

**4.6 Deputy J.A.N. Le Fondré of St. Lawrence of the Minister for Treasury and Resources regarding the repayment of the £13 million loan to the States of Jersey Development Company:**

Given the Minister's previous statement that the £13 million loan to the States of Jersey Development Company would be fully repaid and that the Esplanade development would deliver a return of £50 million would he confirm that his calculations do not require attributing a financial value to the proposed car park, if and when it is returned to States ownership, and that the calculation of the profit does not include stamp duty?

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

I confirm that the estimated return of £50 million, which of course is an estimate to be, hopefully, delivered over a number of years - and one thing is certain that an estimate will be wrong - but the estimate to the States of Jersey from the entire Esplanade Quarter Development includes the value of the new underground car park with an estimated value of £10 million at current parking rates. I can confirm that the calculation of the £50 million does not include stamp duty receipts.

**4.6.1 Deputy J.A.N. Le Fondré:**

Without going on to the other supplementary, could the Minister just confirm that he just said that the £50 million does include or does not include the £10 million for the car park.

**The Bailiff:**

Does not, I think he said.

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

No, it does include the value, of course, of the underground car park, perfectly normal.

**Deputy J.A.N. Le Fondré:**

So, to be clear that the £50 million is, therefore, £40 million of cash and £10 million for the car park?

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

That is right.

**4.6.2 Deputy J.A.N. Le Fondré:**

Sorry, I did not quite catch the "not" and that was the point. What I would just like to ask as well as a first supplementary; previously in a statement to the Assembly the Minister has stated: "That development works on the Esplanade Quarter will not commence until agreement has been entered into for the letting of at least 200,000 square feet of office accommodation." Could the Minister confirm whether this position has changed in respect to the present planning applications and if there is to be any reduction in pre-let areas and, if so, why and when he was going to announce this to the Assembly bearing in mind what is, therefore, the increased risk to the project?

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

No, the position has not changed.

**Deputy J.A.N. Le Fondré:**

To be clear given that the present scheme is 180,000 square feet he will be looking to get pre-lets on 100 per cent of the 2 buildings that are being proposed.

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

The market is certainly dynamic and we do not wish Esplanade Square to represent any risk to the public. I think what has changed from a market dimension in the last few months is the fact that such is the optimism of financial services and others sectors of the economy - such as the digital area - that there is increasing evidence of an absence of supply so while I am absolutely clear with S.o.J.D.C. (States of Jersey Development Company), who I had a board meeting with my Assistant Minister and the Treasurer of the States yesterday, is that their buildings are to be progressed on a fully-let basis in order to reduce the risk. I also wanted to discuss with the Minister for Economic Development the reality that in fact we are now at a position where office accommodation is not available for inward investment in Jersey. If Esplanade Square can assist that in any way I certainly am happy to take advice from Ministerial colleagues to consider discussions with S.o.J.D.C. about how the exciting Esplanade Square Development could move even faster to deliver inward investment into Jersey.

**4.6.3 The Connétable of St. John:**

Firstly, could I congratulate the Minister for Treasury and Resources on his elevation but it would have been nice for the Chief Minister to have notified this House in this Chamber of the elevation instead of doing it the way it was done. Can I put the following question? Within the Esplanade Quarter and the car parks who will be receiving the revenue, Jersey Property Holdings for the car parks or will it be going to T.T.S.?

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

There is no change effectively. What S.o.J.D.C. must do is they must replace the car park that is currently provided on Esplanade Square. Now, if the site is being used for an office development they have to provide the car parking spaces and exactly the same financial arrangement exist with the new car park as the old one. What they have got to do is they have got to deliver that car park as part of their overall plan. I am not exactly sure, but I will check immediately - I have got questions without notice - I will check exactly how the accounting of that works. I think the revenue, some way, ends up into the car park trading account but I will just double-check that. I am pretty sure that is right.

**4.6.4 The Connétable of St. John:**

That being the case will the Minister ensure that the charge-out will not reflect those which are currently charged out down in the car park which is currently manned by Property Holdings but reflect the charges of those by T.T.S.?

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

The car park that the Waterfront Enterprise Board, formerly known as S.o.J.D.C., operates at the Waterfront is, I think, on a different charging basis than that of T.T.S. Currently T.T.S.' arrangements are, I imagine, and this is the discussion that has got to happen with T.T.S. but, of course, we would consult with T.T.S. and decide how. The point is; is that whatever the arrangement is today will be the arrangements under the new car park. It is just the physical structure of the car park that is going to be different. I hope that helps the Connétable.

**4.6.5 The Connétable of St. Helier:**

As an aside, in reply to an earlier question the Minister said: "No surprises there." I have just been very unpleasantly surprised. The return from this masterplan, which was originally put to the States, I believe, with a figure of £70 million on it has gone down to £50 million this morning and now it has gone down to £40 million so that is a very unfortunate surprise and I

would ask the Minister to, as soon as possible, put something down in writing if you like. I know it is an estimate but at this rate we are going to get very little return at all.

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

I do not think everyone can win on this. One minute I am defending the fact that the scheme is a loss of £50 million, the next minute we are having political comments. The fact is that this is a build-out that will happen over 20 years. Deputy Le Fondré's questions are: are the first 2 buildings going to pay for the car park obligation, and the answer is, yes, they do. Am I increasingly optimistic from the figures that I have seen about the potential for Esplanade Square delivering better returns? If the economy returns to growth, if we continue to see inward investment into Jersey, that number is going to go up. I know that the Connétable will share that desire to see that number to go up because he effectively wants some of that money for St. Helier regeneration, which I absolutely support his underlying question.

