

# STATES OF JERSEY

## Corporate Services Scrutiny Panel Lime Grove House: Failure to Complete Transaction

**TUESDAY, 30th AUGUST 2011**

**Panel:**

Senator S.C. Ferguson (Chairman)  
Deputy D.J. De Sousa of St. Helier

**Witnesses:**

Mr. S. Buckley (Director, Buckley & Company)  
Mr. R. Lock (Associate Director, Buckley & Company)

**Also present:**

Ms. K. Boydens (Scrutiny Officer)  
Ms. S. McKee (Training Scrutiny Officer)

[13:01]

**Senator S.C. Ferguson (Chairman):**

Good afternoon, gentlemen. Welcome to this meeting of the Corporate Services sub-panel looking into the abortive purchase of Lime Grove House. Now, we do have a ...

**Deputy D.J. De Sousa of St. Helier:**

A health warning.

**Senator S.C. Ferguson:**

If you would like to read it. Okay, super. Now, I wonder if, for the sake of the ladies doing the transcribing, you could say who you are and what your position is or your company.

**Director, Buckley & Company:**

I am Simon Buckley, Director of Buckley & Company Limited.

**Associate Director, Buckley & Company:**

I am Richard Lock, Associate Director of Buckley & Company Limited.

**Deputy D.J. De Sousa:**

Deputy Debbie De Sousa.

**Senator S.C. Ferguson:**

Senator Sarah Ferguson.

**Ms. S. McKee:**

Sammy McKee, Training Scrutiny Officer.

**Ms. K. Boydens:**

Kellie Boydens, Scrutiny Officer.

**Senator S.C. Ferguson:**

Super. All right, I think probably the simplest way to approach this, can you just give us an overview, running through the chronology of events, and then perhaps we can come back with detailed questions.

**Associate Director, Buckley & Company:**

Well, where do we want to start? The chronology ...

**Deputy D.J. De Sousa:**

At the beginning.

**Associate Director, Buckley & Company:**

... goes back, as far as my files are concerned, acting on behalf of Drumcoille Limited in the dealings with States of Jersey, to 15th June 2006, which is when we were first approached by the States of Jersey via their then advisers, Rowney Sharman, who were expressing an interest on behalf of the States in leasing the property. If we then skip to a meeting that was held with Eric Le Ruez and Paul Tucker of Jersey Property Holdings on 4th July 2007, that was a meeting between Drumcoille Limited, myself and two of the joint directors. I think Eric was just about to take over from Paul Tucker at the time, at which time we discussed further the option to ... well, the States was interested to lease the premises, and at that stage we were informed that although funding was not yet available, they still wanted to explore the possibilities and the ins and outs of leasing. Moving on - I know there are vast gaps, but I am just picking out the key moments, the key aspects of the negotiations - 15th May 2009, David Flowers' first viewing of Lime Grove House on behalf of Jersey Property Holdings and the States of Jersey; 27th August 2009, discussions commenced with Mark Grant regarding a leasing package. Moving on to October, and I do not know the exact date, but then the Corporate Property Strategy was then approved by the States of Jersey. It was debated in the House and approved. I understand that the decision was then taken to acquire a freehold of Lime Grove House at that point, rather than take a lease of it. Following that decision, negotiations were put in train, culminating on 31st March 2010 with a freehold offer being accepted by Drumcoille Limited, our client, in the sum of £8.75 million.

**Director, Buckley & Company:**

That offer was of course still subject to States ratification in the normal process. As far as we were concerned at that point, we had a live bid, at which point we knew it was still subject to the usual processes, ministerial approval and the 15-day cooling off period and all the other bits and pieces that go with it, but until that point, this was really the ... the preceding bits were discussions rather than negotiations, it was exploratory, and we really sort of

got to the point where, in March last year, we were in proper discussions, subject to the usual approvals.

**Deputy D.J. De Sousa:**

Are you aware of an exclusivity clause?

**Associate Director, Buckley & Company:**

Yes. We granted the States 6 weeks' exclusivity from 31st March, i.e. the acceptance of the offer, with a view to matters going forward quite rapidly, because we had a relatively short time for the States to do their due diligence before the summer recess. It had not gone through any of the ministerial processes, as far as we were aware, at that stage.

