

STATES OF JERSEY

TOURISM REVIEW - RELOCATION AND LEASE

BLAMPIED ROOM, STATES BUILDING

Committee: **Deputy G. Southern (Chairman)**
 Senator P. Le Claire
 Deputy J. Martin
 Deputy J. Bernstein
 Deputy M. Dubras

EVIDENCE FROM

DEPUTY G. VOISIN **(President, Economic Development Committee)**
MR D. MARGASON **(Managing Director, Waterfront Enterprises Board)**
MRS A. BELHOMME **(Economic Development Department)**

on

Thursday, 3rd March 2005

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DEPUTY SOUTHERN: My first duty is to read you the formal warning because, as you know, we are shadow Scrutiny and, therefore, we have actually no powers whatsoever. The statement is in front of you if you want to follow it. It is important that you fully understand the conditions under which you are appearing at this hearing. You will find a printed copy of the statement I am about to read to you on the table in front of you.

Shadow Scrutiny Panels have been established by the States to create opportunities for training States Members and Officers in developing new skills in advance of the proposed changes of government. During the shadow period, the Panel has no statutory powers and the proceedings at public hearings are not covered by Parliamentary privilege. This means that anyone participating, whether a Panel Member or a person giving evidence, is not protected from being sued or prosecuted for anything said during hearings. The Panel would like you to bear this in mind when answering questions and to ensure that you understand that you are fully responsible for any comments that you make.

Okay, so that is the formal bit out of the way, but it has to be borne in mind. What I intend to do is we have got approximately an hour, but we will be stopping at the hour unless you can stay a bit longer, David? Would you be prepared to?

MR MARGASON: I have got to be somewhere about quarter past, so I really am in quite a tight time frame actually.

DEPUTY SOUTHERN: Do not worry about it.

DEPUTY VOISIN: If you want us back, then ...

DEPUTY SOUTHERN: There is a brief time for any follow up.

DEPUTY VOISIN: Right, okay, but it is just that I am off to Dubai tomorrow morning.

DEPUTY SOUTHERN: So it will be a very brief time for a follow up then.

DEPUTY VOISIN: So it is today, if we want to go ahead with the debate on the 14th, all right?

DEPUTY SOUTHERN: Right, okay, lovely. What I intend to do is go round each Member, because I don't like it when people are getting showered with questions from every side, and give them some time -- approximately 10 minutes -- to pursue their own areas and we should be able to wrap up by ten o'clock, I would say. I would like to start, if I could, with Maurice.

DEPUTY DUBRAS: Thank you.

DEPUTY SOUTHERN: Thank you.

DEPUTY DUBRAS: I have got four or five questions, but I thought it might be helpful to everybody if you could briefly just explain the difference in rôles of each of the key players in this particular context: the rôle of WEB, the rôle of EDC and the rôle of the Tourism Board and the rôle of Public Services as you see it.

DEPUTY VOISIN: Right, okay. Well, obviously the rôle of the Economic Development Committee, as the organisation being responsible for tourism, we currently have an arrangement with WEB whereby we occupy the premises and we pay rent to WEB. Part of the arrangement is that WEB take an undertaking to relocate tourism. In that relocation there will be a lease established, a formal lease established, between the Economic Development Department and WEB. Public Services and Property Services are the people with whom we have an arrangement at the moment, so we pay £107,000 in rent to Property Services now and, before then, I think we paid a similar rent to Public Works. Is that right, Public Works, as it was?

MRS BELHOMME: It is rent to WEB at the moment because they transferred that, so we are currently paying rent to WEB and, prior to that, we were paying rent to Property Services and prior to that we were paying rent to Public Services.

DEPUTY VOISIN: To Public Services, right. There has been dialogue between, as I understand it, Property Services and WEB in relation to the future relocation of the Tourism Department. As far as WEB are concerned, WEB are the developers of the site and, of course, they are responsible for the relationship between themselves and the developer to actually create this development.

DEPUTY DUBRAS: What rôle does the Tourism Board have in this context, if any?

DEPUTY VOISIN: Well, they don't really have a rôle, but we do try and involve them in what is going on, so obviously they received the plans for this relocation, but I think they received that in September and October of last year.

DEPUTY DUBRAS: Okay.

DEPUTY VOISIN: Would it also be helpful if I explain some of the history of this, because the

history does go back to 1996 when the States decided that we should have a transportation centre on the old abattoir site. That is really when this all goes back to. WEB were then charged with coming up with a development proposal to not only provide the transportation centre, but also to restore, I suppose, the abattoir buildings and that decision ... so the decision of the States was that we should have a transportation centre on this site. The States then decided to transfer that area of land to WEB in 2002 specifically so that they could actually come up with this scheme. Really they have been working on that and it became apparent that, to put a transportation centre in there, the back of the Tourism Offices are going to have to be demolished so that you can get buses in and out through there and also, to create an adequate entrance, the Tourism Offices themselves at the front would have to be relocated.

Now, of course, it was also understood that the transportation centre was going to have to be provided free of charge to the States. I think it is probably better if David describes how the development will stack up on a commercial basis, which is going to provide the transportation centre free of charge and also restore the abattoir site, again free of charge to the States. But, as far as I am aware ... well, I was made aware that Tourism were going to have to relocate when I became President of EDC and the arrangement that was brokered between Tourism, Property Services and WEB was that we should be relocated in a way that didn't cost the Committee any more money, any additional money. So it was decided with the developer, I understand, to relocate us to a new building, a brand new building, at the other end of the site. So we were being moved about 130 metres to the west.

DEPUTY DUBRAS: Maybe it would be helpful if you could answer the next couple of questions in that context.

DEPUTY VOISIN: Yes, okay.

DEPUTY DUBRAS: We understand the Economic Development Committee set out a series of conditions regarding the relocation. We are interested to know whether you set out any criteria for a site and was there an identification of an optimum site; and, if so, and given the criteria and a sense of an optimum site, how does the proposed site stack up against those criteria? Let us stop at that point and see.

