

2015.06.02

5.1 Deputy M. Tadier of the Minister for Treasury and Resources regarding an agreement signed by UBS with the States of Jersey Development Company to move into the proposed Esplanade Quarter:

Following the announcement that UBS has signed an agreement with the States of Jersey Development Company to move into the proposed Esplanade Quarter, would the Minister inform Members exactly when this agreement was signed and explain exactly what incentives or inducements such as free rent periods were offered, if any, to UBS?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

The agreement was signed on 22nd May 2015. The precise details of the deal contain commercially sensitive information and will not be disclosed publicly, as is the case with all deals between developers and tenants.

5.1.1 Deputy M. Tadier:

There is the rub. We have more and more quangos being set up which distance the people and the public from the services which are allegedly being done in their name, which are becoming increasingly opaque and politically unaccountable. The Minister said that the agreement was signed on 22nd May. Why then did it take just over a week for the States Assembly to be informed of these developments, given the fact that there is already a Scrutiny review going on and that there is a proposition which was on the table, which had I known about this I could have moved it to this session? Because I only found out on the Friday I could not propose that it be moved to today's session. Does the Minister accept that he could have informed the Assembly much quicker than he did?

Senator A.J.H. Maclean:

In an ideal world, I would agree entirely with the Deputy. There was an agreement, though, between the company and the tenant that the delay in the announcement would be a week for personal reasons between the 2 organisations with people not available to be able to deal with the particular announcement. It was as simple as that, that they did not want it to be announced for that reason.

5.1.2 Deputy M. Tadier:

What is the nature of personal reasons and the fact that presumably these organisations have more than one person in each of them? UBS, I think, employs more than one member of staff who can deal with the public and P.R. (public relations) and S.o.J.D.C., given the fact that they have been spending most of their time on Facebook in a P.R. exercise over the last week, seem to have ample time on their hands to be able to liaise with the States Assembly and the public to make an announcement. So can he acknowledge that that excuse that he has given is unacceptable and that we should have been informed of this on 23rd May at the very latest?

Senator A.J.H. Maclean:

It is not an excuse. It happens to be the fact. That was what was agreed. The 2 parties entering into this lease agreement agreed when the announcement was most appropriate for their own purposes, and that seems perfectly reasonable. It was a week between the actual formal signing and the announcement and that is all I can say on the matter.

5.1.3 The Connétable of St. John:

Could the Minister, being aware, of course, of the Ministerial Decision signed on 14th October 2014, explain to this Assembly how less than one-quarter of the pre-lets having been signed complies with that Ministerial Decision?

Senator A.J.H. Maclean:

I do not quite understand the Connétable's point. I alluded to earlier on in questions that before the first shovel, as it were, can go into the ground and the development can start, there has to be agreed funding in place and there has to be a viable project. Clearly the bank that is providing the funding to S.o.J.D.C. carried out their own valuation, their own appraisal of the value of the building, based on just one tenant, which is the tenant we are referring to, and that the building on completion, if that is all there is, the value of that building exceeds the construction cost and therefore meets the requirements laid out in the M.o.U. (memorandum of understanding) and agreed by this Assembly.

5.1.4 Deputy S.Y. Mézec:

The Minister for Treasury and Resources, I think quite admirably, turned up to the meeting organised by Deputy Tadier on this subject very recently to make the case there. Could I ask him if he will also be attending the demonstration scheduled for this Sunday and would he address the crowds there to try and make the same case to them?

Senator A.J.H. Maclean:

I do not know exactly what form necessarily the demonstration is going to take, but I think to be most constructive, what I have learned from this process is that it is clear that there is a lot of misinformation, there is a lot of inaccuracy and there is a need to clarify a great deal of information around the Jersey International Finance Centre and how the development is being undertaken. I thank the Deputy for his recognition that I turned up to hear the other side. I think it is important always to hear both sides of the story, but it did make me realise that there was a need for States Members to have an update briefing on exactly where we are with this development and there is a need for the public to have not just a briefing but an opportunity to come and talk to the officers of S.o.J.D.C., to talk to me as the Minister responsible with a shareholder responsibility on behalf of the public. Therefore, I can tell Members that over the next week or 10 days, as soon as diaries are available, we are going to set up those 2 events to ensure hopefully greater understanding and remove some of the inaccuracies that are being perpetrated. I have to say some of them, very unhelpfully, are inciting quite a deal of anger among people. If I was sitting at home picking up the *Jersey Evening Post* reading an editorial [Approbation] talking about a battle for democracy all about the Jersey International Finance Centre, I would be incited. That is quite simply not the case, as Members will be very, very aware.