**Deputy D.J. De Sousa:**

So it only stood for 6 weeks from 31st March 2010?

**Associate Director, Buckley & Company:**

I think from recollection, Mark tried to ask for an extension and we granted another month or 2 extension.

**Deputy D.J. De Sousa:**

But that was it?

**Associate Director, Buckley & Company:**

That was it, and I do not think that was ever put in writing, incidentally. That was a verbal extension and we were quite willing to abide by it without putting it in writing, as the expectation was that we were going to sally forth and complete the disposal of the building. I think there was a ... I cannot remember why there was a delay, but we obviously did not make the summer recess. It did not go through the political process of ratification, i.e. ministerial decisions et cetera, although I was led to believe by Jersey Property Holdings that the Deputy Minister, John Le Fondré, was fully supportive of the acquisition and had at that time written a report and sent it off to the Minister for Treasury. I have not seen that, but that was the news that was given to us at Drumcoille. So given that support, we were happy to stand by and continue after the summer recess. It seems to me that things then got slightly bogged down in processes of due diligence and valuations and so forth. I am aware that the States had had a previous valuation carried out by CB Richard Ellis during the first initial sortie into looking at Lime Grove House for acquisition purposes. Subsequent to that, they engaged Banque Nationale De Paris Real Estate to carry out a second valuation.

**Director, Buckley & Company:**

Which was in addition to their own inhouse valuation undertaken by surveyors within their own department - or valuers within their own department - so there were 3 valuations at that point with a fourth to come.

**Deputy D.J. De Sousa:**

They were done by what, September/October 2010?

**Associate Director, Buckley & Company:**

I cannot remember the dates of the valuations as such. I know that there was ultimately a third one carried out by Drivers Jonas this year.

**Director, Buckley & Company:**

Yes. You have to remember that obviously we were acting for the landlord and not always party to detail that was going on. We were obviously being kept informed, but we are not driving the process. That is purchaser-led by the States. We are on the other side of the fence, so we do not have all that particular detail and who and when and why and how, but it just seemed odd to us that there was a need for that many valuations when they were all coming out at the same number or thereabouts.

**Senator S.C. Ferguson:**

So when did you become aware that you would no longer be dealing with Jersey Property Holdings?

**Associate Director, Buckley & Company:**

That was on 22nd November 2010 we were advised by Mark Grant of Jersey Property Holdings that they must no longer - in his words - have any dealings with us in respect of Lime Grove House and that the file had been moved to the Treasury.

**Senator S.C. Ferguson:**

Yes, and then subsequent to that ... is this letter for public submission?

**Associate Director, Buckley & Company:**

Yes, I do not see why not. There is nothing in it that is ...

**Director, Buckley & Company:**

Commercial sensitivity there.

**Associate Director, Buckley & Company:**

There is no commercial sensitivity, no.

**Senator S.C. Ferguson:**

Super. So the first intimation of the people you were dealing with would then be the meeting on 30th November?

**Associate Director, Buckley & Company:**

That is right, yes. At that stage, we would be dealing with ... we were told that we would be dealing thenceforth with John Richardson, who was then the Deputy Senior Executive of the States of Jersey, and I think Mick Heald might have been appointed at that time, but I cannot remember.

**Senator S.C. Ferguson:**

Who was present at the meeting?

**Associate Director, Buckley & Company:**

The meeting ...

**Senator S.C. Ferguson:**

You say here you were having a meeting with Mr. Richardson and Mr. Izatt.

**Associate Director, Buckley & Company:**

Yes. Yes, trying to remember who was present. Mr. Stephen Izatt was present at that meeting. Certainly John Richardson ... I am trying to remember who else was there. I would have to go back to the file and research. I cannot remember.

**Senator S.C. Ferguson:**

Yes. Do you know, was there any explanation what capacity Mr. Izatt was there?

