

STATES OF JERSEY



COMMITTEE OF INQUIRY: SALE OF BROAD STREET POST OFFICE BUILDING (P.61/2014) – COMMENTS

Presented to the States on 27th June 2014
by the Minister for Treasury and Resources

STATES GREFFE

COMMENTS

The Minister for Treasury and Resources strongly opposes Senator A. Breckon's proposition.

Each of the States-owned Utilities appoints a Board, including non-Executive Directors, to manage its affairs. The Minister for Treasury and Resources, as shareholder on behalf of the States, approves (or otherwise) these appointments through the exercise of his vote at the Annual General Meeting. The Minister for Treasury and Resources, upon advice, approves a business plan. Once such appointments and approval of business plans have been made, the Boards should be left to manage the business activities of the respective companies without day-to-day interference from the Minister for Treasury and Resources or other States Members, unless that involvement is required under an agreement.

The relationships are managed through Memoranda of Understanding (MoUs).

The MoU with Jersey Post requires that Jersey Post seek the Minister's consent for a number of "Important Management Decisions".

The original MoU was agreed in September 2006. Amongst the requirements was that Jersey Post seeks the consent of the Minister before it "sells, transfers, leases, licences or in any way disposes of all or a material part of its business or assets, including, in particular, its properties bearing the numbers 15 and 17 Broad Street, 7 and 9 Commercial Street and the 3 sites bearing the numbers 8, 10 and 26 and forming part of Rue des Pres Trading Estate".

Detailed extracts from the minutes of Jersey Post are attached as an **Appendix** to this report. The Appendix has been redacted to remove the names of third-party companies. This document has been prepared by the Finance Director and Company Secretary of Jersey Post. Key dates in the chronology are as follows –

- In principle support for the potential sale of the Broad Street Post Office to the potential purchaser was sought and received from the Minister for Treasury and Resources in June 2008. (This was the current Minister's predecessor.) At no stage since then was this Ministerial consent withdrawn.
- In August 2009 the Minister for Treasury and Resources (the current Minister) discussed with the Chairman of Jersey Post whether the proceeds of any sale could be retained by the company. This is entirely appropriate. In fact, not to discuss the use of the potential proceeds with the shareholder would arguably have been wrong.
- In November 2009 the potential purchaser confirmed their intention to defer any decision to purchase the Broad Street site for the next 2 to 3 years.
- In March 2011 the Jersey Post Board agreed to close down further assessment of retail opportunities for the Broad Street site.

The Minister (for Treasury and Resources) discussed how the proceeds of any potential sale might be used with the Chairman. The Chairman explained the need for

the Board of Jersey Post to have due regard to the position of the company's balance sheet at that time given the LVCR situation.

The decision not to proceed with the sale was taken by the potential purchaser, not Jersey Post or the Minister for Treasury and Resources.

Board Members of Jersey Post have confirmed that Senator Breckon's inferred allegations are completely groundless and therefore untrue and unfair. These inferred allegations would appear to be covered by parliamentary privilege under Article 34 of the States of Jersey Law 2005.

The proposition makes a number of veiled personal accusations. The Minister is extremely disappointed and regrets that these have been made. The Minister is particularly distressed that these made been made against a highly respected Jurat who, having had an unblemished and distinguished career in business, locally and outside of the Island, now, along with other highly respected Jurats, give freely of their services in an honorary capacity.

A Committee of Inquiry would not add anything new to this matter. All of the relevant facts have been included within these comments to put the matter beyond doubt. Relevant e-mail communication has already been included with P.61/2014.

The Minister for Treasury and Resources urges States Members to reject this proposition.

APPENDIX

EXTRACTS FROM THE MINUTES OF THE JERSEY POST INTERNATIONAL LTD. BOARD MEETINGS RE BROAD STREET SITE

19 January 2007

A paper outlining the options for the future of Broad Street was tabled and discussed at length.

It was noted that the potential purchaser had expressed an interest in purchasing the Broad Street premises.

It was agreed that further information would be required before any firm decisions could be made:

- Shareholder approval
- Retail strategy
- Requirement for a feasibility study

However, **it was agreed**, that the Board would be interested in considering a sale of the Broad Street premises and a subsequent relocation. The Finance Director advised that he would contact [property advisers] to develop options further.

23 March 2007

The Chairman advised that he had met with Senator Terry Le Sueur (Treasury & Resources Minister - TleS) and that TleS was in favour of a move from the Broad Street location on the condition that it did not affect the current services. He advised of TleS' openness to suggestions on the use of the capital raised by the sale for the viability of the postal business going forward.

23/24 August 2007

A paper was tabled outlining the outcome and recommendations of the feasibility study and the future direction of the retail strategy requesting the Board to agree in principle the sale of the Broad Street premises.

Concern was expressed that the proposed relocation to new premises provided no financial savings compared with the existing loss-making "crown office" and in such circumstances it would be unwise to dispose of Broad Street unless the cash released could be better invested for improved competitiveness and not simply returned to the shareholder or customers.