DEPUTY VOISIN: Right. Well, I think the Tourism Department and the Committee wanted a site that was actually not far from where we were at the moment, because we recognised that people, especially visitors that come back to Jersey on a regular basis -- and there are a lot of visitors that do that, they keep on coming back -- they get used to the Tourism Office being in a particular location, so we didn't want to be very far from where we are at the moment. The other thing is we wanted to be in an area where there were flows of people moving from the port up into St. Helier, and again this site really fits that bill. You know, I think that's it really. If you --

DEPUTY DUBRAS: I've got a supplementary question, and it is that I am curious to know whether or not the Committee and its predecessor Committee, the Tourism Committee, had set out some criteria when it knew that it was going to likely have to move and then every effort was made to find the optimum, or did the site become a given and you fitted the conditions around that to satisfy yourselves that it would meet the bill?

DEPUTY VOISIN: I'm not aware of any conditions that were placed or that were set by the Committee. I do know that discussions on this -- well, maybe David would like to answer this -- started on this some years ago. When did those discussions start?

MR MARGASON: My understanding is that ----

DEPUTY DUBRAS: Excuse me, to help the transcription, you might need to speak into a microphone.

MR MARGASON: Okay. In late 2002, bids were received ~~for the four~~ from potential development partners on the Island Site. Around about that time, soon after that time, a scheme began to emerge which was being discussed directly between the selected development partner and the Chief Officer of Tourism at that time. That discussion, within the context of wanting generally to be still within the Island Site, that conversation, as I understand it, led to the identification of the proposed new visitor centre, which it was concluded, as I understand it, and I would support the proposal, is very central in the long term to not just the leisure visitor footfall but also business visitor footfall coming from the west.

So the solution for the new visitor centre was evolved through discussion with the

executive back in around about the end of 2002 and early 2003 and was pretty enthusiastically supported by the Chief Officer at the time, who, as I understand it, considered the negative impact of the derelict abattoir site to be a material negative point in tourism terms and so was very enthusiastic to see the scheme developed. So actually the location came about as a discussion on general criteria within the context of this site. So it was located in that way.

DEPUTY DUBRAS: So would you say then that the decision to relocate Tourism was reached in 2002/2003 in principle and the parties to that decision were effectively WEB and the Chief Officer for Tourism in the predecessor situation to the Economic Development Committee.

MR MARGASON: I would say that the decision was taken in 2002/2003. I would say the decision was taken in discussion between the development partner of the site and the tourism executive ~~with our Board subsequently supporting it without knowledge and involvement at that stage~~. So there were the three parties discussing it at that time.

DEPUTY DUBRAS: Could I go back to the President and say was the Committee a party to that decision or did the Committee be made aware of the decision and endorsed it?

DEPUTY VOISIN: The Committee were really told that if the site was to be viable, Tourism was going to have to relocate, and that was the situation, as I understood it, when I took over as President. You know, the trouble is that if the States have already decided that we should have a transportation centre there and if the benefits of the overall development site are going to deliver a significant improvement on frankly the eyesore that is there at the moment, we were happy to relocate, especially when we were being offered a brand new building at a rental per square foot which is way below market rent.

The other thing is that if you look at the foot flow chart, the new tourism building is going to be actually in a better location in terms of people walking up from the port. It is also going to be right next to the transportation centre. Can I pass **that** around? It is going to be next to the transportation centre, so, when it did come to the Economic Development Committee, there was really no reason to object because we were relocating to an excellent site, as we saw it.

DEPUTY DUBRAS: My last question before handing on is would you say (and we have got some of the documentation and minutes in our pack) would you say in conclusion that the

Committee and, to the best of your knowledge, the Tourism Board as advisers to the Committee are satisfied that the new location meets most of the criteria for a visitor centre and for the Department to operate most effectively?

DEPUTY VOISIN: Oh yes, absolutely, because let's not forget that the Tourism Office, the new Tourism Office, is going to be supplemented by storage facilities that are going to be provided free of charge by the developer for nine years so that the total site that we are being given is certainly very similar. The actual usable space is more because, if you take out all the passages ... have you ever been into the Tourism Department?

DEPUTY MARTIN: Yes. I was on Tourism when I first started.

DEPUTY VOISIN: You were on Tourism, yes. You will know that there were lots of passages.

DEPUTY MARTIN: Yeah, lots of passages and old ... yeah.

DEPUTY VOISIN: And lots of stairs and things, so if you take those out.

DEPUTY SOUTHERN: I am sure they will return to their proper print again, thank you.

DEPUTY DUBRAS: Chairman, thank you.

DEPUTY SOUTHERN: Paul, would you like to bring David in with that link? I think he wants to.

SENATOR LE CLAIRE: I would like to talk about the issues in relation to the developer and how the development proceeded in that respect, but, before I do, I would just like to ask, following on from the footprint question, we have an analysis here that the new office will have the footfall of the people walking in from the harbour. I used to work at the harbour and I know the harbour quite well. Have you been aware of the fact that the majority of the people coming to the marina, at the St. Helier Marina, have to actually pass across the road? Well, they come up the ramp and, on average, the visitors spend -- or it was about three years ago -- about £75 per person and they walk directly across the road into the Tourism Office area at the moment. Have you factored that in? And also have you factored in the fact that, when considering this footfall, although I take David's point that it is going to have a business footfall, the majority of people don't actually leave the harbour by foot and, if they do, they generally leave by foot from the Albert Pier, which makes them at the moment walk alongside the marina. They normally turn

right and then across the road to Tourism. Have you factored in the actual footfall that is happening now?

DEPUTY VOISIN: Well, certainly we think so. The difficulty is that you can never guess exactly how people are going to walk between two or from one location to another. As you quite rightly say, a lot of people take buses, cars. Also, the vast majority of our visitors actually arrive at the airport in any case, so they will stay at their hotels and then come into town and move around into town.