**Associate Director, Buckley & Company:**

He was there in his ... well, he had not yet been appointed as Chief Executive of the S.O.J.D.C. (States of Jersey Development Company Limited), so he must have still be there in his capacity as Chief Executive to the Waterfront Enterprise Board, as far as I could determine, although I think John Richardson made a statement at the beginning of the meeting that he was there to assist the process along, as Lime Grove House would ultimately be falling within his domain.

**Senator S.C. Ferguson:**

Was there any explanation of that ...

**Associate Director, Buckley & Company:**

No.

**Senator S.C. Ferguson:**

... that Lime Grove House would be falling within the domain of S.O.J.D.C.?

**Associate Director, Buckley & Company:**

In terms of acquiring it and subsequently fitting it out and making it a usable proposition for the States of Jersey Police Force, yes.

**Senator S.C. Ferguson:**

Did you get the impression that Mr. Izatt understood what was involved?

**Associate Director, Buckley & Company:**

I do not recall him saying a great deal at the meeting. I think he was there more in a ...

**Deputy D.J. De Sousa:**

Observing?

**Associate Director, Buckley & Company:**

Yes, capacity as observer. Much of the talking was conducted between myself - I think my clients were there as well - and John Richardson.

**Deputy D.J. De Sousa:**

Would the minutes of that meeting be commercially sensitive or is there any chance that the panel could get hold of notes of the meeting?

**Associate Director, Buckley & Company:**

It is not commercially sensitive as far as the owner, Drumcoille, and ourselves are concerned. There was nothing ...

[13:15]

**Director, Buckley & Company:**

No.

**Senator S.C. Ferguson:**

All right, we will ask for those.

**Deputy D.J. De Sousa:**

I wonder if you could say at what stage the third party became involved in the negotiations?

**Director, Buckley & Company:**

Just as a sort of ... I suppose as a precursor to answering that question, the building has been available for too many years - or had been available for too many years - and there had been a number of inquiries on it over that period of time, including Mourants, including Jersey Telecom and others, all of whom found their way to other buildings. Our client's principal desire was to find a single occupier. It is fair to say that we could have got that building occupied on a floor by floor basis several times over during the period. Richard started by saying that in June 2006, the States first knocked on the door and made an inquiry. At that time, in and around that period, Mourants - and State Street for this purpose, I suppose - was also knocking on the door and making inquiries generally in the marketplace, and the States involvement, the States inquiries about the building, their desire to try and push something forward or not has obviously been over a lengthy period of time, as have other inquiries. So they were playing sort of leapfrog with each other, really: as one is showing interest, another has not et cetera et cetera. So in answering the question about State Street, they had previously made inquiries. They had previously made a proposal. They had previously been tempted to another building. Their proposal, I think I am right in saying, was not particularly commercially attractive, and to all intents and purposes, we felt that they had - we, Buckley & Company - gone to an alternative and they were a lost cause as far as Lime Grove House was concerned. We then entered the most recent period of discussions regarding the police, which we had followed the strategy to acquire the building, and during that period they were relatively quiet because they were looking at other options, particularly a building on the Esplanade. We are not acting for State Street, never have, and it was in fact our joint agent who ultimately dealt with them, not us, so we were at arm's length, if you like, in many ways. But the negotiations, we hear - I do not know if it is fact or not, because we were not directly involved - negotiations of the building that they were looking at elsewhere failed because there was a

directive from Boston, which is where State Street is headquartered, that the building that they were looking at was not suitable, at which point they rapidly turned their attention to other options. Lime Grove House was the only available option. They had looked at it before, they had discounted it because they could not reach commercial terms and had been tempted to another building at the time. So the time, as we understand, that coincided with their reappearance on the scene was I think the day that the Minister for Treasury signed the ministerial decision.

**Associate Director, Buckley & Company:**

Yes, he signed it and presented to the States that day, I think I recall. I was not there at the viewing, but I am told that the executives from State Street arrived from Boston to have a look around the building. So it was ... yes, it must have been about mid-July that they popped up to reiterate their interest in the building, and it took exactly a month to complete a meeting transaction, which is slightly ... well, it is in stark contrast to the machinations of the States, I am afraid to say, on this occasion.

**Senator S.C. Ferguson:**

Yes. Now, you have said that in the meeting on 30th November, it was not suggested that there was to be any attempt to renegotiate the price. When did you become aware that a renegotiation was on the cards?