23 November 2007

Representatives from [property advisers] were welcomed to the meeting and gave an overview of the current state of the Jersey property market. It was noted that it was likely that commercial property values in secondary areas would suffer within the next few years if the development of Esplanade

Square proceeded as outlined in a recent government consultation paper. Now was therefore an optimum time to sell from a strategic and cost perspective. It was agreed to proceed with the sale of the Broad Street building giving The potential purchaser first option and that the shareholder should be notified of the decision to sell and any appropriate authority should be obtained.

25 January 2008

The CEO reported to the Board that [property advisers] were to be instructed to draft Heads of Terms for the potential purchaser and JPIL Boards to agree.

28 March 2008

The Board discussed and noted the Broad Street Project Plan. It was agreed that the PR and Industrial Relations aspects surrounding any decision needed to be carefully handled and it was noted that a PR framework was being developed. A public announcement in September may not be advantageous as this would coincide with the elections to the States. The Board was informed that the potential purchaser had indicated that they were prepared to be flexible over timescales and that there could be scope for up to six months slippage if necessary.

30 May 2008

The Board was advised that a base price of £redacted was the current valuation of the Broad Street site but that there would also be a “marriage value”. The Heads of Terms are progressing and were expected to be presented to the Board’s next meeting in June.

19 June 2008

The Board welcomed representatives from [property advisers] to the meeting. The Board discussed the report and attached Heads of Terms for the potential sale of Broad Street.

The Board noted that the current estimated proceeds from a sale of the property significantly exceeded previous estimates of market value. The current estimate was a base price of £redacted (£redacted per square foot) based on net developed area of 57,000 square feet; £redacted per square foot for any additional developed space for which planning permission is granted; a redacted% marriage value; and £redacted in respect of the Atrium.

The Board agreed that the risk of the potential purchaser withdrawing from the sale was particularly important to manage and should be assessed against any potential cost to Jersey Post of a penalty clause (likely to be around £redacted) which would be included in the pre contract agreement.

The Board requested [property advisers] to produce a confidential briefing note which could be provided to the Treasury & Resources Minister

demonstrating the value for money which this sale would provide. The report will benchmark the sales proceeds against two other similar commercial sales on the Esplanade.

[property advisers] representatives explained that the approval to the sale from the potential purchaser's Canadian Board was expected within the next day or so.

The Board **agreed in principle** the key components of the Heads of Terms, pending pre contract agreement and planning permission. The Board **agreed**, subject to satisfactory resolution of the remaining issues, to delegate responsibility for completion of the final Heads of Terms to the Chief Executive, Director of Operations and the Finance Director.

The Board discussed the political and PR risks around the sale and in particular the consequences of a change in Treasury & Resources Minister after the elections. The Board **agreed** to discuss the process for obtaining political consent with the Treasury & Resources Minister following the AGM. Whilst informal discussions had taken place between the Board and the Minister there is currently nothing in writing to confirm his support.

26 September 2008

The note of the post AGM shareholder meeting to discuss the Broad Street site had also been sent to the Treasury on 9 July 2008. The Treasurer of the States had been asked to confirm if he and the Minister were happy that this was a fair summary of the meeting. The Board was informed that to date no response from the Treasury had been received although the Company Secretary and Chief Executive had both chased this up.

(This note is attached)

12 November 2008

The Board noted that an opportunity to relocate the Broad Street counter operations to the former (company) site was being explored. This move would be tactical in order to release the current Broad Street building for sale with reduced political and public sensitivity.

The Board noted that the Retail Strategy would be referred to the JPI Ltd Board meeting on 30 January 2009. This strategy should set out all options for the Board, including those regarding any premises changes.

16 December 2008

The Board discussed the latest position regarding the Broad Street site and Retail Strategy. The non-Executive Directors confirmed the Board's previous desire to sell the Broad Street site and a requirement to reduce the cost of the retail network. The Board **agreed** that the meeting between the Chief Minister, T&R Minister, Chief Executive and Operations Director, arranged to get an update on the political mindset with regard to the Broad Street

project, scheduled to be held on 19 December should be cancelled as the Chairman had not been informed of this meeting and could not attend on that day. Subsequently, a formal “investor briefing” meeting had also been requested with the T&R Minister, to be attended by the Chairman, early in the New Year and this meeting should be used to, amongst other things, consult the Minister on the Board’s plans for Broad Street and the Retail Strategy. The Board needed to decide what it wanted to do with regard to the site and future strategy prior to any meeting with the Minister. The Chairman agreed to telephone the T&R Minister to emphasise Jersey Post’s urgent request for an investor briefing meeting as soon as possible.

The Operations Director was requested to update the Board at its next meeting on 30 January on the remaining options for the sale of Broad Street and potential relocation of the operations, taking into consideration any known political mindset and remembering the certainty requested by the shareholder post the last AGM.

30 January 2009

The Board **agreed** that it wished to pursue the sale of the Broad Street site. The Chairman stated that this would be communicated to and discussed with the T&R Minister in the meeting he was to attend on 2 February.

The Board **agreed** to pursue the lease for the (company) site for the longest lease term and shortest break clause obtainable.

29 May 2009

The Board **agreed** that the issues around the sale of Broad Street would need to be discussed with the Minister at the AGM on 25 June.