We were also discussing with WEB whether we shouldn't actually have an additional presence on Liberation Square as well. I know that there are plans to have on the Weighbridge site three little kiosks and there is an option for Tourism to have about 800 square foot there, or we could move into what is currently ... I think they are toilets alongside Liberation Square. They could be refurbished. They are going to be converted out of toilet facilities anyway, aren't they?

MR MARGASON: Yes. I think it is recognised that, whilst a considerable amount of footfall will pass the door of the new visitor centre, an increasing amount of footfall will pass that location, the Weighbridge and Liberation Square will continue to be and increasingly will become a pleasant public open space, we hope funded by this development. I think we were persuaded that there was some value potentially in having a continued shop front type presence, some sort of promotional kiosk somewhere within that area and so we have had discussions about how that could be provided and it is an option which we have discussed with EDC and which would allow a modest but fairly high profile presence in a very efficient way in the other area of footfall or the dwelling space, which would be the Weighbridge and Liberation Square. So there is the option to do that.

Although, you know, I think, in the debate that has taken place since 2002, there are sorts of comments which I have heard and I don't operate the tourism activity here, but the comments that have emerged are very much of the nature of the decision making process for a tourist, as I understand it, is about the experience of public spaces and entertainment and so on. The thing that causes them to come to Jersey are those things. They need an efficient, good quality

information centre in a place that they can find, but the primary decision making process appears to be, or has emerged in discussion over the last two years, about, for instance, you know, the quality of the public squares and the dining experience and so on rather than about a particular information centre ~~in~~ ~~and~~ a particular location. There needs to be one and it needs to be able to be found easily.

I think the parallel that was drawn was St. Malo, the idea of removing some of those activities from the main square in order to place the visitor centre in that location would in fact detract from the appeal of St. Malo to visitors rather than necessarily add to it. And so the activation of Liberation Square and the Weighbridge, using these sorts of leisure activities itself seems to have been a fairly major bonus to tourism draw in a strategic sense so long as there is still adequate presence and adequate representation in terms of information and advice on tourism.

SENATOR LE CLAIRE: Could I just, I think that sort of answers that kind of question in a general term, and obviously the provision of those kiosks would address some of those concerns there.

MR MARGASON: If I could just ----

SENATOR LE CLAIRE: Sorry, John, but I have only got five minutes.

MR MARGASON: Sorry.

SENATOR LE CLAIRE: And I have got a whole host of questions. Maybe it might be a bit better to be a bit more succinct, if possible, because I have got a lot of questions to ask and I have got five minutes, I think. I would like to ask there has been some concern raised about who the developers are. Now we understand that the development partners initiated the decision in conjunction with discussions with WEB and Tourism, the development partners that you mentioned in 2002 to 2003, are those Islands Development Limited? Were those Islands Development Limited or were they somebody else?

MR MARGASON: They are fundamentally the same group of investors and developers, so the conversation that took place in 2002/2003 and the scheme that emerged at that time has continued since then. There has been a material shareholder change in that period, but the nature

of the scheme has continued in the way envisaged in 2002/2003.

SENATOR LE CLAIRE: There has been some concern expressed by some people, and I was a bit surprised actually to read the newspaper article on Thursday, 24th February. Did you read the article?

MR MARGASON: Of course, yes.

SENATOR LE CLAIRE: Obviously, it is a concern when anything like that happens and it is important for the States and for the Government of Jersey to make sure that the due diligence and know your client protocols are in place for developers that work in Jersey. Therefore, I would like to ask a couple of questions. I would like to know, if possible, who are Obelisk Secretaries. We know there are some directors behind it. I wondered if we could be told who the directors are. I would also like to know if you have actually have within WEB any due diligence people that work for you and are aware and qualified to operate within the knowledge of the Jersey Proceeds of Crime Law and whether or not, because of the indications as outlined in the newspaper article, with the strong political affiliations that Mr Flynn has had in relation to him being an ex-Vice President of Sinn Fein etc, whether or not those checks were undertaken or were identified and the board was made aware of them.

DEPUTY SOUTHERN: That is three questions, Paul.

SENATOR LE CLAIRE: Anyway, that is the flavour of what I am trying to get at.

MR MARGASON: Okay, I will try and address them all. Firstly, an issue that you referred to which appeared in the *Jersey Evening Post* was an issue about a non-executive board director at Harcourt Developments, who are the funder and backer of Islands Development Limited. Mr Flynn is a very highly regarded adviser to the government and a figure in finance in Ireland, and indeed was until very recently the chairman of the Bank of Scotland in Ireland. Harcourt Developments appointed Mr Flynn to the board in a non-executive rôle some time ago in order to give them general advice in the way that a non-executive director normally would. Harcourt Developments consider themselves to be in exactly the same position in regard to this issue as the Bank of Scotland. In actual fact, the connections between Mr Flynn and the Bank of Scotland are significantly stronger than they are with Harcourt.

Having said that, the issue raised is not in fact about Mr Flynn. The issue is about a Mr Cunningham, whose personal activities in Ireland gave rise to concern with the Irish police and Mr Flynn, it would seem, unwittingly found himself on the board of another company, unrelated in any way to Harcourt Developments, and, as a result of his involvement on the unrelated company board, Mr Flynn was questioned in relation to Mr Cunningham's activities. As a result of that, he took the decision that he would redesign from various company positions and public bodies in Ireland and elsewhere in order that he caused no embarrassment during the investigation period. So the issue that you describe is not an issue in relation to Harcourt Developments or indeed directly to Mr Flynn and no charges have been brought against any party in relation to that.

SENATOR LE CLAIRE: But the issue of him being personally involved in the political sense as the Vice President of a political party or an ex-Vice President of a political party, that does fall within the sensitivities of identifications and the know your client protocols.

MR MARGASON: Indeed, yes, and no doubt Bank of Scotland will have taken the same view when appointing him as chairman to their organisation. There is, to my knowledge, no reason that anybody shouldn't be a member of a political party in the UK or Ireland or anywhere else so long as it is a legal political party.

