

#### **4.9 Deputy J.A.N. Le Fondré of the Minister for Treasury and Resources regarding the total value of loans entered into or proposed to be entered into by the States of Jersey Development Company:**

Bearing in mind that the Assembly has transferred significant assets into the States of Jersey Development Company at no cost and that the company's accounts are combined with those of the States of Jersey as a whole, will the Minister identify the total value of loans entered into or proposed to be entered into by S.o.J.D.C.?

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

The value of loans to be entered into by S.o.J.D.C. is, of course, because of their commercial undertakings, and the commercial deals that they are putting in place is of course sensitive information and ultimately dependent on the quantum of construction activity commissioned by S.o.J.D.C. and the pre-lets that they are able to achieve to get developments underway. The Deputy is, however, correct that the S.o.J.D.C. accounts are fully consolidated with the States of Jersey accounts and therefore the value of any loans entered by S.o.J.D.C. is disclosed as in the year-end accounting dates. S.o.J.D.C., as the Deputy will also know, produces its own audited financial statements that are lodged with the States on an annual basis as a report. The company's accounts set out in detail its financial position and activities that the company has undertaken during the year.

#### **4.9.1 Deputy J.A.N. Le Fondré:**

Just asking the question in response to a comment made by the Minister previously. The issue I am concerned with on the present scheme is about risk and risk to the public purse and, at the last sitting, I asked a question of the Minister for Treasury and Resources which was has the States been required to provide any security or guarantees or any other support in respect of any loans of S.o.J.D.C. or in relation to the Esplanade Quarter Master Plan. Now, the Minister restricted his answer just to the office development whereas my question was wider. So therefore could he answer the question, i.e. in relation to the Esplanade Quarter Master Plan - by which I include the car parking, the office development, everything else down there - has the States been required or is it proposed to give any form of security, guarantee, any other support, letter of comfort, whatever, in respect of any loans of S.o.J.D.C. So it is about the securities and guarantees and that type of thing.

#### **Senator P.F.C. Ozouf:**

I have been crystal clear with the Deputy and I think he knows the answer to this but I will say it again. We are providing a loan for the public car park, which the public car park is being delivered earlier than previously envisaged. That is a good thing;. That is a good thing for commuters in St. Helier. It is a good thing for the Parish of St. Helier. We are not providing any loans, any letters of comfort or anything else in relation to the office development part of it. There S.o.J.D.C. has to operate as a freestanding entity at arm's length, period.

#### **Deputy J.A.N. Le Fondré:**

That was qualified. That was in respect of the office development. I asked about the whole Masterplan.

#### **Senator P.F.C. Ozouf:**

The Deputy is suggesting there is almost a trick answer in this. The answer is no. The Esplanade Square development consists of in phase one just car park and office development. There is nothing else which is being delivered. There is no residential accommodation.

There are no other aspects so no, there is no subsidy or support from the Treasury and the reason why the Deputy is asking this is: is S.o.J.D.C. operating on a level playing field or are they somehow acting not on a level playing field with the support of the States of Jersey funding behind them? The answer is no, not in respect of the commercial office space development.

#### **4.9.2 Deputy J.A.N. Le Fondré:**

Sorry, to be really clear, I want to make sure this is clear, in respect of the office development which includes, in the Minister's words, the car park and the public car parking, the private car parking and the office spaces... There is no guarantee or as I say security, other support, letters of comfort anything. That is a no.

#### **Senator P.F.C. Ozouf:**

The answer is no.

#### **Deputy J.A.N. Le Fondré:**

Thank you.

#### **4.9.3 Deputy J.H. Young:**

I hesitate to intrude in the exchange between the Minister for Treasury and Resources and Deputy Le Fondré but generally speaking could the Minister confirm or otherwise that any financial transaction, whether it be a commitment, loan agreement, any planning obligation agreement, anything of that nature which is carried out by the States of Jersey Development Company is, in fact, in reality, a financial commitment of the States and therefore any risk that is borne, in fact, belongs to the States as a whole. Could he confirm that as a principle?

#### **Senator P.F.C. Ozouf:**

I understand that the Deputy is an accountant. I did accounting training and I think one of the first lessons we learned is what a limited liability company is and what that means as opposed to States entity and individual or partnership, all the rest of it. S.o.J.D.C. is a limited company owned by the States of Jersey so effectively we are saying ... and we operate S.o.J.D.C. in relation to its commercial activities like office development on an arm's length basis.

#### **4.9.4 Deputy J.H. Young:**

The implications of what the Minister for Treasury and Resources says suggest that the arm's length company that we have formed, which is 100 per cent owned by the States, can effectively take its own risks and effectively be allowed to run into liquidation. I think that is the point I was trying to get clarification on. Are those liabilities in effect because it is a 100 per cent owned company by the States part of our liability?