**Associate Director, Buckley & Company:**

We were advised by Guy Gothard, Chartered Surveyor, on 7th April 2011 that he had been appointed to advise the States on the acquisition and then we were subsequently told on 20th May 2011 that the States offer of £8.75 million had been withdrawn, much to the ire of Drumcoille Holdings Limited, having thought that they had established a transaction and a deal the previous March. You could understand their disappointment, to say the least. I guess what happened between 7th April 2011 and 20th May needs further investigation from ...

**Director, Buckley & Company:**

But from our point of view, acting for the landlord, we had a purchaser, we have a price agreed subject to the usual ratification process. We understood that, and we understood that the States do not act commercially in the same way as everyone does, it takes time. There are more processes to go through and it is by committee more than by directors telling somebody what to do and getting on with it. So in that regard, we anticipated that there would be some delays, but if you take the timeline back to even April this year, where Guy Gothard was appointed, and the offer was withdrawn on 20th May, State Street had not even revisited the property by then, so we are ... you know, from the landlord's point of view, if anybody would suggest that Drumcoille has acted inappropriately, the States withdrew their offer in May and Drumcoille then have State Street re-present themselves after an offer has been withdrawn after a significant period of time of it being on the table. So it does not surprise me that Drumcoille ultimately entertained State Street. They were advised by us that State Street have clearly not behaved with any great certainty in the market thus far, because they have just withdrawn from

another transaction, and therefore to tread with care, that ultimately any approach from State Street was to be backed up with signing of a lease, if that is what they wanted to do, and do it quickly. But even so, we are still at 20th May that Guy Gothard is instructed to withdraw the offer and it is then not until 27th June that the heads of terms are re-agreed with the States on a revised basis of £8.25 million. From the landlord's point of view and owner's point of view, to be in good faith discussions with your Government at an offer subject to ratification for so long, for it to be withdrawn and a price chip of £500,000 against all the valuation advice, as we understood it, was really not on.

**Senator S.C. Ferguson:**

It has been put to us that the sort of point of contention was the allowance for dilapidations.

**Associate Director, Buckley & Company:**

No. We made that perfectly clear at the outset and in our response to Property Holdings in March 2010 that an allowance of £1.5 million had been made for the States fitting out the building to what we call a category A standard, in other words, suspended ceilings, floors, lighting, air-conditioning, but not partitioning or customisation, and the view was - and as far as we were concerned, it had been accepted by Jersey Property Holdings - that within that £1.5 million allowance of fitting out, there was sufficient leeway to cover any snagging issues that remained.

**Director, Buckley & Company:**

Bear in mind that this building was constructed in a shell format with its floors in place, with the central core in place and lifts in, but none of the air-conditioning had been put in, quite deliberately, because it is such a waste, frankly, if you put in air-conditioning and then somebody comes along then wants to move it all, that it is better to do a deal with somebody that it can be fitted the first time rather than retrospectively altered by a tenant who then wants partitions here, there or otherwise. So as a shell building, there was not a lot of snagging to be considered anyway. There was not air-conditioning that leads to snagging, because it had not been fitted. There were not floors to be snagged, because they had not been fitted. There were not ceilings or lighting to be snagged, because they had not been fitted. So the money that was put aside in the £1.5 million was for all that work to be done but had not yet been completed. So the snagging really related to the main structure, which is the stone finish and the windows and things like that. So within £1.5 million, it was felt by Drumcoille that was plenty of room for manoeuvre within that sum to allow for relative minor snagging that were needed to bring the building back into pristine condition.

**Senator S.C. Ferguson:**

What sort of amount do you reckon globally? I am sorry, not to the nearest £10,000 - maybe £20,000 - you know, what sort of figures for dilapidations would you have been negotiating over?

**Associate Director, Buckley & Company:**



As far as we were concerned, distinguishing between dilapidations or snagging and category A, as far as snagging was concerned, I think we had estimated in the order of, say, £50,000.

**Senator S.C. Ferguson:**

Yes, and I think from something I have seen, you are a chartered surveyor.