Having said that, the due diligence that you asked about, we do carry out due diligence on all of our partners. We appointed a specialist organisation 12 months ago that carried out due diligence in relation to Harcourt Developments and the directors. We found that to be satisfactory. Mr Flynn actually joined the board of Chesterton Finance with Mr Cunningham six months ago. So we had specialists to undertake that work about 12 months ago and we had one of the major five accounting firms undertake due diligence again, which was completed in December. So, yes, we do carry out significant due diligence and we are satisfied that this is bona fide developer, an organisation which owns and manages several million square feet of property around the world, develops around the world and we are satisfied that this very, very tenuous link that has been made in the press is not an issue of concern for Harcourt Developments in their ongoing operations or ourselves. Their banking relationships are

unaffected and our due diligence is unaffected as a result.

SENATOR LE CLAIRE: Could you just answer a couple of questions? I know I am running out of time. We would be interested to know who the directors are of Obelisk Secretaries and also it has been suggested to me that there is a gentleman behind the development called Mr Doherty who is actually the funder of the whole development sell. In relation to the ongoing issues of the development, of which there are a lot of questions that I am not going to have time to ask, are you currently negotiating those yourself or is somebody negotiating that with the developers and then recommending it to you? Are you the main negotiator? So if I could ask who are the Obelisk Secretaries and a little bit about Mr Doherty and then I think I have run out of time.

MR MARGASON: Okay. There may come a point obviously where I will not be able to answer the detail of the commercial agreement, but I have spoken to directors at Harcourt and Islands Development and they are certainly happy to be named and discussed. Obelisk Secretaries is an irrelevance, I think, inasmuch as I don't actually know who all the directors of Obelisk Secretaries are, but Obelisk Secretaries provide a company secretarial service to many, many companies operating in Jersey, one of those companies being Islands Development Limited. They are not on the board of Islands Development Limited, they provide a company secretarial service for a fee. The directors of the company are Patrick Doherty and Peter Crean, Patrick Doherty being the beneficial owner of Harcourt Developments, as I say, the organisation that we had researched and that I believe Property Services have all the details of as well.

SENATOR LE CLAIRE: And Mr Crean is?

MR MARGASON: Mr Crean is an employee of Harcourt Developments and a representative of the organisation in their development venture here, yes.

SENATOR LE CLAIRE: I think I have run out of time.

DEPUTY SOUTHERN: Okay, but before we move on, could I just explore the relationship between yourselves and WEB and you have a preferred developer.

MR MARGASON: Yes.

DEPUTY SOUTHERN: Now the lease, I believe, is with a subsidiary of the developer. At what stage and what is the level of that? I know you won't go to the level of it, but the return for

WEB and thereby the States in this particular lease?

MR MARGASON: Okay. I mean, I understand this process to be about the lease of the tourism building and the relocation of the tourism building.

DEPUTY SOUTHERN: Yes.

MR MARGASON: In ~~t~~The lease, the landlord for the tourism building will be Islands Development Limited, and ~~so~~ it will also be the developer. They will have the benefit of bank guarantees and guarantees from Harcourt Developments Limited in relation to their obligations as a landlord. Those obligations are actually extremely limited. They really only extend to passing the lease on the completed building. But that will be the arrangement. So that lease is proposed to be direct between the developer, who will hold the asset upon completion, the landlord and the public.

The relationship between the developer and WEB is by way of a joint venture development agreement whereby the development of the site delivers certain things, for instance the transportation centre, and develops out the rest of the site within certain guidelines, producing the funding for the transportation centre for reinvestment in the public realm for re-landscaping of the Weighbridge and so on. So there are returns to the public through WEB, WEB being publicly owned, obviously 100% publicly owned, and the activities of the developer will give rise to a return which has a minimum level but has no maximum level. It will move up depending upon the performance of the developer in relation to the development of the site.

DEPUTY SOUTHERN: A return to the developer?

MR MARGASON: There will of course be a return to the developer, but the return to the public will rise as the return to the developer rises above a minimum level, so we always achieve a minimum level and, if they rise above that, the formula and the arrangements are pretty well recognised arrangements in a development scenario like this and are obviously well known to the Finance and Economics Committee, yes.

DEPUTY SOUTHERN: Okay, if I can bring Judy in?

DEPUTY MARTIN: Yes. Following on from that, this is ... I have got here a fax of 2002 when you went out, when the bids went out from WEB to developers for the site. Here it says

“By 2004 it is now a fundamental feature of the approved Liberation Place scheme having been approved” and then it goes on to say *“The successful, privately funded redevelopment of the abattoir site relies critically upon the creation of a year round”*, which is the old tourism building. That is the critical feature. We can see where you are coming from. We can see that, you know, you need that, my question being (and there is always a question) that, as late as 2004 from Tourism that they don't think that maybe this is the best possible site, that alternative premises have not been explored and it could perhaps be done at a lower cost somewhere else. They have concluded: *“The Board concluded that it was not satisfied that the present Island Site proposal presented the best way forward in terms of both size and location.”*

Right, given the fact that the bidder, or the bidders, need this icon site and we accept that we have to move, why have we got a deal that we lease, we rent for nine years with an option to break and then we can carry on for 21 years? Why didn't you do a deal that they want, that they are giving us so much, they are giving the Albert Place redevelopment, refurbishment, relocation? They have found us a place in St. John's, Tourism a place in St. John's, free rent for nine years completely and then, you know, it call comes under the same lease that we will be ... why have the negotiators right from the beginning, knowing that they want that icon site, which is now Tourism, gone in that we get this property back after 21 years, the States, not the developer? Can you answer me that, please?

MR MARGASON: All the finances of the development are circular. If the property that is occupied or will be occupied by the Tourism Department returns to the public rather than to the developer, then it will simply reduce the value of the development to the developer and, in return, it will reduce the returns to the public through WEB. So, in short, the receipts that we collect on behalf of the public through the development will be lower, significantly lower, as a direct result of the building returning free of charge to the public. It would be another way of structuring the transaction, but it is not the way that we were asked to develop the site and it is not the way that the transaction has proceeded.

