STATEMENT TO BE MADE BY
THE MINISTER FOR TREASURY AND RESOURCES
ON TUESDAY 2ND JUNE 2015

The announcement of a major tenant for the International Finance Centre is very positive news for the Island and its economy. The decision by UBS, a leading financial services business, to take up a lease for more than 16,000 square feet demonstrates the growing confidence shown in recent statistical surveys that our economy is turning a corner and businesses are feeling optimistic about the future. And it means the States of Jersey Development Company can now go ahead with the first phase of this scheme.

This is a major step in a project that began in June 2006, when the Planning and Environment Minister commissioned Hopkins Architects to produce a Masterplan for the Esplanade Quarter. That Masterplan was approved by the States Assembly in 2008, and a clear majority of Members have since supported the concept through a total of five propositions attempting to defer or stop the development. The most recent was in February 2014 by former Senator Alan Breckon. All were defeated.

The former Corporate Services Scrutiny Panel attended a confidential briefing by SOJDC in March 2014 as they considered undertaking a full review of the project. Following the briefing the Chair of the panel, former Senator Sarah Ferguson, made the following comments '…the panel considered that they had received sufficient information to satisfy themselves as to the viability of the project and would not raise any further questions'.

Now, nearly ten years after the Masterplan was first commissioned, we are about to see the foundations being laid for the first phase of a much needed centre for our financial businesses.

And Sir, we should not let anyone persuade us that these buildings are not needed. We must offer prime, Grade A office space with state of the art facilities if we are to keep our existing businesses attract more. These top quality companies provide valuable employment for local people and the income we need to run our public services. Just last year the SOJDC had to vacate their offices to provide one of Europe's biggest hedge funds with headquarters that were appropriate for their needs. And last week a UBS spokesman said they need new, efficient premises located in the commercial centre of St Helier for their business to continue to flourish.

It won't just be UBS and all the other companies who benefit from the work of the SOJDC. Taxpayers also stand to benefit – from the taxes paid by companies and their employees, and from the profits generated by SOJDC which will be used to regenerate areas of St Helier.

Sir, I'd like to clear up the issue about how funding for the International Finance Centre is being dealt with. No taxpayers' money is being used in its construction. I'd like to repeat that for our friends in the media, NO taxpayers' money is being used in the construction of the Finance Centre. SOJDC is a limited company and is borrowing from banks, like any other developer. And as with any commercial lending, the bank undertakes its own due diligence on the viability of its lending, including an independent valuation of Building Four. To be clear – the States of Jersey IS NOT providing any security or letter of comfort for this lending.

If I may, I would like to clarify a point that I spent much of last Friday explaining to various media organisations. And that is - the original agreement that 200,000 square feet of office space should be pre-let before Harcourt could start work on the Finance Centre.

This requirement was established following a debate in 2009 which requested that the development should not proceed until our economy had improved. The 200,000 square footage stipulation was put forward by the Treasury and Resources Minister in a statement to the Assembly. The Chief Minister confirmed the pre-let as a condition for the Waterfront Enterprise Board to meet before Harcourt could start work.

This condition was clearly linked to the development agreement with Harcourt for a completed financial district. When the agreement with Harcourt fell away, so did the 200,000 square feet stipulation, as there was no longer one developer contracted to construct the completed district.

The next date I need to draw to Members' attention is the debate on Proposition 73 in 2010, to establish the States of Jersey Development Company. This debate provided another vote of confidence for the project, as in approving the proposition the States Assembly agreed again that the Waterfront should be developed as a centre for financial businesses. The proposition also made the following stipulation about pre-lets: -

"If it is proposed that a specific development is undertaken directly by SoJDC, before committing to construction costs SoJDC will have to secure a sufficient level of legally binding pre-sales or pre-lets to fund the costs of constructing the first phase of a scheme. This will remove part of the sales risk of a particular development project and will ensure that there will be no financial liabilities relative to a particular development's construction costs."

SOJDC is meeting this requirement by securing a legally binding pre-let with UBS before starting work on Building 4. This pre-let is sufficient to secure borrowing to construct the building and to service the debt on it. Also, the sale value of the completed building with the current level of pre-lets exceeds construction costs. This meets the 2010 requirement approved by the Assembly and it abides by the spirit of the 2009 decision: the economy is improving, and we have secured enough pre-lets to cover construction costs.