#### **Senator P.F.C. Ozouf:**

The Deputy cannot make the link with the answer that I said that I am expecting it to operate at arm's length and then jump to the conclusion that somehow as the shareholder, we are going to be content to see the entity engaging in risky activities that would end up being liquidated. Of course not. We want it to be prudent and I refer the Deputy to the earlier question. The office development, Office 1, is going to be 100 per cent pre-let. Office 2 has got to be very, to a great extent, pre-let. It is either nearly 100 per cent or whatever the previous answers are maintained. So no, we do not want them to be taking risks. We are risk averse but we want them to operate at arm's length, in fact, but also the main issue is getting

return for public land and a better return for that land for the benefit of the public and our public finances.

**4.9.5 Senator S.C. Ferguson:**

What percentage let must the second building be in order to commence construction, and is the Minister not aware that the S.o.J.D.C. accounts are going to be consolidated with the States accounts?

**Senator P.F.C. Ozouf:**

Can the Deputy repeat the second question, please? I am sorry, I did not understand it, the second part of the question.

**Senator S.C. Ferguson:**

Yes, is the Minister not aware that the S.o.J.D.C. accounts are, in fact, to be consolidated with the States accounts?

**Senator P.F.C. Ozouf:**

I just said that. That is exactly what they are. I said that in my earlier answer so they are to be consolidated. I am sorry, I have missed the first part of the question now, I apologise.

**Senator S.C. Ferguson:**

It makes a change from: "That is a very good question." **[Laughter]** What percentage of the second building must be let before construction commences?

**Senator P.F.C. Ozouf:**

I am just going to get that answer by S.o.J.D.C. in a second when I get questions without notice just to be absolutely clear. It is a very, very high percentage and it has got to be sufficient in order to provide the return back to the States but I will get that percentage for the Senator.

**4.9.6 Deputy J.A.N. Le Fondré:**

Given that the Minister for Treasury and Resources has stated that the S.o.J.D.C. is a company at arm's length, and basically we are letting it run its course effectively, and it is arm's length, and is on an equal level playing field of any other developer in the private sector, why has he transferred hundreds of thousands of square feet of extremely valuable waterfront property to S.o.J.D.C. at zero cost and why is he involved in its promotional material? How does that fit in with the claims of a level playing field that he was making just today?

**Senator P.F.C. Ozouf:**

Right, promotion. This came out of the email exchange which I had to answer with the media a few days ago.

**Deputy J.A.N. Le Fondré:**

Can I clarify, Sir?

**Senator P.F.C. Ozouf:**

I was asked by a journalist why the Chief Minister and I were quoted in a brochure by the J.I.F. - it is the Jersey International Finance Centre as it has been branded - why the Chief Minister and I had an introductory statement about the importance of Jersey for that which was certainly promotional material that we used when I was in the Middle East and quite

right too. The Chief Minister and I and the Minister for Economic Development all promote Jersey and whether or not it is any entity in Jersey, we will provide supported remarks so that deals with that and I answered that. The Deputy also talks about transfer of land. There may be transfer of land at zero cost but the company has to reflect an appropriate valuation and value of that land and we have moved on massively from a world in which previously, for example, the Radisson Hotel what I think was a zero return to taxpayers. Esplanade Square is returning real value for public land for their entities and the value of it, whether it is owned by the States of Jersey or moved to this entity, providing the accounting is done on an arm's length basis and the whole commercial transaction is the value that you move and whether or not you get your money now or upfront which is the heart of the value which I think is the Deputy's question, it has been moved without a payment upfront, is an issue which does not affect the entity's ability to operate at an arm's length basis.

**4.9.7 Deputy J.A.N. Le Fondré:**

Can I just follow up? Given that, I believe, the Senator's photograph appeared above the phrase or something the equivalent of: "A unique investment opportunity" I believe was the expression - I might be slightly wrong but "investment" was certainly in there - will he and the Chief Minister and the Minister for Economic development be offering the same type of promotion slots, if you like, to the private developers that have schemes in hand?

**Senator P.F.C. Ozouf:**

It might surprise the Deputy but I think I have done that for years when I was the Minister for Economic Development, when I have been discharging other functions. I will go out and celebrate and promote Jersey anywhere whether or not it is in Westminster as I was doing on Wednesday, in London, or doing things on Friday with High Commissioners from other entities.

[10:45]

I will do it for anybody providing it raises the prospect of Jersey and does good things for Jersey and I think the Chief Minister would say the same and the Minister for External Affairs and the Minister for Economic Development. We all will. Give it to us and we will promote it because it is good for economic growth in Jersey and good for jobs.

**Deputy J.A.N. Le Fondré:**

I am delighted to hear it.