So I am perfectly satisfied that the value in the building will come back to the public, because it will come back to the public through WEB, through the receipts that we make. In

fact, it will come back sooner. It will come back by virtue of the payments that we receive for the site, which has the tourism building's value inherent in it, and that money will come back to us over a much shorter period for reinvestment in the landscaping of the Weighbridge and so on that needs to be carried out now. So the value of the building won't be lost in any way to the public; it will simply be realised sooner through this mechanism than it would be by reverting longer term. There are many, many ways in which the transactions could have been structured. I am perfectly satisfied that this represents best value for the company and, in turn, for the public and gives us the funding ability to be able to carry out the other improvement works.

I mean, the nine year break, for instance, was included in discussion with EDC as a result of them wanting some flexibility to be able to relocate if they chose. I think it is a very, very fair, good value arrangement for the public and for EDC and it also gives us collectively the receipts, the best receipts that we can possibly achieve at the earliest time to be able to reinvest in other areas of the town and, in particular, this area of the town.

DEPUTY VOISIN: I think it is probably worth mentioning that the developer is already paying about £3½ million to £4 million on the bus, the transportation centre, and they are also restoring, of course, the abattoir site.

MR MARGASON: There is no question in this transaction of there being a loss of value through the developer receiving the building. In fact, leasing the building for the period that has been agreed with EDC is significantly below market rates in the area for the building. So, in actual fact, it is a very, very good deal for EDC and for the time that they can foresee that they want to occupy, you know, that space, but there is no loss of value in the nature of this transaction to the public. I mean, the value will be there and, in fact, as I say, it will be collectable far sooner as a result of this and available for reinvestment.

DEPUTY VOISIN: Of course, after 150 years this all comes back to the ----

MR MARGASON: Yes, of course, in 150 years time the public receive the whole of the development back anyway, yes.

DEPUTY DUBRAS: It is on the footfall drawing.

DEPUTY SOUTHERN: Could I come back to you, Gerard, in terms of the rental on this

particular building being below market value. Have you got an idea of how much below market value?

Are we talking 40%, 50%?

DEPUTY VOISIN: Well, if you take the total, the rental is £109,300 and if you divide that into the square footage and if you also take account of the storage square footage, which is about 2,300, then we are looking at £12 per square foot. Now, in St. Helier, new office space is about £26 per square foot, so you can see that we are getting a considerable discount. We are getting on the office space alone at least £10 per square foot reduction or discount.

DEPUTY SOUTHERN: And in nine years' time, what do you envisage happening as President of EDC, should you still be there?

DEPUTY VOISIN: Should I still be there, well, first, as far as the cost is concerned, the cost is limited to a maximum increase of 2½%, which is good for the States, I think, but the reason that we wanted to have a break clause put in is quite simply because we don't know what the future of the Tourism Department is going to look like. We are wanting to review the entire Department now. We have wanted to do that for 12 months, but we felt that it was wrong to undertake a complete review without a permanent Chief Officer in place. We have had a temporary Chief Officer in place and the Chief Officer has now decided not to actually stand for the permanent job, so we hope to have somebody in place later on this year. In fact, that is where I am going right after this, to interview someone. Then we will start the process of deciding what we are going to do with the Tourism Department.

DEPUTY SOUTHERN: I have noticed that, I think, at one stage the new building went up from four floors to five floors. They couldn't cope with four floors. I have seen an email from David de Carteret to that effect. Yet you have built into the lease that you can sublet. Now, presumably, that is a major loss of tourism staff, I would have thought, if you could sublet two of those floors.

MRS BELHOMME: When we discussed this, we knew that we had a tourism review on the cards and there were a few suggestions of maybe Visitor Services could be franchised out to somebody, it could be outsourced, or it could work as a standalone operation, in which case, if we did that, they could still be based in the same building, but we could sublet those floors out to

a third party without it impacting on sort of our lease or customers any more.

So the whole point of trying to make the subletting as flexible as possible is because we knew that at some time Tourism was going to be reviewed, so we made it so that we could allow any Public Services operation to operate from there or any agent of the Public Services to operate from there so that if it came to a point where Visitor Services was now going to be run by, for example, say, the Hospitality Association, then they could just walk in there and take it over without any problems with leases or anything else.

DEPUTY SOUTHERN: And, in your own mind, President, do you see franchising Visitor Services out as a realistic option? Is it a real option for you?

DEPUTY VOISIN: I have a completely open mind as to what we are going to do with the Tourism Department, but the important thing is that the lease gives us complete flexibility. We are not signing or undertaking a commitment to rent the entire premises for nine years. If we only have a Tourism staff of five, that would be short sighted and so what we wanted to do was to build in that flexibility so that if we do completely reshape our Tourism Department and if we do reduce the number of staff that we have, then we could in theory just confine them to one floor and sublet the others floors on an advantageous basis to the States.

DEPUTY SOUTHERN: I am sure that Julian wants to get in, but can I just press you further?

DEPUTY VOISIN: Sure.

DEPUTY SOUTHERN: Assuming that we continue with the present size of Tourism Department, in the opposite extremes of reducing it down to being very small, in nine years time you will see a rise to market levels on the building you're in, plus the free storage space which is being provided at St. John goes and that could be quite a serious change in the circumstances, couldn't it, and certainly in the costs?

DEPUTY VOISIN: Well, I think, yes, our rent will probably go up, which is precisely why we wanted that nine year break clause, so that if the landlord was pushing for a rent that was higher than we thought was fair, then we could break and go elsewhere.

DEPUTY SOUTHERN: Fair and market levels, as a free marketeer, as you know, free market levels are fair.

DEPUTY VOISIN: Absolutely, yes, but very often the market is in the eye of the beholder and, of course, the landlord will assess his rental at a higher level than the occupier. That is always the way, isn't it? You know, you get this time and time again, but I think that, in nine years time, of course, it won't be a new building, it will be a nine year old building, so the market rental is somewhat more difficult to assess.

DEPUTY SOUTHERN: Okay. Judith?