I know some have been concerned by a comment made in the States Assembly by my predecessor - which suggested that the requirement agreed in 2009 for 200,000 square feet of pre-lets still stands. I can only assume Senator Ozouf was thinking of the original agreement in relation to Harcourt when he mentioned this figure in his answer. The 2010 proposition to establish SOJDC stated clearly that the development company should pre-let enough space to make the construction of each building viable. The need to have pre-lets in place before construction begins was set by the States Assembly to mitigate risk, and that is what has been secured.

If I could turn to the Esplanade Masterplan: -

Only the Planning and Environment Minister can approve a Masterplan or variations on it, but in 2008, the Minister decided that although it was not legally required, he would ask the Assembly to endorse the Masterplan. He then updated the plan in 2011 without returning to the Assembly. He did not need endorsement as the changes did not depart from the broad concepts of the Masterplan. They merely changed the sequencing, by designating the construction of office buildings as the first phase of the work. The accompanying report said that the Minister was 'satisfied that the changes are acceptable and that the principles which define the master plan will not be compromised'.

I regard the Masterplan as a living document that must be allowed to evolve and be flexible enough to respond to changing circumstances.

Within the parameters of the Masterplan, SOJDC is taking a phased approach. Work will start on each building when enough tenants are signed up to make each building financially viable. Phasing the development in this way allows SOJDC to construct a financial business centre that will suit Jersey's needs as they develop over the coming years.

The development of a financial business district is a key part of the Council of Ministers' vision for the future of St Helier as a vibrant place to live and work. After a difficult period of economic downturn, SOJDC is in a position to move forward with the first phase of this development. These offices are needed, and by using SOJDC to develop them, Islanders and especially St Helier residents will benefit, rather than a private enterprise - as any profits will be used to improve the parts of our town that are identified as needing regeneration.

I know this pre-let agreement is being announced before the States can debate Deputy Tadier's proposal, but the heads of terms for this agreement were signed more than a month before Deputy Tadier lodged his proposition, so his proposition was too late for this agreement to be halted without SOJDC having to pay a substantial financial penalty. SoJDC sought, and received, all the necessary Ministerial approvals under the Memorandum of Understanding and the company's Articles of Association before Deputy Tadier's proposition was lodged. Pulling out of this contract would have caused severe reputational damage for Jersey and would have had an impact on SOJDC's ability to attract future tenants.

As it is, SOJDC is in discussions with 14 potential tenants who collectively will need 330,000 sq ft of Grade A space over the next few years. As the work progresses, half the site will be provided for public use as squares, parks and water features. No private developer, driven solely by profit, would provide these valuable public amenities.

I hope Members are feeling as positive as I am about the confidence shown in our island by the decision of UBS to upgrade its office space here in Jersey. I am confident we will see more companies taking on prelets in the coming months, and it is evident that the more of our financial district we can build, the more regeneration we can fund in St Helier.

I would like to move ahead with Phase One of the Masterplan and construct all six buildings on the existing car park, with work starting on each one as SOJDC secures enough prelets to make them financially viable. We can then move onto subsequent phases of the work as future need dictates. That is the beauty of a Masterplan that is flexible enough to respond to changing circumstances.

We should not forget that the financial services industry is the key to Jersey's economic health, both now and for the foreseeable future. It makes a substantial contribution to the employment of local residents, and without the major contribution it makes to our tax revenues we would not be able to sustain our high standard of essential public services.
We have a much envied reputation as a quality international finance centre and it is for this reason that UBS have taken this decision, despite the other options open to them. We are working in an increasingly competitive environment with many other centres bidding for a share of global financial services. We cannot afford to be complacent if we are serious about protecting our existing business and attracting new business. As highlighted in our policy framework for the financial services industry "We are committed to the continuous development of high quality office accommodation to meet demand."

If we do not provide suitable accommodation that modern, professional firms expect, we will struggle to build our economy by attracting quality businesses to relocate to Jersey. And more worryingly, if we do not provide suitable, modern office accommodation, we may see some of our key businesses relocate to places that can provide the facilities they require.

To start work on our International Finance Centre sends out a positive message: an international organisation has demonstrated confidence in Jersey and its future, and the right infrastructure is being put in place to support existing businesses and to accommodate new ones.

We have a strong position in the provision of banking, fund and trust business. We accommodate services that not only benefit islanders, but also the UK and the European economy. These are strengths that we must build on, and the development of an international finance centre has an important role to play in the continued success of Jersey and its economy.