The Bailiff:

There is a 90-second rule, Minister.

Senator A.J.H. Maclean:

This matter has been dealt with on many occasions. [Approbation]

5.1.5 Deputy S.Y. Mézec:

This Minister has said that a previous Minister has said things in which he was mistaken. So would he acknowledge that that contributes to a lot of the anger that the public are feeling about this?

Senator A.J.H. Maclean:

More so, I would say the way perhaps that was reported did not help. Obviously it was unhelpful that that mistake occurred. However, it was very quickly clarified but I do not believe that the clarification necessarily got the prominence that was appropriate. The facts are the facts. The situation changed. Back in 2008 or preceding that, at the time of Harcourt, there was a very good reason for the 200,000 square feet. It was a third-party developer that was undertaking the development. There was risk; they had a track record of digging holes in America, in Las Vegas, and not completing a project. We in this Assembly did not want that and that is why the conditions were put in place. We are now doing it ourselves. The situation has changed.

5.1.6 The Connétable of St. Helier:

Does the Minister think there is any significance in the fact that this demonstration that is being talked about was promoted at a meeting attended by some 40 people in St. Brelade by a failed Senatorial candidate whereas the Jersey International Finance Centre has been promoted and supported by the Chief Minister who topped the poll in the recent general election and who was elected unopposed in this Assembly? [Approbation]

Senator A.J.H. Maclean:

I would just like to thank the Connétable for his contribution [Laughter] with which I thoroughly agree. I very much hope, picking up on the point that I made a few moments ago, that Members will come to the briefing that we are arranging and that members of the public will also come and engage and hear the facts first hand.

The Bailiff:

I was just musing about the Standing Order 10(3): “A question shall not be framed primarily so as to convey information rather than seek it, or to convey a particular point of view”, Connétable. [Laughter]

5.1.7 Deputy J.A. Hilton of St. Helier:

Previously the Minister for Treasury and Resources referred, when talking about the BNP report, to the best return of £50 million based on perfectly reasonable assumptions. Can the Minister tell Members what the worst figure is?

Senator A.J.H. Maclean:

Yes indeed I can. The worst figure has been produced not surprisingly, Members will know, by one of the competitors, Dandara, who suggest we are going to lose £74 million. There is a surprise. [Approbation]

5.1.8 Deputy J.A. Hilton:

I am sure BNP must have reported on a figure other than £50 million. Can the Minister tell Members what figure BNP did report on as a worst figure?

Senator A.J.H. Maclean:

I have already spent some time on the confidentiality element. I have pointed out to Members that the panel have now got the report. They can draw their own conclusions, I am sure, from that. There clearly are a range of assumptions. The most important point is that we have to continue to update, as indeed S.o.J.D.C. are and the board of directors who are extremely experienced in property development matters. We have to continue to review as time goes on but we are taking a phased approach, as I have said many times, and that is de-risking it for the public and there is no public money at risk in this development.

5.1.9 Deputy A.D. Lewis:

Does the Minister agree that such public debate about this does absolutely nothing for the credibility of this scheme and as a result is dissuading people from taking tenancies? This is a serious matter. This is public money that is being put at risk, effectively, by having such public debate. The whole idea of the J.D.C. (Jersey Development Company) being put at arm's length is so this did not happen. How can the Minister find a way of quelling this debate so that you can get on and do the job with this arm's length organisation called J.D.C.?

Senator A.J.H. Maclean:

The Deputy raises a very, very valid point. We have got to communicate better and we have got to hope that what we communicate is properly reported. At the end of the day there is cost to the public as a result of this continual public debate about this particular development. It represents

risk. Deputy Tadier asked the question about inducements and incentives. Yes, it has cost us money to secure the first tenancy. That is not surprising; every single development, every development company, gives incentives. That is typical. What is not typical is that we are having to pay more. Every time we have debates of this nature, every time we have another review or another debate it costs more money to the S.o.J.D.C. and therefore it costs more money to the public of this Island. I do not think that is in anybody's interest.