12 August 2009

The Board had received a paper prepared by the MD Postal Business in the Board pack, providing an update on the Broad Street sale and Retail Strategy.

The Chairman stated that, contrary to what had been written in the paper from the MD Postal Business, the Treasury & Resources Minister had not confirmed that Jersey Post could keep any proceeds from the sale of Broad Street. The Chairman stated that he had concerns that a sale would forfeit Balance Sheet asset strength and not necessarily assist in the Group’s need to raise new, non regulated income streams.

Taking these changing circumstances into account, the Board **agreed** to support a proposal from the Executive Directors to request two property developers to provide their views on the development opportunities for the Broad Street site. The Board also **agreed** that, given a sale to the potential purchaser offered a £redacted marriage value, the potential purchaser would be requested to provide a final answer as to whether they wished to buy the building by the next Board meeting on 25 September 2009. The Board **agreed** that it would consider the outcomes from both these actions

at the next Board meeting and would make a final decision on the future of the site and the relocation of the Broad Street operation at that meeting.

25 September 2009

The two MDs provided a verbal update to the Board, informing the Board that they had not yet heard back from the potential purchaser who were given a deadline to confirm their wish to proceed or not with the purchase of Broad Street by the end of September.

The potential purchaser had been told that following today's Board meeting Jersey Post would engage with developers about the potential for the Broad Street site.

20 November 2009

Further to previous discussions of the Board regarding the future of the Broad Street site, the Board noted that the potential purchaser had confirmed their intention to defer any decision to purchase the Broad Street site for the next two to three years.

5 February 2010

The MD of New Enterprises updated the Board that [developers] had not been able to progress anything with the potential purchaser regarding the Broad Street site. The Board **agreed** that the site should now be advertised more widely with the assistance of professional property advisors with an aim to get clarity over the future of the site within the next quarter.

26 November 2010

John Scally attended the Board meeting to summarise the results of his review of the opportunities for the Broad Street site. He explained that his conclusion was that the Board should commission an architect to produce a scheme for the joint Jersey Post/the potential purchaser Broad Street site.

Following a detailed discussion, the Board **agreed** to support the recommendation of the Chief Executive that expenditure up to a maximum of £redacted should be assigned to undertake further work on the site opportunities and that the Executives would have delegated authority to decide how the money should be used. The Board **agreed** that the budget should be dependent on the potential purchaser contributing equally towards the architectural/planning costs associated with the joint scheme.

4 March 2011

The Chief Executive updated the Board on the Broad Street site options. He confirmed that there was no retail interest in the site and that John Scally and he recommended that the Board now close down further assessment of retail opportunities. The Board **agreed**.

The Chief Executive informed the Board that the potential purchaser would be moving to the Waterfront and that all decisions regarding their Broad Street site were being taken by their Canadian Board which did seem to take a long time. The Board noted that the shareholder had been briefed in January on the Board's proposal to place the Jersey Post and the potential purchaser Broad Street adjacent premises in a separate Company or Special Purpose Vehicle (SPV) in order to maximise gain to both parties from the joint site. The Board **confirmed** that this was its preferred disposal strategy for the Broad Street site.

Summary prepared by:

Liz Vince
Finance Director & Company Secretary
21 March 2014

JERSEY POST INTERNATIONAL LIMITED

Notes of a post AGM shareholder meeting to discuss the Broad Street site held in the Board Room at Broad Street Post Office, St Helier, Jersey, on 19 June 2008 at 5:45 p.m.

	<p>Present</p> <p>Apologies</p> <p>In attendance</p>	<p>From the Company: Mr M Liston, Chairman Mr C Spears Mr P Jackson Mr J Pinel Mr I Ridgway Mr A Starkey Mrs E Vince (as Company Secretary)</p> <p>From the shareholder: Senator Terry le Sueur, Minister Treasury & Resources Mr I Black, Treasurer of the States Mr G Butler, Strategic Investment Manager</p> <p>Lord G Whipp</p> <p>Ms J Crabtree, HRD Director, Jersey Post Ltd Mr I Carr, Operations Director, Jersey Post Ltd</p>
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1. Following a discussion regarding the current options for the future of the Broad Street site the Treasury and Resources Minister confirmed his in principle support to a sale of the site subject to Jersey Post demonstrating that:

- (i) value for money is achieved from the sales proceeds; and
 - (ii) service provision to the public is provided by alternative means and preferably at an improved level (for example: by providing more access points and times).
- 2. The Minister emphasised to the Board that closure of the Broad Street Post Office would be an emotional subject which would attract a high level of political interest. As a result the PR aspects associated with any sale are critical to get right.
- 3. The Minister would not wish any potential sale to be in the public domain until there was a clear plan setting out the alternative central town service provision which would be provided to the public (part of the future Retail Network Strategy). As a result, it was agreed that there would be no Ministerial decision or public announcement on the future of the Broad Street site until January at the earliest.
- 4. The Minister confirmed that he did not object to Jersey Post signing Heads of Terms as these do not commit the company to anything, but did allow all parties to make progress in “good faith”. However, under the MoU, Jersey Post must seek the Minister’s approval before signing a pre contract agreement and/or submitting any planning application.