MRS BELHOMME: I just want to say that we have also got the prospect of a property review for the States of Jersey on the cards and I presume that will be finished way before the nine years time, in which case they will be looking at every States Department that is actually paying rent to a third party and I will assume that that will be taken in under the cloak and possibly relocated somewhere else as part of the States' review.

DEPUTY MARTIN: Yes, just one final. I still have concerns that the Tourism Board are not quite sure if this is fit for purpose. Could WEB answer? The developer, there is somewhere in here that, yes, we are getting a lot and we may be getting it cheaper than market value, but there is something in here about a blue chip lease. Now, money from the States is guaranteed. I mean, they are building a building and, whatever, the money is guaranteed because we are the States and we are the government and have got money.

MR MARGASON: Yes.

DEPUTY MARTIN: Now, would they be building this building for just to build the building and then try and rent it out to Barclays or whatever or whatever, you know, whatever bank or any offices that came along? Is it being built ... what I am trying to get at is who is this suiting more? Is it suiting the developer or the Tourism Board? You are saying we are getting a very good deal. If it is not fit for purpose for what Tourism want, and I have very grave concerns that it is not even as far as April last year from, you know, the Director of Tourism and other places. They said there was going there was going to be a report and other places were, but there is just nothing in here that other places were not suited. It just basically says "There's nothing around, but we could build a building somewhere around a capital cost of 1.5 million." Well, we are going to be paying that in the first nine years in rent. So I'm still not convinced that we have got

the best deal for Tourism, but we might have the best deal for the developer, but I'm not even concerned for the developer, I'm concerned for the States' public money.

MR MARGASON: Okay. I will try and answer that. I am not sure which document you are ----

DEPUTY MARTIN: And I went on a bit, sorry.

MR MARGASON: I'm not sure which document you're reading from because it doesn't sound like one that I've read in the past. So we certainly are not aware of, or have not been aware of, any dissatisfaction with what is being provided in relation to the new tourism centre. I think that is the first thing. As far as the building of the centre is concerned, I think it is fair to say that, even with the strong covenant of the States, the rental level that has been agreed on this building long term means that it is of less value to the developer than it would be with another reasonably covenanted third party tenant. Whether they would build it anyway, I'm afraid I don't know the answer to that. We've not asked the question because it has always been a fundamentally important part of the scheme in order to facilitate the rest.

DEPUTY MARTIN: Getting the icon building?

MR MARGASON: Well, no, to facilitate, in order to facilitate Liberation Square and proper entrance into the scheme, so I really don't know the answer to that question, but I think I can say that it is not being built and effectively pre-let on a good covenant, which it is, to the Government. It is not being done in that way to benefit the developer. It is seen as something that has to be done in order to facilitate the rest of the scheme, and I think that the reduced rent reflects the fact that it is something that needs to be done at a cost neutral arrangement. Certainly they wouldn't be offering that building and that rent to any other tenant, I think it is fair to say.

DEPUTY VOISIN: How much is it going to cost us? How much is it going to cost the developer to build that office?

MR MARGASON: I don't have the figures with me, I am afraid.

DEPUTY VOISIN: More than a million?

MR MARGASON: Oh yes, yeah.

DEPUTY MARTIN: How much?

DEPUTY VOISIN: I would think a lot more personally?

MR MARGASON: Yeah, it is significantly more. I don't know the figure, but significantly more.

MRS BELHOMME: From about June 2004, the Director of Tourism and the Vice President of EDC had decided that the new building was the best offer because they were looking for other premises for Tourism staff in Broad Street Post Office and it wasn't coming to fruition. They did look at relocating Tourism to the airport, where the Marks and Spencers were for a very short time, and that didn't happen. We looked at relocating to Aviation Beauport and that was going to be prohibitively expensive, so that didn't happen. We looked for the relocation of the dispatch service in several places and eventually came up with the Barette and Gruchy building as the best option. So they did look for different places and, by June 2004, both the Director of Tourism and the Vice Chairman of EDC, who is also Director of the Tourism Board, had decided that this was the best option, so that is when it went to Committee and the Committee saw it in July 2004 and endorsed that decision.

DEPUTY SOUTHERN: I know Julian has got some different concerns.

DEPUTY BERNSTEIN: I have got some disjointed questions because, to be honest, you have answered, because other people have asked the questions, plus the fact that I must state that I was privy to some of the discussion because I was on the Tourism Board for the last two years. First off, why did we redecorate certainly the frontage and the visitor centre of the Tourism building as it is at the moment, taking into account that we were going to move?

DEPUTY VOISIN: I think you would have to ask the person that made that decision.

DEPUTY BERNSTEIN: Yes, I thought I might have to, yes.

DEPUTY VOISIN: That was all done and the paint was dry when I arrived.

DEPUTY BERNSTEIN: Yes.

MRS BELHOMME: I was actually there then.

DEPUTY BERNSTEIN: You were there then, were you?

MRS BELHOMME: Yes.

DEPUTY BERNSTEIN: Can you help?

MRS BELHOMME: We hadn't been informed then about the potential move and also Tourism, the downstairs part of the building, not upstairs, hadn't been redecorated for 15 years, so it was looking absolutely dreadful. So the decision was made then to revamp it and then, you are talking of about six to eight months later, we were told "Well, actually these moves are now starting to happen". Maybe, given that information a year earlier, we might not have made that decision, but that information wasn't available then and we have actually had a few years worth of service out of it. By the time we move, we are probably looking at redecorating because it would be starting to get sad after that. So the decision was made before all these things came to be put in place.

DEPUTY BERNSTEIN: A lot of States Members wanted to know the answer to that question. As far as the footfall is concerned, I was led to believe at the last meeting that I attended, Steve Bailey of Condor Ferries said that the footfall that had been planned was actually going to not cross the top of the underpass, but to run, as Senator Le Claire has said, along the front and then to cross over at the front into Liberation Square, so that actually doesn't show here.

DEPUTY VOISIN: No, it doesn't.