**Associate Director, Buckley & Company:**

Yes. We are both chartered surveyors.

**Senator S.C. Ferguson:**

I am sorry, yes. So that on that basis, it is not just pie in the sky, this is an informed decision?

**Director, Buckley & Company:**

Yes, and it is also bearing in mind our client has ...

**Associate Director, Buckley & Company:**

I hasten to add that these snagging matters were, I understand on my client's behalf, ascertained by a qualified quantity surveyor, who was put to work on that particular aspect.

**Director, Buckley & Company:**

That was the point I was going to make, that my client, as a developer, running the development as a project, will have had those items priced. We can cast a judgment on that. If it said it was going to be £400,000 worth of snagging, the building would have been poorly constructed and he should have been looking at the contractor's P.I. (professional indemnity) policy on it. Clearly, we are not talking about that, and bearing in mind the age of the building at this stage and the size of it, circa £50,000 is a relatively modest sum.

**Senator S.C. Ferguson:**

Yes.

**Associate Director, Buckley & Company:**

One of the points - just moving on from that - made by Guy Gothard in writing to us is one of the reasons for reducing the price was that there was no political support at the time to acquire it at the agreed figure of £8.75 million.

**Senator S.C. Ferguson:**

Yes, that is interesting.

**Associate Director, Buckley & Company:**

Which ... well, it is not our place to tell the States how to deal commercially, but it seems that there is somebody perhaps behind the scenes who has expressed a view that what they paying was too much for the building.

**Senator S.C. Ferguson:**

I was going to come on to that, because you said that an opinion had been expressed that the valuation was not sound. I wonder if you would like to say any more?

**Director, Buckley & Company:**

Well, I mean, the first point to make is that there were 4 valuations in total. The earliest one by CBRE was at a different time and date to today's economy, today's financial dealings, I think that is probably fair to say. Therefore the remaining 3 - 2 by independent valuers and one inhouse - were, as we understand it, we have not seen copies of the reports, all fairly close to each other, the differentials being one opinion bearing slightly on the actual rental for the building and others bearing slightly on the yield it opted to calculate the capital value. Each valuer will adopt his own viewpoint, but at the end of the day, they have all come to a very similar outcome and with hindsight now, one looks back and says: "Well, the deal that was transacted with State Street makes it more valuable than the figures reported and agreed." If one took £8.75 million as a fair price for the building when it was first negotiated, £8.25 million is cheap by anybody's standards. The building now let as it is has an investment value less the cost of the category A fitout works that have to be done.

[13:30]

We have not run any numbers on it, but it would be my guess it would be north of £9 million.

**Senator S.C. Ferguson:**

Yes. What is the sort of current yield on commercial property that is similar at the moment?

**Deputy D.J. De Sousa:**

Of that size.

**Associate Director, Buckley & Company:**

As an investment property subject to a long-term commercial lease to a covenant of the quality of State Street Bank, who guarantee this particular lease, I would suggest probably a yield of 6.25 per cent. Again, it is a combination of factors that lead me to that conclusion. It is the quality of the construction of the building, the length of the lease, the rent that is being paid, the nature of the covenant.

**Director, Buckley & Company:**

Growth potential.

**Associate Director, Buckley & Company:**

Growth potential.

**Director, Buckley & Company:**

In rental terms.

**Senator S.C. Ferguson:**

Yes, and there have been queries about the state of the commercial property market since March 2010. Has it been particularly up and down or ...

**Director, Buckley & Company:**

Yes, it has. That said, the market in Jersey overall is standing up very strongly to the economy or the economic factors that exist elsewhere, and indeed, in Jersey. If one looks at the amount of vacant space in prime - and by prime, I mean headquarters-type space on the Esplanade - well, State Street were going to a building on the Esplanade, not now taking 30,000 square feet there. There was 10,000 square feet available in that building, which left a total of 40,000 square feet. Our own company is representing somebody looking at 10,000 square feet; there is somebody else looking at 10,000 square feet and there are 2 other lots looking at 5,000 square feet. Well, there is not a lot of choice in the market, frankly, and sub-leased space in Liberation House, 5,000 square feet, is under offer. Acorn have just taken the ground floor of Windward House. You know, you look up and down the Esplanade and if you want absolutely 100 per cent prime buildings, there are not any. So the market and the economy is poor, but the market factors are in reasonable balance, in that there is not a significant vacancy but there is a reasonably steady demand, a continuing demand, to the point where we are acting ourselves for clients who are now looking at the next round of development.

