

7. The Minister for Treasury and Resources - statement regarding the proposed development of the Esplanade Quarter

The Bailiff:

Very well. That brings questions without notice to the Chief Minister to an end. There are no matters under J so we come to K, Statements on a Matter of Official Responsibility and the Minister for Treasury and Resources will make a statement regarding the proposed development of the Esplanade Quarter.

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

Members will be aware that Senator Breckon has lodged P.15/2014 - Esplanade Quarter Developments: approval by the States. Without wanting to rehearse the arguments for that debate, I thought it was important to make a statement to Members as to what is likely to happen between now and the scheduled debate for 18th March. The proposition requests that the Minister for Treasury and Resources directs S.o.J.D.C. under Article 22(a) of the Articles of Association which reads: "If the Minister shall, in his discretion, be of the opinion that a matter of material public interest has arisen and it is appropriate to do so, the Minister shall be entitled by notice in writing to give the Directors directions to refrain from doing a particular thing or to do a particular thing which the Directors have power to do and the Directors shall be bound to comply with any such direction." The proposition requests that none of the new developments proposed for the Esplanade Quarter progress until they are endorsed by this Assembly. Since the proposition has been lodged, we have worked quickly to ensure that Members are fully informed of Esplanade Square developments. A detailed comment has this morning been presented and yesterday a presentation was given by S.o.J.D.C. which I am grateful that over 20 Members attended. The States Assembly on 13th October 2010 approved P.73/2010 - the establishment of the States of Jersey Development Company - and that stated that the prime purpose of the States of Jersey Development Company is to act as the delivery vehicle for property development for the States of Jersey. Carefully considered and detailed risk mitigations together with new governance arrangements with devolved political responsibility for S.o.J.D.C. were put in place. The proposition also created and approved the Regeneration Steering Group comprising the Chief Minister, the Minister for Treasury and Resources, the Minister for Economic Development, the Minister for Transport and Technical Services and a political representative for the Parish of St. Helier. One of the key roles of the R.S.G. (Regeneration Steering Group) was to ensure that the interests of the public are protected throughout the promotion, commissioning and implementation stages of each project as it steers S.o.J.D.C. and receives regular progress updates from the company in respect of specific sites. The R.S.G. meets S.o.J.D.C. on a quarterly basis and has approved its progress on the J.I.F.C. (Jersey International Finance Centre) and the former J.C.G. developments. In addition to these quarterly briefings with the R.S.G. and quarterly meetings with the Minister for Treasury and Resources, since its formation, S.o.J.D.C. has invited all States Members to presentations on its progress approximately every 6 months, ending these presentations with questions and answers. I hope Members would agree that they have been regularly informed and briefed on the development of Esplanade Square. Needless to say, there is commercially sensitive information which is considered and fully approved by the S.o.J.D.C. board, including its non-executive directors who form the majority of the board and who have extensive relevant experience. Needless to say, developments could be worth millions of pounds of value to the public who ultimately own S.o.J.D.C. and similar amounts are likely to be at stake for the parties involved in competing schemes. S.o.J.D.C. is delivering the Esplanade Quarter Masterplan in a phased approach which is not only compliant from a planning perspective but

also in line with the risk mitigation measures contained in the company's Memorandum of Understanding with the Treasury. S.o.J.D.C. is acting strictly in accordance with its remit and that has been set down by the States Assembly. A number of decisions concerning Esplanade Square requiring Treasury Ministerial approval have already been made and are published. The reason why this matters and is urgent is that the Jersey International Financial Centre is a strategically important project for the Island. It will provide the finance industry with high quality office accommodation in an identifiable district. The McKinsey report identified the importance of quality infrastructure and currently there is no Grade A office accommodation available on the Island. Furthermore, jurisdictions that have invested in a dedicated district for financial services have experienced positive business flows as a result. The J.I.F.C. could provide immediate economic stimulus for the local construction industry. Post completion of the J.I.F.C. development, it is estimated to generate net receipts totalling £40 million which are designated to be used to assist with the funding of lowering La Route de la Libération. In addition to this financial receipt, the phase of the development will deliver at no cost to the States a new 520-space underground car park earlier than previously envisaged and extensive new areas of public realm, a public park and a new public square and the regeneration of the adjoining Esplanade. Subject to S.o.J.D.C. securing the necessary pre-lets, construction work could commence at the end of April of this year. Delaying decisions now is likely to impact upon the project's completion date and I am advised would likely result in S.o.J.D.C. being unable to compete for certain tenants' requirements. I am concerned that delaying decisions would be against the public interest and could deprive the public of a commercial return on what is effectively commercial land. I am more than happy, together with the board of S.o.J.D.C., to continue to brief Members on the development of Esplanade Square and we will continue to be as open with Members while being sensitive to confidential commercial information. It may well be that Senator Breckon now has sufficient information and would consider withdrawing his proposition with the additional information provided as a result of the lodging of his propositions. As Members will be currently aware, developers and landowners are currently competing for the future space requirements of key tenants. It would be inappropriate and not in the public interest for the Treasury to direct S.o.J.D.C. not to continue to discharge their remit pending the debate on P.15/2014 and I am willing to engage in further discussions with Senator Breckon and others if that would be helpful.

