

#### **4.2 Deputy M.R. Higgins of St. Helier of the Minister for Treasury and Resources regarding the Danwood Managed Print Service contract:**

Will the Minister for Treasury and Resources advise Members whether the Danwood Managed Print Service contract will potentially cost the States approximately £9.5 million more than was formerly stated and if so, will he explain why and inform Members when the BDO report into the contract will be published?

#### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources:**

Deputy Noel will be answering this question.

#### **Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources - rapporteur):**

The Danwood Managed Print Service contract will not cost £9.5 million more. We are not sure of the source of Deputy Higgins' figures, however, the Treasury and Resources Department has been provided with a spreadsheet that maybe was the basis for the inaccurate extrapolation of the £9.5. There are a number of reasons why this spreadsheet is not valid. Firstly, in any education establishment, the month of September, which was used, is unusually high as the schools prepare materials for the new term and the new year. Secondly, the machines used were not a like-for-like comparison. Thirdly, the cost per page used was not the correct cost for the machines quoted and fourthly, the extrapolation of the changes to the entire Education, Sport and Culture fleet is completely erroneous in resulting significant overstatements. It is a piece of fiction that has been made into pure fantasy. The actual cost of the printing of the States of Jersey prior to the commencement of the contract was *circa* £1.6 million per annum. This figure included an annual print volume of some 51 million copies. Significant savings over the 15-month period from 1st May 2012 to 31st July 2013 have been made. These savings will be ongoing and we are presently projecting savings for a full year in excess of £250,000, which can be taken out of budgets and that is the real issue here. We recognise that the school environment is unique and that some of the operational requirements that suit an office may not be appropriate for schools. We will continue to take further work with the schools to ensure the benefits of the management contract delivers the best outcomes for schools and for the States as a whole. The BDO internal audit report has been issued for the Chairman of the Audit Committee and to the Comptroller and Auditor General. It is due to be lodged with the Audit Committee at their next meeting in November. An advance copy of the report is being issued to all States Members today.

#### **4.2.1 Deputy M.R. Higgins:**

I have never heard so much waffle in all my life. I am absolutely convinced from the information that I have seen all the way through that this contract is going to cost the Island a lot more money than the Assistant Minister is stating and I ask him, if that is the case, will you resign, because the level of incompetence for this ...

#### **The Bailiff:**

Will the Assistant Minister resign.

#### **Deputy M.R. Higgins:**

Will the Assistant Minister resign? The level of incompetence shown on this contract is absolutely staggering from the leaking of the documents from one of the tenderers to the other tenderers. We have been through this before but the whole contract has been totally and utterly mismanaged. Will the Assistant Minister resign if it is proved that this contract has cost the Island far more than they believe, maybe in the millions?

#### **Deputy E.J. Noel:**

Everyone knows that the answer to that is going to be no. I would like to remind Members that this first raised its head some 12 months ago now and at that time, and numerous times since

then, I have invited Deputy Higgins to come into the department to receive a full and frank briefing on the actual figures and the actual facts. To date he has not appeared at the Treasury and Resources Department for such a meeting although he has come in for some other private matters. He was also given the opportunity to provide his evidence to the independent auditors, BDO, and he has not done so. In fact, he has not even replied to the independent auditors' attempts to contact him. I believe that actions speak louder than words and I believe that Deputy Higgins has got a lot of words.

#### **4.2.2 Deputy T.M. Pitman of St. Helier:**

I have only got a few words. Could the Assistant Minister put my and other Members' minds at rest, about a gentleman from the printing industry who contacted me to suggest that Danwood was going bust and attempts had been made to sell contracts on which is obviously going to have a huge impact on the States. Could he just clarify that that is not true?

#### **Deputy E.J. Noel:**

The latest information I have on our supplier is that no, they are not going bust. They have a very robust private equity firm backing them and I do not see that there is going to be any problems going forward.

#### **4.2.3 Deputy T.A. Vallois of St. Saviour:**

The Assistant Minister mentioned in his first answer about savings that were made between 1st May 2012 and 31st July 2013 but he did not provide a figure. Could he give that to us, please?

#### **Deputy E.J. Noel:**

I would like to thank the Deputy for that. The figure is £198,000.

#### **4.2.4 Deputy G.P. Southern of St. Helier:**

For the sake of simplicity so that people can understand it, does the Assistant Minister have an estimate figure for the current annual cost under this new contract compared to the previous annual cost and will he give those 2 figures together now?

#### **Deputy E.J. Noel:**

It is estimated that the previous annual cost, because it is something that we could not do accurately before because of our systems, was *circa* £1.6 million. We endeavour to and are confident that we will save £250,000 on that figure as was already previously stated.

#### **4.2.5 Deputy R.G. Le Hérissier of St. Saviour:**

In a general sense in the States, could the rapporteur distinguish between savings that arise from the move to the paperless office and actual savings in terms of a more efficient operation?

#### **Deputy E.J. Noel:**

It is impossible to break down what would be the move for the people's cultural changes to the use of iPads and other tablets, *et cetera*, and to go to a paperless office but, overall, we expect to see £250,000 saved and a significant reduction of over 8 per cent in the volumes. That is 8 per cent on 51,000 pieces of paper printed.

#### **4.2.6 Deputy T.A. Vallois:**

The Assistant Minister is talking about savings but how can he expect to have £250,000 of savings if he does not have the evidence or the benchmarking information to provide that saving against?

#### **Deputy E.J. Noel:**

We have a benchmark of *circa* £1.6 million. We cannot be accurate down to the last penny of that but it has been independently verified twice and therefore we are confident that we can show that we will be making savings in excess of a quarter of a million pounds a year.

**4.2.7 Deputy M.R. Higgins:**

First of all, I stand by my figures and we will see what the media report says and what comes out of the C. & A.G. (Comptroller and Auditor General) report. I ask the Assistant Minister is he aware that the contract has been sold on to GEC Capital and therefore the liability for the States will be to GEC Capital and not Danwood? So if Danwood does collapse, then the States will still be lumbered by the contract and the supplier will not be there to do all the other work that is required.

**Deputy E.J. Noel:**

There are a couple of questions there. I will take the last one first. I do not know because I have not got the details but it sounds like the contractor may have used a factoring service whereby it sells its debtors to get its cash flow more readily. That is probably the explanation there. About the first part of the Deputy's question, I would again, for I think the fifth or sixth time now, to invite him in, bring his data in, show it to our internal auditing, show it to BDO and, as I have mentioned to other States Members in the past, we achieve more if we work together.

**4.2.8 Deputy M.R. Higgins:**

Supplementary, because the Assistant Minister did not answer the full question. If GEC Capital have taken over this contract, which he is not aware of by the response in his answer, does he not know whether they have, what is the situation about servicing and maintenance of the machines for the life of the contract?

**Deputy E.J. Noel:**

Our contract is with Danwood. They may have factored out their debt. That is for them to do. It is a normal financial transaction if they indeed have done that.

**4.2.9 Deputy M.R. Higgins:**

If they collapse, who is going to cover the servicing and the maintenance for the contract?

**Deputy E.J. Noel:**

If any supplier to the States collapses, then that is a contractual matter that will be pursued along with normal contractual matters.

**Deputy T.M. Pitman:**

Excuse me, a point of order. Just a few minutes ago, the Assistant Minister told me that this company was safe and they were not in danger of collapsing. Which is the true picture? It is quite worrying.

**The Bailiff:**

That is not a point of order at all, Deputy Trevor Pitman. That is a question about a question. Very well.