**Associate Director, Buckley & Company:**

So there would not be ...

**Senator S.C. Ferguson:**

Just like the one on Broad Street, yes.

**Director, Buckley & Company:**

There was 300,000-odd square feet in Broad Street. There is up to another 200,000-odd square feet to come out of the Esplanade itself. Different times, different developers, different buildings, but there are times ahead where development will continue and that is coming relatively shortly.

**Deputy D.J. De Sousa:**

What is the current value rate per square footage for prime office space?

**Director, Buckley & Company:**

£32 to £34, which is £10 ahead roughly of where Lime Grove House was transacted at. Sorry, I should clarify that those are what we call headline rents before incentives, and incentive of 12 months' rent-free when set against the annual rent and calculated back over the length of years will reduce that headline rental. The headline rental is where we compare like to like. Rent free periods or other incentives will vary from building to building.

**Senator S.C. Ferguson:**

So let me get this straight: you had a meeting in November. The first intimation that you had that there was going to be renegotiation was 20th May, and then after that, how did it progress after that?

**Associate Director, Buckley & Company:**

Well, we were basically given a take it or leave it offer of £8.25 million on the grounds that the States of Jersey were looking at other options - whatever they might be I am not aware of - but we were not, at that stage, talking to any other party, no other definitive offers on the table, and we were still - or my client was still - willing to progress even at £8.25 million, take it on the chin in the expectation that we could get it past the post fairly rapidly.

**Deputy D.J. De Sousa:**

Who was it who made that actual take it or leave it offer?

**Associate Director, Buckley & Company:**

That was made by Guy Gothard on behalf of the Treasury.

**Director, Buckley & Company:**

In fairness to Guy, as I understand it, it was late in the day; he was being used as a mouthpiece.

**Senator S.C. Ferguson:**

Yes.

**Director, Buckley & Company:**

As we understand his instructions ...

**Associate Director, Buckley & Company:**

He was instructed not to value.

**Director, Buckley & Company:**

Not to value, but just to act as the voice of ...

**Senator S.C. Ferguson:**

Pass on.

**Director, Buckley & Company:**

... whoever was pulling the strings behind the scene. So whoever it was that was giving Guy the instruction was the one saying that it was take it or leave it.

**Senator S.C. Ferguson:**

Do you happen to be aware of who was behind that or was instructing him?

**Director, Buckley & Company:**

I do not know, would not know for sure, but certainly the team that had previously been set up after they had taken the file off Property Holdings included John Richardson and it might be Dan ...

**Associate Director, Buckley & Company:**

Mick Heald.

**Director, Buckley & Company:**

Mick Heald. I do not know how many others or whoever else was involved. We are not party to that, but given this sits in Treasury, I suspect senior bosses at Treasury would have known. It is a major sign-off. It would have been ... you know, at £8 million plus, it is a major sign-off, so I cannot imagine others were not involved at senior level.

**Senator S.C. Ferguson:**

So you were given the £8.25 million, take it or leave it, on what date was it, I am sorry?

**Associate Director, Buckley & Company:**

We went on to agree the heads of terms with Guy Gothard at £8.25 million on 27th June, so it was some time between 20th May and 27th June that we were told that this was the full and final offer, not prepared to go ...

**Deputy D.J. De Sousa:**

Are you aware of why it was not signed there and then, if it was agreed?

**Director, Buckley & Company:**

Well, even at that point, there was still the due process to go through, the 15-day cooling-off period, the ministerial decision and sign-off and all that, and we would have anticipated it would have gone through fairly quickly after that, but 15 days is 15 working days, I believe, so it is 3 weeks. As soon as that had passed, there was legal documentation issued and things were progressing and it was quicker than it has been, but it was still slow.