The Bailiff:

There is a limited question time available. Deputy Bryans?

7.1.1 Deputy R.G. Bryans of St. Helier:

Could the Minister, for the benefit of Members who could not attend yesterday, and without naming names articulate his concerns about an appeal lodged by a competing developer for the area of development of the international financial sector on the Waterfront because I do not believe the import of this appeal was fully understood or appreciated?

Senator P.F.C. Ozouf:

S.o.J.D.C. at the meeting yesterday did advise that an appeal had been lodged in respect of the Esplanade Square office development or indeed one of the offices, which is one of the key issues which is requiring a tenant development. I am advised that that was an appeal lodged by the only other competitor to this particular tenant's requirements but I understand that the appeal may well have been withdrawn and I have to say I welcome that as certainly S.o.J.D.C. would never - if I was to be told of it but I know they would not do it - put an appeal against a competing competitor scheme. That would be entirely wrong. It must surely

be right that the tenant themselves decides which scheme they want to go with and not be frustrated through an appeal process.

7.1.2 Deputy G.P. Southern:

Since the Minister is now basing his decisions on the McKinsey report, will he agree to publish the McKinsey report, albeit in a redacted form?

Senator P.F.C. Ozouf:

Yes. The Chief Minister and I have been finishing, together with Economic Development, a new financial framework for the financial services industry which will effectively bring together the McKinsey report recommendations but will not reveal some of the confidential issues of the strategy for various different sectors of the financial services industry which, of course, competitors would want to know about. But the answer is yes, in a redacted form. Effectively the recommendations will be included in the financial framework.

Deputy G.P. Southern:

That is not quite the same as the report. Will you consider publishing the report in a redacted form?

Senator P.F.C. Ozouf:

I do not think that arises out of this statement. Those remain and I stand by the previous comment that I have made.

7.1.3 The Connétable of St. Helier:

The Minister will know that since losing a debate in the Assembly of a similar type to Senator Breckon's I have pledged my support to the scheme and I have done it with a number of conditions, including that there should be no significant retail or hospitality offerings within the J.I.F.C. I have recently heard from the Managing Director that there will be a restaurant on the ground floor of the office Building 2 of 3,000 square feet and on the ground floor of Number 6 a gastro pub of 3,000 square feet. I would ask the Minister if he is willing to talk to the Jersey Development Company about the importance of not sucking business away from either the Waterfront or the heart of town by providing retail and hospitality in the new financial services quarter.

Senator P.F.C. Ozouf:

Yes, of course. Indeed the Constable himself is a member of the Regeneration Steering Group so we have the forum in order to do that. Esplanade Square is designed to do exactly the opposite of what many people fear, it is to bring life to town, enhance the commercial offering of St. Helier and to get more footfall in the traditional areas and also achieve ambitions of regenerating the town. So, yes, of course I will take up those concerns with him.

7.1.4 Senator S.C. Ferguson:

The Minister is extremely bullish about this major project, will he confirm to this Assembly that he is quite confident that the project will come in at a profit and there will be no further demand on the States of Jersey for further money, apart from the £13 million that the Currency Fund has lent to the project?

Senator P.F.C. Ozouf:

The Currency Fund money is being funded to bring forward the early completion of the car park and will be repaid. I am not only confident that there is not going to be any liability, but

in the event Esplanade Square and S.o.J.D.C. going ahead with some anchor tenants it is going to provide tens of millions of pounds of potential benefit to the Island.

Senator S.C. Ferguson:

Can he quantify the tens of millions?

