

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

As Members will be aware, W.E.B. (Waterfront Enterprise Board) entered into heads of terms with Harcourt Developments Limited in July 2007. Those heads of terms require the negotiation and entering into of a development agreement between Harcourt and W.E.B. in relation to the Esplanade Quarter development. The heads of terms provide that the development agreement will require the approval of the Minister for Treasury and Resources. Further, I have committed not to give such approval until the States Assembly has considered and given its approval to the terms of the transaction. That notwithstanding, W.E.B. has been progressing negotiations with Harcourt in good faith in accordance with the heads of terms. As I have previously explained, it is a fundamental requirement of the heads of terms and the development agreement that a bank or insurance company bond be issued in the sum of at least £95 million. It is intended that the bond can be called upon in the event that the developer breaches a material term of the development agreement. W.E.B. have been seeking appropriate confirmations from Harcourt and its funders that such bond can and will be provided. I have been advised by W.E.B. that as yet such confirmation has not been received in satisfactory terms. I have been kept informed by W.E.B. throughout as to the progress of negotiations with Harcourt. I have every confidence as to the manner in which the board of W.E.B. have been dealing with these negotiations. Members should, however, be aware that these negotiations are commercially sensitive and must be conducted by W.E.B. within the framework of the heads of terms. I think it is important to remind Members that the Esplanade Quarter development is a mixed use scheme including the provision of residential units. There continues to be a strong demand for residential accommodation on the waterfront. There also remains a requirement for modern office accommodation built to meet the needs of the on-Island financial services institutions. It is particularly important that we can meet the requirements of such institutions as this is a material factor in seeking to persuade them to retain or expand their operations in Jersey at this difficult time. It may be helpful for me to inform Members that under the terms of the draft development agreement, the development of the Esplanade Quarter would not commence until agreements have been entered into for the letting of at least 200,000 square feet of office accommodation. I undertake to update Members as and when the situation changes.

### **The Greffier of the States (in the Chair):**

There is 10 minutes of questioning to the Minister. Senator Breckon?

### **8.2 Senator A. Breckon:**

Could the Minister confirm that we gave Harcourt a deadline of 30th June and they have not come up with the money? [Approval]

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

It is quite correct that W.E.B. did give Harcourt the deadline of 30th June, not really to come up with the money but, of course, to find and put in place the appropriate bonds and guarantees. That is correct.

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

Would the Minister advise, with regards to the part of his statement that there also remains a requirement for modern office accommodation built to meet the needs of the on-Island financial services institutions, whether he or W.E.B. have done an up-to-date cost benefit analysis of this due to the current economic climate and whether that industry does require the additional accommodation?

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

Certainly, there has been a number of investigations ongoing. Obviously they are commercially sensitive, but I am aware certainly - and Members will be aware - of some institutions which are

consolidating and certainly there is demand. Just as we expect the financial services industry to return to profit in the medium to longer term, I have every confidence that this space is going to be required. But we do have to work very hard in sending out the signals to the financial industry that we are positive about the future, not least of which is, for example, adopting depositor compensation schemes and others to give the confidence that investors in the Island need in order to make those important decisions. But yes, certainly there is demand but it may not have been as strong as it was 12 months ago.

#### **8.4 Deputy G.P. Southern:**

Having failed to meet the deadline set by the Minister, does this mark the end of Harcourt's involvement in this scheme?

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

W.E.B. I think with, if I may say, the addition of the new States-appointed directors on the board, are dealing with this negotiation entirely properly. It must be to W.E.B. that we look to conclude the arrangements with Harcourt. Harcourt entered heads of terms. There were stipulations in it and W.E.B. I hope will bring to a conclusion those negotiations so this Assembly can consider that development agreement and opine on it on that day. Certainly, W.E.B. need to be persuaded by Harcourt. They have missed the deadline. As I understand it, there are further questions being asked of Harcourt and W.E.B. needs to conclude this pretty quickly.

#### **8.5 The Connétable of St. Helier:**

I will ask the question I think several Members have been trying to get out of the Minister in a very opaque statement. What, please, is the new deadline that the developer has to meet?

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

I am being I hope as straight with Members as I can, but these are sensitive commercial negotiations which, of course, could with a misplaced remark put the States, or at least its wholly owned subsidiary W.E.B., into a difficult situation. The deadline has expired. I am aware that there has been a further exchange of correspondence and I will undertake to update Members as soon as I am advised of the outcome of that correspondence. But the deadline has certainly been missed and I am disappointed about that.

#### **8.6 The Deputy of St. John:**

If I was to say that 2 weeks is the new deadline, would I be correct or not, Minister? In saying that, could the Minister also inform the Assembly of the 200,000-odd square feet who the new tenant could be and could it be a States department and, if so, could it be Planning? Also ...

#### **The Greffier of the States (in the Chair):**

Let us just have one question at a time, Deputy.

#### **The Deputy of St. John:**

I am just trying to follow it all through because as the Member who has brought a report and proposition on this ...

#### **The Greffier of the States (in the Chair):**

There are other Members waiting to ask questions, so please be brief.

#### **The Deputy of St. John:**

Yes, I will be brief. So, who the new tenants could be; will they be paying rent or will they be wholly owned by the Island? Further to this, could he give us the size of a 200,000-odd square

foot building? Is it the size of the hospital? Is it the same size as the Cyril Le Marquand Building?

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

The Deputy well knows that I could not inform the Assembly who the counterparties for any space are. That would be a breach of confidentiality. I can confirm, however, that I do not support the moving of States offices on the waterfront and that would take my sanction as far as Property Holdings are concerned. It has to be private sector led. As far as the deadline is concerned, it is clear that the deadline has passed, but W.E.B. are taking legal advice, as they must, in order to complete and to demand of Harcourt and to ensure that the arrangements with Harcourt are followed through. Harcourt must be treated reasonably and fairly.