**Deputy D.J. De Sousa:**

With the initial inquiries way back in 2006 to the end of Property Holdings' dealings, how do you feel they dealt with you in the negotiations? Were they professional?

**Associate Director, Buckley & Company:**

Absolutely.

**Deputy D.J. De Sousa:**

Knowledgeable?

**Associate Director, Buckley & Company:**

I have no qualms at all about our dealings with Property Holdings, entirely professional.

**Director, Buckley & Company:**

It was a straightforward property transaction.

**Associate Director, Buckley & Company:**

Always timely responses.

**Director, Buckley & Company:**

It was a property transaction, pure and simple. While this is obviously a legal requirement to go through the States due processes, that was an event that would have happened, but the transaction that we discussed with them and negotiated with them was a pure property transaction. There were no sort of outside influences of what political masters may or may not like or may want to come back and visit again, but it was a transaction between professionally qualified valuers/surveyors about the value of a building and the sale of a building, a normal way that we would transact with any other group of a similar nature outside of the States, in or outside of the Island. It was, as far as we were concerned, everyday business. It was an ordinary process. It was a transaction that just developed as it should do, give and take on both sides, a full understanding of the property and requirements of it, at which point we then knew it would be handed over for the political elements of it. As Richard just said, there is no issue whatsoever with Property Holdings.

**Deputy D.J. De Sousa:**

When the decision was made by whoever to change negotiations to the group of people that came into place very late in the day, how did you find the dealings with them? Were they in the same way professional or did you have difficulties there?

**Director, Buckley & Company:**

Richard was doing the negotiations, but where I sat, it looked like it was a political issue rather than a property issue, if that makes the difference. We were dealing with a body of people that were not property professionals and therefore there was this sort of differential in that respect, that it seemed very much to me, looking into what was going on, that it was we were in a political arena rather than a property arena.

**Associate Director, Buckley & Company:**

I always got the impression it was somebody behind the scenes pulling the strings. I had a perfectly good working relationship with John Richardson and Guy Gothard through the process, but I just felt that there was somebody behind the scenes maybe interfering with the decision-making process. They were not free to make up their own minds or draw their own conclusions. That was the impression that I got throughout the process. You are right, I have to say we were rather perplexed and shocked in I think it was November, 22nd November 2010, when we were told that Jersey Property Holdings had been relieved of the files, because there was not any explanation proffered as to why that should be.

**Senator S.C. Ferguson:**

You were just told that you would not be dealing with them any more?

**Director, Buckley & Company:**

Well, we were told categorically we were not allowed to deal with them. We were not even allowed to talk to them.

**Associate Director, Buckley & Company:**

Yes, we were not allowed to speak to them any more, end of story.

**Senator S.C. Ferguson:**

Now, did you yourselves, as agents, receive any direct communication from any politicians on the matter of Lime Grove? Are you aware of any direct communications having been made, for example, between politicians and the directors of Drumcoille?

**Associate Director, Buckley & Company:**

I am aware of a conversation - not the content, but a conversation - has taken place between Senator Ozouf and one of the directors of Drumcoille, Advocate Clapham, on the weekend before the deal was concluded with State Street, at which he was inquiring as to how matters were progressing. But other than that, I do not know the content of the conversation, but there was a conversation at that stage.

**Director, Buckley & Company:**

I think it is also fair to say that one of the directors of Drumcoille had previously picked up the phone to the Chief Minister, Terry Le Sueur, and said along the lines of: "What is going on? Why the delay? You know, why these changes?" So really sort of not to ... I mean, it is obviously outside of Terry's direct remit, as I understood it, and it was in the hands of Treasury and that is what they were dealing with, but really just sort of exasperation of why the goalposts keep moving and why the delay and those sorts of things. So yes, I recall that Drumcoille had picked up the phone to the Chief Minister, I think more than one occasion, a couple of occasions maybe.

**Senator S.C. Ferguson:**

Was that before or after 22nd November, do you know?

**Director, Buckley & Company:**

Oh, cannot remember, do not know. Certainly before State Street were back on the scene, well before that.

