet of office space, finding a lessor for that, is rather low level of indicator at the return of economic growth and surely there are much more concrete and solid indicators such as, for example, 2 quarters of growth that would be a more reliable indicator that the recession was over?

Senator P.F.C. Ozouf:

The States has previously been accused of not responding to economic information and it seems that somebody characterised a previous States response to recession as when they see the temperature go down to zero, then finally they decide to turn up the heating. The fact is is the Deputy really suggesting that one would aim to see the actual economic growth of Jersey recovering? Would not one want to see the indications that there was an opportunity for growing financial services industry in terms of starting the construction and benefitting from the next rising tide which will inevitably follow?

2.1.7 Deputy M. Tadier:

Perhaps I can restate what I believe to be the question. While everybody hopes that Jersey will be able to regain, if indeed it has lost it, its economic prosperity, what we are saying I believe is that currently there is economic uncertainty. We have heard that on both sides so the point I believe that is being made is that surely it would be more prudent at a time when we do not where business is going, rather than to build X amount of new offices surely it would be more pertinent to build housing because we know that we have already taken a decision to increase the population. Would the Minister agree with that?

Senator P.F.C. Ozouf:

I think it has to be for W.E.B. to work with the Planning Department and other departments in order to work out what the best use of the space in the Masterplan is. It may well be that there is going to be a greater opportunity to put residential there. That is something for the board of W.E.B. to discuss and something I am sure they will take away from the comments the Deputy makes.

2.1.8 Senator P.F. Routier:

Recalling the Masterplan that this House approved and quite resoundingly supported, does the Minister recall that any development is a mixed use development, although there might be 200,000, whatever it is, number of office accommodation being built in practical ways there will also be residential accommodation within that same development?

Senator P.F.C. Ozouf:

I do, and I think that this Assembly overwhelmingly supported the Minister for Planning and Environment's fantastic vision for the Waterfront. A great place to work, to live and to have leisure facilities in open squares. That is the dream that this Assembly approved. Hopefully when the economy returns to a more positive outlook, we are going to get a developer which is going to be able to deliver that.

The Bailiff:

Very well. I am afraid that brings the questions to the Minister to an end. The next matter of public business then, as the Assembly agreed, is to return to the proposition of the Deputy of St. John. Before then, I had also given leave for the Attorney General to make a statement so I think this would be a convenient moment to do it.