DEPUTY BERNSTEIN: Have you got any comments on that?

DEPUTY VOISIN: I think this issue about the footfall is one that is going to go on really almost until the whole of that waterfront area is completed, but it is also for that reason that we are actively looking at these other locations for a sort of satellite visitor centre, which WEB can provide. It is actually being offered free of charge, I think. I don't know if you are rationally going to repeat that.

DEPUTY BERNSTEIN: I actually believe that the new Tourism Office should be got free of charge in toto. I think that would be a fair and equitable way of taking into account ----

DEPUTY VOISIN: It is something that is still in discussion. We have got to decide obviously whether it is needed, whether it necessary. I do think that the whole traffic movement of the footfall, movement is going to change significantly when that transportation centre is there and that is why personally I think, having the Tourism Office right next to the transportation centre is a good idea. It is a good location.

DEPUTY BERNSTEIN: Well, it would be at either end, wouldn't it?

DEPUTY VOISIN: Yes, I agree.

DEPUTY BERNSTEIN: I mean, the location, I believe that location is the key to this Scrutiny Panel, that if the location can be proved to be the correct location, then we are very fortunate in being able to be offered that, but I am not entirely certain that it is and I think that the building that it is in at the moment and its location is a very fine location, taking into account that it will be on Liberation Square and people generate down there and tourists certainly will be generating down to that area. Crossing the road over the overpass is not the most pleasant experience if you are carrying suitcases and so on. I am not entirely certain ----

DEPUTY SOUTHERN: Are you suggesting that the evidence isn't there that this is the right place for the right footfall?

DEPUTY BERNSTEIN: Yes. I need somebody to prove to me that the footfall is going to be ----

DEPUTY VOISIN: It is always very difficult to prove something that doesn't exist at the moment.

DEPUTY SOUTHERN: That is true, okay.

DEPUTY VOISIN: And isn't going to exist in its entirety for some years, because, don't forget, this is the site that we are talking about now, but there is the site alongside that is going to be developed as well and so it is a question of trying to assess what the whole picture is going to look like in, you know, 10 years' time.

MR MARGASON: Can I also just make the point -- again, it is your issue rather than mine, Gerald, but during the course of two years the decision on the location of the visitor centre, whilst needing to be convenient and easily accessible, has not been the only primary driver in this. It has also been that, by allowing a development which substantially enhances the wider site and the public area, is one that will improve in a strategic sense the tourism draw to the Island on the basis that once you have arrived at the Island you have already made your decision to come here and the nature of the offer that is here has been, as I understand it, fairly fundamental, certainly in the very early days, to the decision to find another suitable location and, in so doing, improve substantially visitors' perceptions of this area of the town in a more

strategic sense.

DEPUTY SOUTHERN: Could I quickly come in with a question, particularly about this site?

One of the reservations I have seen expressed by the Tourism Board was that this will be the first building there and there is a danger that it is going to be in the middle of a building site for a certain length of time. Can you dismiss that?

MR MARGASON: The new building?

DEPUTY SOUTHERN: The new building, yes.

MR MARGASON: The new building, the first building to be completed will be the transportation centre, so that will be completed and operational. Soon after that, the visitor centre will be completed and the relocation will take place from the existing. So the immediate surroundings of the transportation centre and the footpaths and the changes that will happen will be completed before the switch over takes place. There will obviously be building activity on all of the surrounding sites for a number of years, I suspect, but in the immediate area around the building the adjacent transportation centre will be completed first.

DEPUTY BERNSTEIN: I have got one quick question.

DEPUTY SOUTHERN: Okay.

DEPUTY BERNSTEIN: From my knowledge of the existing building, the actual area that the visitor centre uses is the foyer area and on the left-hand side in the summer the accommodation section. That is really the only bit that needs to be down there. They don't need the offices to be above that section. The people that work downstairs don't need to keep on running upstairs and asking questions. It occurred to me that if you are going to offer for nothing some booths or, I think you said, 8,000 square feet ----

MR MARGASON: Eight hundred.

DEPUTY BERNSTEIN: Eight hundred square foot, that maybe that could be slightly larger, but the visitor question/information centre could still be on Liberation Square, or somewhere around there, and the offices could be somewhere completely different because it is not necessary to the job.

DEPUTY SOUTHERN: Could I just add on to that, just a little bit, I have got an email in front of

me from David de Carteret which says *“To be honest”* -- they were asked to say if they had looked at alternatives -- *“To be honest, we did not put that much effort into looking for other locations because from a fairly early stage it became obvious that this was a done deal and that the time to change things had long gone.”* How much time did you spend looking realistically at the alternatives?

DEPUTY VOISIN: Well, we charged Property Services to look ... oh blimey, from memory, it must have been in 2003, because there was concern. Is that correct?

MRS BELHOMME: It was at the meeting of July 2004.

DEPUTY VOISIN: And it was after ... it was around that time, I think, that the extra floor was put on, onto the building, yes. Is that? Yeah. But obviously you are going to meet somebody from Property Services, so you can ask those questions of him.

DEPUTY SOUTHERN: Yes.

DEPUTY VOISIN: To answer Julian's point, you are absolutely right. There is no need for Tourism Officers to be above the visitor centre, which is precisely why we wanted to write this clause into the lease to allow us to sublet those other offices, so if we did want to relocate the Tourism Officers, we could still keep the visitor centre below.

The issue about whether to have some sort of visitor centre on Liberation Square, I think we should remember that people want to go to tourism offices, they look for tourism offices and if we are signposting the tourism centre from the transportation centre and also from Liberation Square and also from other parts of town, it is actually going to be easily able to signpost the tourism offices from Charing Cross, for example. So people aren't prepared to walk to find the tourism office. We don't think it is tucked out of the way. We think it is in quite a prominent place anyway. So that raised the question whether we actually need to have an additional presence on Liberation Square. What was your third ----

DEPUTY BERNSTEIN: Well, it would be mad. I'm not certain that we do need to have the offices above the information centre.

