

**3.8 Deputy G.P. Southern of St. Helier of the Chief Minister regarding investigations into the background of companies based in Jersey which were involved in the financing of the construction of Alder Hey Hospital, Liverpool:**

In granting permission for them to trade under the Control of Housing and Work Law, will the Chief Minister state what investigations, if any, were made into the role that Henderson Infrastructure, a Jersey company, played in financing the construction and servicing of Alder Hey hospital, Liverpool, through Laing O'Rourke plc and Alder Hey (Special Purpose Vehicle) Limited, and whether such activity enhances the reputation of the Island's finance sector?

**Senator I.J. Gorst (The Chief Minister):**

Could I ask Senator Ozouf in his role as Assistant Minister responsible for financial services to answer?

**Senator P.F.C. Ozouf (Assistant Chief Minister - rapporteur):**

The business activities of Henderson Infrastructure are not under the Control of Housing and Work Law, so the rest of the question is probably not relevant. However it would be not appropriate to make in any case any comment about third parties, other than perhaps to note that the matter apparently referred to in the U.K. media comment, which I assume is what the Deputy is questioning about, is a standard P.F.I. or Private Finance Initiative deal signed and therefore approved by the U.K. Government itself.

**3.8.1 Deputy G.P. Southern:**

If the activity of this company does not come under the Control of Housing and Work Law, what laws do they come under? Is it J.F.S.C. (Jersey Financial Services Commission)?

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

I am advised there are no regulatory requirements in respect of this particular issue. It does not fall apart from any of the standard regulatory requirements of any promoters of company service and entities, *et cetera*.

**3.8.2 Deputy G.P. Southern:**

If I may, in that case: does the Minister not consider that it ought to be appropriate? We should be regulating the activities of companies like this which strip out the profit from companies based in the U.K. and thereby skew the bidding process for P.F.I.s throughout the country.

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

It would be entirely inappropriate, and I would invite the Deputy to consider very carefully making such accusations which, I assume, he purely speculates on. I also would say to the Deputy that it is of course a matter for the U.K. Government - in this case who has engaged a P.F.I. - to structure arrangements in the manner in which they decide is the best interest of U.K. taxpayers. What is quite clear is that Jersey's position in respect to the use of companies has been made very clear by the Chief Minister on numerous occasions. It will be made clearer when we publish the new Financial Services Framework later on this week and of course the main reason why companies choose to use Jersey company law is not tax; it is because the flexibility and the quality services in which they are provided. That is why people use Jersey company law.

**3.8.3 Deputy G.P. Southern:**

Does the Minister consider that activities such as this enhances the reputation of the Island in the world's eye?

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

I was last night fortunate to address a City audience including attending a dinner with a U.K. Treasury Minister. I am very clear that Jersey is highly regarded by the U.K. Recent comments by Ministers, the Prime Minister in the House of Commons, Minister Gauke recently, clearly indicate the high standing of Jersey that is held by the U.K.

[10:30]

Jersey is not a tax haven. We are not the problem. We are part of the growth solution of the U.K. Government and clearly our innovative company law is providing useful arrangements for U.K. companies.

**Deputy G.P. Southern:**

Will the Minister answer the question, please? Does he consider that activities such as this enhance the reputation of the Island? Yes or no?

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

If the Deputy is suggesting that the use of Jersey companies because of its innovative nature is anything apart from enhancing the nature of Jersey, I would say absolutely. Our company law is held up as being one of the best in the world.

**3.8.4 Deputy M. Tadier:**

My light has been obscured, and while I am loathe to interject in this ...

**The Bailiff:**

I am sorry, Deputy.

**Deputy M. Tadier:**

That is okay, Sir. It is because I now have someone else sitting in front of me. I will not complain because he is an ally. Does the Minister accept that if companies are set up in Jersey because of flexibility and not the zero rate of tax, then we should be getting rid of the zero rate of tax because that is clearly not what these companies come here for? But that is not the question. The question is in this particular case ...

**The Bailiff:**

It sounded like a question to me. Does he not agree?

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

Can he restate the question? I am sorry. He went on so. Could he simply restate the question?

**The Bailiff:**

Choose your question, Deputy and ask it.

**Deputy M. Tadier:**

The Minister said or implied that this arrangement here was due to the flexibility and not due to zero taxation or to tax benefit. Can he clarify that in this case the prime purpose of using a Jersey structure was for zero taxation so that they do not have to pay tax and therefore saving money for the P.F.I. (Private Finance Initiative) in question.

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

The Deputy, once again, attempts to put a narrow question on what is clearly a large issue so you will be frustrated that I cannot answer very simply. The fact is it is the U.K. Parliament, the U.K. Exchequer that is responsible for the arrangements of transfer pricing of entities within the United Kingdom. The U.K. Prime Minister has been very clear in the issue of profit shifting and the rest of it of which Jersey absolutely complies. We have a zero tolerance of the use of Jersey companies which abuse the intended will of parliament. However, it must be for the U.K. to deal with their U.K. issues in respect of the use of their companies and in this case the use of a P.F.I. which has been signed by the U.K. Government.

**Deputy M. Tadier:**

But surely this is a point of order. I have asked a very narrow question deliberately to try and elicit a narrow answer, preferably yes or no. The Minister made no attempt to answer that question in a meaningful way. The question is: does he accept that this vehicle and this particular example was used for tax-avoidance purposes perfectly legally? That is what we have been talking about, abusive tax avoidance, and not due to the other flexible structures that Jersey offers.

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

The factual answer is that it is a matter not for Jersey to consider the implications of the use of Jersey with another jurisdiction's tax authority. It would be wholly inappropriate as I ...

**Deputy M. Tadier:**

A point of order, that is not the answer; the answer was, yes or no.

**The Bailiff:**

The Minister is entitled to give his answer now.

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

The answer is simply that he is not getting the answer that he wishes. The answer is that it would be not appropriate. I do not know, and neither should I know, the absolute intricacies of any particular corporate structuring that is a matter for the U.K. Government Procurement Service. So the answer is no, but I do not know the actual details. I know the standards of which company service providers adhere to and also what the U.K. Government is trying to achieve. I cannot really add anything else.

**Deputy G.P. Southern:**

Does the Minister see no shifts?

**The Bailiff:**

No, Deputy, you had a number of questions.