5.1.10 Deputy M. Tadier:

Other developers may give inducements or incentives but they are not backed up by the Government. That is the difference, I think. The issue here is that on the back of the UBS contract we have then had a statement which says that building can now go ahead. The P.73/2010 which the Minister refers to talks about having to secure a sufficient level of legally binding presales and pre-lets to fund the cost of constructing the first phase of the scheme. Now, the only assurance we were given, because that is vague, it does not put any figure on it ... the only figure that this Assembly and the public have had to go on was the 200,000 square foot that the former Minister for Treasury and Resources gave and nothing has ever happened in this Assembly to say that that is no longer valid. So, on the basis of that, it is quite understandable that having gone into the election himself with his Ministerial colleagues, he waits until now to say that the former Minister for Treasury and Resources was mistaken and it is quite convenient timing. Does the Minister agree that whether the former Minister was mistaken or not, the fact is that the promise has now been broken, the goalposts have been changed, and that there is reasonable understanding that we should wait for the Scrutiny report to be finished before there is even any question of construction going ahead on the Esplanade Quarter, for the sake of openness, transparency and keeping one's promises to the electorate?

Senator A.J.H. Maclean:

Promises have not been broken. I think I have explained this time and time again. A mistake was clearly made. That is regrettable. I have clarified the position and I think that if we look back at P.73/2010, we look at the memorandum of understanding, we look at the fact that the conscious decision the former Minister for Planning and Environment took in 2011 to phase the project in a different way, which dealt with the car park area, the 6 buildings first, that is what is being dealt with. There is still a lot of talk about sinking the road and all the rest of it. That is further down the track. At the moment, the first phase is dealing with the 6 buildings on the Jersey International Finance Centre. That is what S.o.J.D.C. have been tasked to get on with, that is what they are doing, and they are doing that building by building.

[11:15]

Each building has to be viable and that is why the most important fact in this is that the S.o.J.D.C. have acquired the financing. They went to the bank. The bank looked at that particular construction and, as I have said several times this morning, they were prepared to lend the money based on just the one lease agreement for 16,000 square feet. I have not said to Members, by the way, that the bank has also said there is a further 7,000 square feet option they have got. That is something we may yet see and there is a further tenant possibly in the wings.

5.1.11 Deputy M. Tadier:

I think it is worth asking: when was the mistake uncovered? We have heard only in response to the media that actually Senator Ozouf made a mistake. When was that mistake discovered by the Minister?

Senator A.J.H. Maclean:

The Minister became aware of it I think when Members did, when it was drawn out that it had been said in Hansard. There was a great deal of debate, in fact, at the public meeting that the Deputy arranged in St. Brelade. I think it was one of those at that particular debate who asked the question

about the 200,000 square feet. I clarified the position as I understood it. Having personally reviewed the documents, going back to P.73/2010, I was very clear that 200,000 square feet related to Harcourt. However, that particular questioner at St. Brelade said: “No, 200,000 square feet was what the former Minister for Treasury and Resources said.” We then went back and looked at Hansard and saw the details. So that is when we became aware.

5.1.12 Deputy J.A.N. Le Fondré:

May I make a point of clarification on the last speaker? I believe the Scrutiny Panel raised it in correspondence to the Minister quite some time ago. The second point is that the Minister has frequently made reference to the statement made in 2009 and saying that 200,000 square feet related to Harcourt. Senator Ozouf made it quite clear at that point that the heads of terms of Harcourt had been terminated.

Senator A.J.H. Maclean:

Sir, was that a question?

The Bailiff:

There was no question there.

Deputy J.A.N. Le Fondré:

Would the Minister like to comment, Sir?

The Bailiff:

Comment now, Minister, but Deputy Le Fondré has got his own question in just a moment. You are going to make a statement, there are going to be more questions. We are going to move on, but would you like to answer that particular question?

Senator A.J.H. Maclean:

Which one, Sir?

The Bailiff:

The question that your predecessor had apparently made it plain that the deal with Harcourt was off when he made the last statement?

Senator A.J.H. Maclean:

I had not noted that that is what he referred to. All I can say to Members is the clear fact that the 200,000 square feet related to Harcourt. Since then the phased approach, 2011 when the Minister for Planning and Environment changed the arrangements on the masterplan, made it absolutely clear that a phased approach was being dealt with and therefore it is also clear by association that the 200,000 square feet had gone.