DEPUTY VOISIN: Well, at the moment, we have offices ----

DEPUTY SOUTHERN: Sorry, I'm aware of the time. I think you have answered the question

actually.

DEPUTY VOISIN: Yes, okay.

DEPUTY SOUTHERN: Maurice, I know you are keen to get in and Paul is keen to get in and I have got another one.

DEPUTY DUBRAS: There is obviously more than one way to skin this particular cat.

DEPUTY VOISIN: Yes.

DEPUTY DUBRAS: Clarification: is this design, which was presented effectively to the Planning and Environment Department for approval, is this still essentially the scheme as it is envisaged?

DEPUTY VOISIN: Yes.

DEPUTY DUBRAS: Thank you. In terms of timing, am I correct in understanding that the transportation centre is now scheduled to be completed, I think, by the end of 2006, so that this new facility you would be expecting to open for the spring of the season 2007? Is that the timing?

MR MARGASON: The completion of the development or the start of the development in some senses, although there is some provisional work going on now, the completion date is entirely dependent upon us satisfying certain preconditions in the development agreement, one of which is entering into the tourism sublease. So what are actually the deadlines are that the transportation centre must be complete within 18 months of commencing the development and the tourism offices are planned to be completed no later than six months after that, so the date on which that ... so the sequence is that the main building will all be done before the tourism building is occupied, but the actual end date is very much dependent upon us satisfying the preconditions in order that the next phase of the work can begin.

DEPUTY DUBRAS: So the consequence, if the States were not to agree this lease arrangement, that would put the whole scheme into jeopardy in terms of the timing and the completion of the transportation centre?

MR MARGASON: Certainly, I think, as Deputy Martin pointed out, the notes that she has made it pretty clear that the existing tourism building is critical to the creation of a major new

attraction of interest to the scheme. So, from that perspective, it is entirely critical. In terms of the occupation of the new building, it is flexible enough that it can be sublet at a market rent if it needs to be and so I don't know what the outcome would be if we had to go back to the developer and say yes to the relocation, but no to that new position. We have not even discussed that.

DEPUTY SOUTHERN: Right. Moving on, I know Paul wants to get in and I have got a final question and we are just about going over.

SENATOR LE CLAIRE: The first question is what are WEB getting from the developers in relation to the land? What did they pay WEB and for how long for the land that they are going to put the new building on and your new entrance, which is going to be envisaged to go through the tourism centre, isn't that going to be a food ... aren't there going to be food outlets in there and how is that going to work with the rush of visitors with food?

MR MARGASON: The first question is a confidential question in terms of the land value and the nature of the payments to the developer, but it is known in detail to Finance and Economics. I certainly couldn't answer that without further board approval and probably without reverting to the developer.

SENATOR LE CLAIRE: What about the length of the agreement? Can you tell us how long the agreement is?

MR MARGASON: Yes. The agreement in relation to the completion of the whole phase ... well, there are two phases primarily: the abattoir development and the annex site.

SENATOR LE CLAIRE: No, the length of the payment of the new building. You cannot tell us how much because it is confidential, but how long is that arrangement for the new building? Is that a one-off fee for X amount of years or is it an ongoing negotiated lease?

MR MARGASON: The new tourism building or the new ----

SENATOR LE CLAIRE: Yes, the land.

MR MARGASON: The site of the tourism building is within a bigger development agreement, so it is not actually separated in commercial terms within the development agreement, so it is not possible for me to say. The lease on the site will be for the balance of a 150 year lease, which is

actually something slightly less than that now because it was passed about a year ago. But the tourism building is not identified separately within that, it is part of the overall development.

DEPUTY SOUTHERN: With the risk of going quite seriously over by my standards, one final question. I want to return to this idea of value for money. It seems to me that direct comparisons can be made with the private/public partnership on Maritime House, which has now reverted to States ownership, that the housing Offices in Canary Wharf or Victoria Wharf?

DEPUTY DUBRAS: Jubilee Wharf.

DEPUTY SOUTHERN: Jubilee Wharf. That was funded by tax capital, 2.5 million, and here we have got a third building on which we are going to spend at least £1.1 million in rent and at the end of which we may have spent more depending, but of the order of 2.5 million, and still not have the building. It seems to me that the fundamental question is does this mechanism give value for money.

DEPUTY VOISIN: Well, do we want ... well, the States decided in 1996 that they wanted the transportation centre and they wanted the area rejuvenated and, you know, WEB have come up with a scheme to do that without any States money at all, so we have got a transportation centre of about £3 million or £4 million, so ...

MR MARGASON: I have absolutely no doubt at all that the transaction for the tourism building, setting aside the issues of operationally how it works for the Department in terms of location, there is no question at all that it represents good value for money by comparison with any other property that could be taken and occupied under a rent in a similar location of a similar quality. I have no doubt at all about that. If the States had determined from the outset that they should have a new visitor centre free of charge as well as a new transportation centre free of charge, then the end result of that would simply be a smaller land receipt. It is just circular. The end result of that would be a hole in the funding required to landscape the Weighbridge and the surrounding areas, for instance. So I have got no doubt in my mind that it represents value for money as an occupied property. I think the value within the overall transaction is all captured. It is just a question of whether you capture it now or whether you capture it in 21 years time when the building reverts to you or under the Maritime House type PFI mechanism. The cash value is

needed now.

DEPUTY SOUTHERN: But it doesn't revert to us at the end of 21 years, does it?

MR MARGASON: This building? No, it doesn't, because what we are actually taking is the cash value out of the building and spending it on things that we need to spend it on today, which is, you know, environmental enhancements, yes.

DEPUTY SOUTHERN: Okay. I think we have run out of time anyway, so is there anything that you would like to add? There might be some glaring error that you might have been expecting to talk about and we haven't talked about it. Please feel free, otherwise ...

DEPUTY VOISIN: No, I am happy. David?

MR MARGASON: I am happy, yes.

DEPUTY SOUTHERN: Otherwise I would like to thank you for attending.

DEPUTY VOISIN: Pleasure.

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