**Associate Director, Buckley & Company:**

We have been advised by Property Holdings and also parties that we subsequently dealt with in the transaction that there was support from the ... I was going to say the Defence Committee, but I mean Home Affairs Committee - I am showing my age - for the move to Lime Grove House. There was never any question that they did not want to move there. It was ...

[13:45]

**Director, Buckley & Company:**

Certainly with some of the correspondences you have seen, that letter, it has been copied into the Home Affairs because it was felt appropriate for it to be done so and at the end of the day, they were the end user. The impression we got, that they were getting frustrated. You know, the sad thing about this whole scenario is aside from our point of view, the building is now gone, but

the States strategy sort of stumbled at its first hurdle, and for me that is disappointing, because there was so much good to come out of the first key piece of movement from one building to another, and that has just sort of stagnated again now and they have got to start again and find the next move, because within the property industry as a whole, it would have ... generated income opportunities for all sorts of people up and down the Island and benefited end users such as residential at the various sites on Rouge Bouillon, if that is what was going to happen, creating homes and doing other things. So it is a real shame that it stalled, and I know that from what we understand the reaction of Home Affairs was, it was somewhat frustrating. They were a bit sick, I think, that they had missed it, and there is that throughout the whole sorry matter, really.

**Deputy D.J. De Sousa:**

What do you perceive from your industry perspective is the collateral or strategical damage that the States has done to itself through the failure to secure the purchase of Lime Grove?

**Senator S.C. Ferguson:**

Yes. Is anyone ever going to want to deal with the States again?

**Director, Buckley & Company:**

Well, the States is a significant landowner. Depending on what transfers happen to various departments, people are not going to ignore the fact that they are the sort of centre of a lot of property wealth in the Island, so to say that they were going to down tools and never deal with them again would probably be a step too far, but equally, I suspect that anybody on a major transaction that is going to be looking at dealing with the States will have this at the back of their mind and it might ... I do not know, it is crystal ball gazing really, is it not, as to what or might not happen, but ...

**Senator S.C. Ferguson:**

Well, if you had a client ...

**Director, Buckley & Company:**

Yes. You would certainly be guarded about it and you would be cautious about it and you would not probably want to commit to 12 or 18 months' worth of negotiations that do not lead anywhere. If the States are going to learn from this and do things differently, good, but time will tell. You know, it is crystal ball gazing, but ...

**Senator S.C. Ferguson:**

Yes. Anything else?

**Deputy D.J. De Sousa:**

No, I think I have asked all of the questions. Is there anything else that you would like to add that you think is pertinent?

**Director, Buckley & Company:**



I think what I just said, in terms of it is a real shame, because it was going to be the first piece of the jigsaw and that would have unblocked a lot of activity that the Island desperately needs, and I think that for an attempt to chip £500,000, what has it cost, I suppose.

**Senator S.C. Ferguson:**

The Minister for Home Affairs was on the radio last week saying that it was going to cost him - his department - something in the order of £8 million, so ...

**Director, Buckley & Company:**

Well, it is a bit shortsighted if ...

**Senator S.C. Ferguson:**

That is his opinion.

**Director, Buckley & Company:**

Yes. If that is an accurate number, and it has cost Home Affairs £8 million for the sake of trying to chip £500,000, well, it does not take a genius to work out that is not good value. You know, at the end of the day, we all transact in the marketplace, in the property world, and both parties have got to be left feeling they have done a fair deal, and I certainly got the impression, looking over Richard's shoulder - because Richard was dealing with it direct - there was a certain amount of sort of steamrolling attempts going on, I suppose almost a bullying, if you like, of our client into submission. For what purpose, I was not sure: 3 or 4 valuations at a number that clearly indicated value was fair. It seemed the attempt to reduce the value and save £500,000 has backfired spectacularly.

**Senator S.C. Ferguson:**

Yes, right.

**Director, Buckley & Company:**

If we have got 35,000 square feet somewhere else, we will let you know.

**Deputy D.J. De Sousa:**

Thank you very much for your honesty and the information that you have imparted to the panel. Thank you.

**Director, Buckley & Company:**

It is a pleasure.

**Associate Director, Buckley & Company:**

Thank you.

[13:50]