**The Deputy of St. John:**

On a point of clarification, given that the Minister cannot give us the date of the extension given, that means I cannot withdraw my report and proposition at this stage or ask for it to be delayed because the Minister is not being fair with the Members.

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

I would say that the Minister is trying to safeguard the public interest and ensure that the public interest and W.E.B. are not put in any inappropriate position in their negotiations with Harcourt.

**8.7 Deputy D.J. De Sousa:**

If this was a States department, I am sure they would have sanctions and penalties for failing to meet deadlines. Are there any sanctions or penalties going to be incurred by Harcourt?

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

The sanction is very clear. It is the falling away of the ability to develop the waterfront and to deliver on our hopes and aspirations to deliver a new financial quarter for Jersey. That is the penalty. That should be clear.

**8.8 The Deputy of St. Mary:**

In view of the fact the total value of this scheme is around £350 million, I just want the Minister to explain where the figure of £95 million comes from - I may have missed something - and what exactly is meant by insurance bond.

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

I am not going to use the 10 precious minutes to go through effectively what the £95 million is. I am happy to give a note to the Deputy and circulate it to all Members. Effectively, it is the amount of money required in order to deliver the infrastructure areas for the underground car park, the road, et cetera, to ensure that the States' position is safeguarded so that it would not be in a position that the developer could walk away without having completed the development without any money. That is the guaranteed bond which the States were given. It is very difficult to explain very quickly. I am happy to circulate a detailed note on that.

**8.9 Senator B.E. Shenton:**

Given that a number of other office projects in town have been pulled through lack of demand, including the Dandara office project on the Esplanade, is it not about time that the Minister stopped wasting taxpayers' time and money and admitted that the waterfront idea is dead in the water? **[Approbation]**

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

I am not the Minister for Planning and Environment. I am doing the job of the States' instruction; that is to bring a deal to the States and to safeguard the public interest in terms of

financial matters. I maintain my support, not wearing a Treasury hat, for the Esplanade Quarter development. What I would ask Senator Shenton and others is to allow W.E.B. to bring it to a conclusion so that this Assembly can decide whether or not it wants to go ahead with the deal or not, not to try to interfere in the negotiations en route. Let us bring this matter to the Assembly for approval with all the necessary documentation in place and encourage W.E.B. to bring Harcourt to account and bring those bonds and guarantees.

**8.10 Senator B.I. Le Marquand:**

Is the Minister satisfied in the light of the failure of Harcourt to provide the necessary guarantees within the period and the failure of Harcourt to meet its liabilities to various States departments that Harcourt is still a credible party with whom W.E.B. can properly contract?

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

I am very disappointed to hear from W.E.B. that Harcourt have not delivered on their obligations in the heads of terms, and I think that W.E.B. are acting absolutely correctly in now seeking urgent clarification of the situation with Harcourt and that I can report then to the Assembly of that situation. Certainly, there has to be a question mark over Harcourt in its inability to have yet delivered on the guarantee and insurance bond.

**8.11 Deputy S. Power:**

I do appreciate that the Minister has to be very careful with his words. Indeed, I fell foul of that situation a few weeks ago myself. It appears that there are variations in the terms of the development agreement in that there is an extension from 30th June. Can the Minister confirm - is he in a position to confirm - that Harcourt have applied to reduce the size of the bond?

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

I am not in detail aware of all of the negotiations that have happened with Harcourt and W.E.B. Frankly, I am not interested in any compromise at all in relation to the bond and guarantee. Harcourt signed heads of terms with £95 million. That is the figure that is required in order to safeguard the public interest and that is the amount of bond and guarantee which Harcourt must provide.

**The Greffier of the States (in the Chair):**

It is nearly time. Briefly, Deputy Martin.

**8.12 Deputy J.A. Martin:**

Yes, very briefly, the last paragraph, helpful to Members, it would be helpful, could the Minister tell me what percentage is 200,000 square feet of office space? What is the actual overall?

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

About 50 per cent, I think.

**The Greffier of the States (in the Chair):**

Final question, Deputy Higgins.

**8.13 Deputy M.R. Higgins:**

I get the impression that under the head of terms agreement Harcourt can spin this out almost infinitum. Can the Minister inform us what Harcourt would have to do to be in breach of the agreement and enable any development to be put out for open tender?

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

The Deputy purports to have much experience in a lot of matters and I think he must know that it is difficult for me to comment on complex legal matters and certainly to say inappropriate words

and to say what the view upon legal advice is of breaching the contract. He would not expect me to make inappropriate remarks in order to assist any counterparty that would wish to take action against the States. So I am being guarded in my remarks, and I would ask that he and the rest of the Deputies and Constables and senatorial benches give a vote of support to the directors of W.E.B., to the board of W.E.B., to bring this matter to a satisfactory conclusion and not to compromise the public interest in terms of exposing us to risk unnecessarily.

**The Deputy of St. John:**

On a point of order, the Minister never answered my question about the size of the buildings that would be going on the site. Can he tell the Members, please, how big 200,000-odd square feet is? Does it look like the hospital or does it look like Cyril Le Marquand House? Give us a description, please.

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

I do not know where the Deputy of St. John was. Was he not in the Assembly when we debated the master plan? My memory is failing me. Perhaps he was not. What I will do is I will get a copy of the approved master plan and show him. I am sure that as Chairman of the Scrutiny Panel he will take a keen interest. The matter has been approved by this Assembly.

**The Deputy of St. John:**

That is not the answer I expected. I asked that it be explained to the Members how big 200,000-odd square feet is.

**The Greffier of the States (in the Chair):**

The Senator will get back to you in due course. Very well, that concludes the question period.