**4.6.6 Deputy G.P. Southern:**

Did the Minister have a conversation or conversations with R.B.C. (Royal Bank of Canada) on the subject of moving to this particular site?

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

I meet R.B.C globally, locally, on lots of different occasions but their site selection is a matter for them and I think must be absolutely dealt with by the independent board and, as I understand it, the decision makers for those institutions are often not even local, they are in fact in their head offices in other countries and often deal through agents. So, no, it is not and there should be no discussions upon that sort of level. My relationships with institutions are based upon their presence in Jersey and what they are doing from a financial services point of view not their office accommodation. S.o.J.D.C. must operate at arms' length.

**Deputy G.P. Southern:**

So the Minister is saying, just for clarity, that there was never any meeting with R.B.C. on this particular subject?

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

I meet R.B.C., as other Ministers, regularly and they tell me of their exciting plans for investment in to Jersey and I am delighted about that but it is up to them where their site should be. S.o.J.D.C. operates at arms' level so I am aware of it but specifically, no.

**4.6.7 Deputy J.H. Young:**

The Minister is a passionate advocate of the Esplanade development and clearly he has highlighted again the importance of the return on this development which has been put in writing. In fact he put it in writing to the Minister for Planning and Environment in order to gain consent. In his written answer, 16, he sets out the process on which those figures are based but there is no commitment to an independent review. In view of his new "supremo" position of both managing and promoting financial services, regulation and public finances, and all of the new quangos, as it were, could he not reconsider to at least ensure there is independent review of these figures to ensure we can rely on them for the future?

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

First of all there is no "supremo" position. I am working with the Chief Minister, with the Minister for External Affairs and with the Minister for Economic Development on, effectively, our financial services strategy. I think many Members would reflect the fact that we and I have been doing that for some time. Answering the question about the fact I am

passionate about Esplanade Square, what I am passionate about is getting good value and a return to States public finances. I am a passionate advocate of anything that delivers, appropriately, legally and properly, effectively better public finances and resources to pay for capital projects and a better return for land for the public.

[10:15]

So that is why I am supportive of Esplanade Square and also competition in the office market making sure that there is a plurality of supply for those office seekers of new accommodation. S.o.J.D.C. operates... and my email to States Members, which I am sure the Deputy has seen, in fact he has responded to me. It clearly says we should not be appointing boards and then suddenly saying that we need further layers of independent work. The scheme that Esplanade Square is doing at the moment is very different from the previous scheme of which there was a lot of concern because it involved a single developer. S.o.J.D.C. has broken this scheme down now, a phased development. We have got a proper board. They get proper advice and frankly all the questions that I ask of them I am extremely satisfied of their decision-making process, the people they have working for them and their advisers and I hope the Deputy is too.

#### **4.6.8 Deputy S.G. Luce of St. Martin:**

While agriculture and tourism might be our traditional industries, would the Minister agree with me that financial services is the most important sector of our economy? Given that fact, providing facilities that are up to date, modern and state-of-the-art is vitally important for this industry, especially in the increasingly competitive marketplace of global financial services.

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

Absolutely and that in any way does not detract... and I heard, as other Members would have done, the radio interview this morning. This is a zero-sum game. It is not a binary decision of financial services or tourism. It is all of it but the Deputy is quite right to say that the engine of our economy for the last 20 or 30 years has been financial services and we have been working hard to protect financial services in the future. We are increasingly optimistic of financial services but in order for financial services to effectively compete, it needs raw material. It needs labour, highly skilled local people, some immigrant labour and it also needs office accommodation and top class Grade A office accommodation of which private sector developers are providing some but Esplanade Square delivers exciting new space which also is valuable to taxpayers.

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

The Minister hopefully will recall that as a result of the King Sturge Trowers Report, the then developer of the Esplanade Quarter was required to put a guarantee in place in the form of a bond of £95 million before the project could commence and that was because that was the professional assessment of the magnitude of the risk of the project. Now, if broadly speaking, the same masterplan is being delivered, even if it is in phases, and the property market has not to date significantly changed, are we on behalf of the public of the Island, whether directly or through S.o.J.D.C., carrying risk in that sort of order, i.e. £95 million give or take, which was the size of the bond that was previously required to be in place?

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

I do not want to be too critical of Deputy Le Fondré but Deputy Le Fondré seems to be operating with these persistent questions. I think it is fair to say he is not a fan of Esplanade Square and never has been probably but he is stuck in a time warp of 2007. The world has moved on dramatically. The plans for Esplanade Square are being delivered in an entirely

different way than previously. I would have agreed with him if a single entity was to be delivering the whole of the scheme and owning that scheme and had to bury a road which costs the numbers that he was talking about then yes, but what we are now doing with S.o.J.D.C. is seeing a phased development which will work through a series of phases which we are looking at to see whether the end result of the return available will be able to deliver all of the planning obligations, including the lowering of the road and the earlier comment about the surplus over and above that delivers an assumption of the cost of delivering the road. So the world has moved on. When he was the Assistant Minister for Treasury and Resources, we were dealing in a very different world and a very different scheme and so asking me questions about this previous report, while interesting, are not very relevant to the scheme that S.o.J.D.C. are working on now.