

Dear Deputy Le Fondré,

## CSSP review of the ISP and SOSJ

You will be aware that I, as Chairman, made a submission to your Panel on behalf of SOSJ. I felt that it might also be useful for me to express my concerns and thoughts on the matter to you as an individual.

Although, of course, the important question as to whether the recent developments are, or are not, in line with the original intentions of the Masterplan 2008 are extremely important, what primarily concerns me and which I feel is the crux of the matter, is the total lack of financial information available to the Assembly and the public it represents such that would enable them to have at least an idea as to whether the latest proposed development

- would be viable or not,
- what financial risks it would potentially pose if things went wrong and
- whether it would compare favourably with other potential urgently needed alternative States projects (e.g. when compared on an NPV basis)

The original Masterplan 2008 was approved by the Assembly subject to the States Treasury Minister fulfilling his commitment to the Assembly to provide it with the relevant financial plans.

These financial plans ( supposedly showing a loss of £50m) were prepared but never presented to the States because, shortly after, the deal with Harcourt fell through.

Some five years later, quite explicitly under the guise of a 'Revised' Masterplan 2008, proposals for the construction of an IFC office complex were developed by SoJDC who started to seek approvals from the Planning Department.

If, for the sake of argument, one were to accept the dubious claim that this was indeed simply a revision of the original Masterplan,, surely one would have expected the story to have taken up where it was left off five years previously i.e.

- The original Masterplan 2008 would have been resurrected.

-The original (unapproved but available) financials for the whole Waterfront plan would have been dusted off.

- If appropriate, those sections of the Assembly approved '2008 Waterfront Masterplan' referring specifically to the building of offices together with their related financial plans would then have been substituted by the new ones relating to the IFC development and these revisions integrated into the original plan so as to create a '2008 Waterfront Masterplan (Revised)' which, with all its updated financial information, would then have been submitted to the States Assembly for its approval in the same manner as its original. This submission would also have enabled the previous Treasury Minister's pledge to provide the Assembly with the financial data to be honoured prior to any development starting.

This has not happened and the Assembly and Public have neither a comprehensive 'revised' plan for the whole Waterfront nor any financials in relation to any part of the plan whatsoever.

Financials in respect of the revised office building plan have been specifically denied to the Assembly and the public on the basis of releasing 'commercially sensitive' data. Whilst SoJD, acting as a developer, would not wish to be put at a disadvantage in the market by having to disclose such data, this term has been used misleadingly to deny all financial data (with the exception of the historical Statutory Accounts) to the Assembly and Public.

What is and what isn't 'commercially sensitive data' is a technical matter which no one appears to be able or willing to challenge. Some data is and some not. No doubt, even if the CSSP are permitted to see hitherto unpublished data, they will be shown it on the condition that it is not released further on the basis that it is potentially 'commercially sensitive'. For instance, whilst, on the one hand, it is certainly important for competitive reasons to those negotiating with potential clients not to disclose information about specific rental terms offered, it is, on the other, even more important, considering the gigantic sums involved, for those to whom the business belongs (i.e. the States) to know, for its future planning purposes, what overall net returns are planned to be achieved for the next 3, 5 and 10 years and not least so as to be able to compare the overall overall returns on this project other urgent large projects with which it could compare unfavourably.

In order to ensure fairness in this matter, I would strongly suggest that, if the CSSP wish ( and I am sure that they will so wish) to publish data which is considered by SoJDC as being commercially sensitive, the onus is put on SoJDC to demonstrate how precisely such data could possibly be of use to its competitors. Such a demonstration would be clear and obvious but should there be a disagreement a third party could be called in to resolve the problem.

I would also strongly recommend that when reviewing SOJDC's actual and planned performance that you request seeing it analysed by main areas of operation so as to see precisely what profit / loss has been made and is planned to be generated overall on development, car parking, investments etc since I am sure that will show an interesting picture. As a project's expenditure can fall into several years proceeding completion and some income such as 'overage' is only shown in the year of receipt, it is not possible to see, from the Statutory Accounts, what the final profit or interim status relating to any specific project might be. It would thus also be interesting to see what total final profit has been made on a specific development such as Castle Quay and whether this corresponded with the forecasts made by SoJDC and what the accumulated expenditure on the Esplanade Car Park might be.

In summary, were I to be undertaking your review, I would predraft a financial statement which would require SoJDC to 'fill in the blanks'. This would be only bottom line data but would be such that States members would be able to see SOJDC's commitment to future net profits before dividends on the same timescales as is expected of other States departments (years 1,2,3,5,10 ?) This would enforce accountability on both the short term and help States members to gauge the NPV readily for the purpose of comparison with other urgent projects ( or alternatives, for instance, such as has already been suggested, simply disposing of the Esplanade site for a cash sum to a third party). 'Totals' only would be sufficient but as a 'try on' I would ask as well for a breakdown / analysis between different operations. If SOJDC's management accounting systems are up to scratch, all the figures must be there so it would not entail them undertaking any additional work. If they claim 'commercial sensitivity', it must be up to them to demonstrate to your Panel how releasing them will enable competitors to calculate back to any specific 'sensitive' data. In the light of its importance, they would of course also need to state what basis of inventory valuation and accounting policy they had used to arrive at their figures ( ie profits) supplied. Note, however, that some valuations are made by a professional employed by SoJDC and for complete impartiality it may be necessary to consult a third party.

Most importantly, in order to avoid misunderstandings from the outset, I would strongly suggest that SoJDC are presented up front with the specific format of what you want in terms of data otherwise you will get the same old prevarications.

Please note that I recently had a discussion with Lee Henry and in response to my query about land valuations, he pointed out that the £20m capital reserve in the Statutory accounts related to Waterfront land valuations. I made no comment, but was under the impression from another informed source that the Esplanade Car Park alone had a market value of £50m. Perhaps this may be worth looking into. It is also relevant to the question of securities that have been offered by SoJDC to third party banks (Mr. Henry told me that he had already arranged some loans); it is clear to me that, unless someone stands up in the States and gets a yes / no answer to the question '

can you confirm that any third party lenders to SoJDC have been told explicitly that, in the case of SoJDC's failure for any reason, the States will not step in will rescue funds or loans and will allow the company to fall into liquidation?' , bank lenders will assume that SoJDC has limitless backing of the States Treasury and will of course provide SoJDC any overdrafts it requires to progress with its high risk developments at preferential interest rates in the full knowledge that the States will guarantee the loans. This must be addressed specifically since, if it is not, the States and the taxpayers will be at risk.

In establishing the question of 'who said what, to whom and when?', you are going to run into the question of the validity of commitment statements made in the States and recorded in Hansard. (Senator LeSueur'sfor instance). What is the mechanism that deals with such things. McLean can say .Well, that was at another time by another States Treasury Minister'. It is my opinion that such an undertaking should always be honoured unless, prior to being elected, a manifesto states specifically that such a commitment will be overturned (in which case the elected member has the freedom to do what he wishes) or, a specific question needs to be resolved by the means of a full assembly proposal that such a commitment now, for the reasons given, be overturned.

I hope that my personal views, as opposed to those expressed as Chairman of SOSJ help. If you wish to forward some or all of this e mail to your Panel feel free to do so.

Michael du Pré

2 March 2015