Senator P.F.C. Ozouf:

I have already answered those questions in previous times and the numbers of course change depending on how successful the scheme is, but the scheme will be net positive, as repeated on a number of occasions, and as I know the Senator asked yesterday at the briefing with States Members.

[12:15]

7.1.5 Deputy M. Tadier:

The Minister talked about in his opinion that it is not in the public interest to contact S.o.J.D.C. to ask them not to continue to discharge their remit, but does he agree that ultimately it is for the States Assembly to decide what is in the public interest and therefore to direct S.o.J.D.C. accordingly, not simply for one Member of this Assembly, who may necessarily be an important member and the Minister for Treasury and Resources?

Senator P.F.C. Ozouf:

Of course it is a matter for this Assembly. The purpose of this statement is to inform Members in an open and transparent way and to be subjected to questions. Under some circumstances when a proposition is lodged one would put matters on hold. Because of the sensitivity and because of the fast-moving situation with the number of contracts that would be concluded with Esplanade Square, then I do not judge that it is appropriate to direct them at this stage. Ultimately, of course, when we come to the debate then it is a matter for Members, of course it is.

7.1.6 Deputy M. Tadier:

Supplementary? By not putting it on hold, does that not send out the message that we are expecting this Assembly, he is expecting this Assembly, to rubberstamp the decision and to reject Senator Breckon's proposition?

Senator P.F.C. Ozouf:

I hope that Senator Breckon may reflect on his proposition and that, because of the additional information, and I know he has had very constructive information - we have enjoyed some very positive discussions - he may choose to withdraw his proposition but ultimately that is a matter for him and for this Assembly to adjudicate on when it comes to 18th March. What would be wrong is to say nothing until 18th March when I am aware that decisions are being made.

7.1.7 Deputy J.H. Young:

Would the Minister for Treasury and Resources agree that while economic conditions require a phased approach to this development that the development does carry with it major uncertainties and therefore risk for the future implementation of the Masterplan. To help Members with this dilemma, what is the Minister for Treasury and Resources view if we only secure Buildings 1 and 4 and the underground Masterplan and no further tenants come through? What is his view about that situation and the future for the St. Helier Waterfront?

Senator P.F.C. Ozouf:

Without wanting to provoke Members' sensitivities, if I may say, the major risk for Esplanade Square is micromanagement by politicians. We have set up S.o.J.D.C. with delegated responsibility, with an expert board of which a number of the senior non-executives addressed Members yesterday, and we have asked them to get on with the job. Yet there are some Members that want to pull these decisions back. That is the biggest risk of S.o.J.D.C., political micromanagement. I believe passionately, and I am even more convinced than ever, about the future for Jersey as both the financial centre but also the centre for services, innovation and technology. If we do not invest and provide the kind of office space that is required we will forego opportunities. I am sure that if Esplanade Square does go ahead there are some key decisions to be made by key individuals and key tenants in the next few weeks. If those tenancies are secured then I think Esplanade Square will develop much more quickly than previous envisaged. Moreover, with the rising economic tide that is now happening we will see increased vitality and investment in Jersey which will benefit every Islander.

7.1.8 Deputy J. H. Young:

Supplementary? I am not sure the Minister for Treasury and Resources answered my question. Would he not accept that to balance his very bullish, his very, very passionate support for this project, it is important for Members to ask themselves as well: "What are the downside issues and what is the potential effect of that?" Is that not a reasonable question for Members to ask? Is that micromanaging or is that just being prudent?

Senator P.F.C. Ozouf:

It is a very good question but this Assembly delegates to individual Ministers who in turn delegate or put in place boards and structures to discharge those issues. Risk migration is at the very heart of what the Treasury does. Every Ministerial decision that I make is on the recommendation of the Treasurer. At the heart of her decision making and all of the advice that she gets from her excellent staff, is risk. Non-executives are worried about risk. So risk is not just simply the preserve of Members of this Assembly, it is happening at every stage with the delegated responsibilities.

8.1.9 Deputy M.R. Higgins:

The Minister for Treasury and Resources mentioned earlier that there was a legal case pending or may have been withdrawn and so on, can the Minister for Treasury and Resources tell us about Harcourt Developments and whether that is still an active case against the States of Jersey and what impact that will have on this development ...

The Bailiff:

I am sorry, Deputy, that is under the court at the moment so it is *sub judice* and therefore we cannot deal with it.

Deputy M.R. Higgins:

I have an answer, Sir, it is still active but it will have an impact possibly on this.

The Bailiff:

Apparently time has now run out.