



STATES OF JERSEY

Corporate Services Scrutiny Panel Jersey Development Company Sub-Panel

TUESDAY, 25th AUGUST 2009

Panel:

Deputy C.H. Egré of St. Peter (Chairman)
Deputy D.J. De Sousa of St. Helier (Vice-Chairman)
Senator S.C. Ferguson
Connétable S.A. Yates of St. Martin
Deputy T.A. Vallois of St. Saviour
Mr. R. Law (Panel Advisor)

Witnesses:

Mr. S. Izatt (Managing Director, Waterfront Enterprise Board)
Mr. L. Henry (Finance Director, Waterfront Enterprise Board)
Mr. P. Crespel (Non-Executive Director, Waterfront Enterprise Board)
Connétable J.M. Refault of St. Peter (States representative, Waterfront Enterprise Board)

Present:

Mr. W. Millow (Scrutiny Officer)

Deputy C.H. Egré of St. Peter (Chairman):

As you sit down, could I just refer to the documentation that you see in front of you in that encapsulated sheet which gives you the basic structure of ... are you happy with that? Right. As we always do, just for the record so that we have information on the recording system, could we just go through and introduce ourselves, please, starting with you gentlemen.

Mr. P. Crespel (Non-Executive Director, Waterfront Enterprise Board):

Peter Crespel.

The Deputy of St. Peter:

And your role, sir?

Mr. P. Crespel:

Non-executive director of W.E.B. (Waterfront Enterprise Board).

Mr. S. Izatt (Managing Director, Waterfront Enterprise Board):

Steve Izatt, Managing Director of W.E.B.

Mr. L. Henry (Finance Director, Waterfront Enterprise Board):
Lee Henry, Finance Director of W.E.B.

Connétable J.M. Refault of St. Peter:
John Refault, States representative on the board of W.E.B.

The Deputy of St. Peter:
Again from our side of it?

Connétable S.A. Yates of St. Martin:
Constable Yates from St. Martin.

Deputy D.J. De Sousa of St. Helier:
Deputy De Sousa from St. Helier and vice-chair.

Mr. R. Law (Advisor):
Richard Law, advisor.

The Deputy of St. Peter:
Deputy Colin Egré, Chairman.

Deputy T.A. Vallois of St. Saviour:
Tracey Vallois, Deputy of St. Saviour.

Senator S.C. Ferguson:
I am Senator Sarah Ferguson.

The Deputy of St. Peter:
Welcome, gentlemen. As you will be aware, this panel has set up to review the proposition for the setting up of the Jersey Enterprise Board Limited ... sorry, not J.E.B. (Jersey Enterprise Board), the Jersey Development Company, which is an offshoot of a previous life. We will go straight into our questioning, if we may. I will be leading the questions and they will be followed up from my colleagues with any others that may follow. So, if I could first start with: please outline the roles currently undertaken by the Waterfront Enterprise Board.

Mr. S. Izatt:
The roles undertaken by the board?

The Deputy of St. Peter:
Correct.

Mr. S. Izatt:
Well, I am acting as Managing Director to try and move the company forward in conjunction with the non-executive directors.

The Deputy of St. Peter:
I think you are talking about your specific role. I am talking about the role of W.E.B. What do you see the role of W.E.B. is in its current position?

Mr. L. Henry:
The objectives of the company are set out in its memorandum and articles of association, which effectively are to co-ordinate and promote the development of the St. Helier waterfront areas. There was a plan attached to that proposition which set out what those areas were.

The Deputy of St. Peter:
In addition to that, what other things do you do within W.E.B. other than just developing?

Mr. L. Henry:

There are a number of ... the company itself has historically undertaken development directly in the form of the provision of social elements on the waterfront. The most recent scheme that the company procured and developed was the Weighbridge. Prior to that, it, on behalf of the States of Jersey, procured the Victoria and Albert Pier housing and before that the Fregate café and Les Jardin de la Mer.

Mr. S. Izatt:

Would it help if we went through all of the things that have happened in the past from W.E.B. from its inception? Because right from the beginning there have been a number of developments undertaken directly for the States, and if one goes through them, as Lee was saying, the provision of the Les Jardin de la Mer and Fregate, then there was the waterfront car park which has been a pretty successful undertaking, one that was managed externally and we took back about 18 months ago and has been a very profitable concern, such that it allows us to use those profits generated to upkeep all of the rest of the estate. Why is that important? It is to ensure that the estate is kept to a standard that the values of the development sites are maintained and also to attract the developers, third party developers, into undertaking those developments. Other things we undertook directly were Maritime House, which obviously as you know is occupied by Harbours, Customs and Immigration. As Lee has mentioned, Victoria and Albert Pier housing, which was undertaken directly. Procuring obviously the leisure complex, which I am sure many people have got views about the architecture of but at least we have it going. Then there was Harbour Reach, which we participated with the developers there, which was 42 residential apartments with some commercial space on the ground. In fact, we occupy some of that commercial space. We then obviously procured the Radisson Hotel. Before you blame us on the planning there, that had nothing to do with us. The Liberty Wharf development, which is the third party transaction with the subsidiaries of Harcourt, IDL, then obviously very recently the provision of the Weighbridge which I hope people are now seeing as a very useful area for the community because we have seen a great deal of activity on the petanque courts and also using that public open space. West of Albert projects to be completed which are still on the go obviously is the finalisation of Liberty Wharf, which should happen by March of next year; Castle Quay phase one is being undertaken and of that around 72 per cent is pre-sold and is ahead of schedule and up with an accelerated schedule. Then there is a new project which has planning which we are doing at the moment called West Quarter, which is the old hotel phase 2. That is the area that was going to be the hotel accommodation block but is now ... has planning and hopefully will start in the next 2 or 3 months.

The Deputy of St. Peter:

The hotel accommodation block for ...?

Mr. S. Izatt:

That was for the Radisson but, in fact, they did not build it. But they had an option to develop that part of the land and then in conjunction with this they put in an application for 11 apartments, permission was received, and that will be developed, as I say, hopefully starting by Christmas with a completion in just under 2 years. Then we have the site next door which appears in the Master Plan for Esplanade Quarter as a development site, which we called the gap site because it just sat there. We are currently in planning for 59 residential apartments with an underground parking for 81 cars, and that ranges from 500 square feet apartments up to quite large 3,000 square feet ones. Then obviously the Esplanade Quarter, should that go ahead. That is what we have done.

The Deputy of St. Peter:

I will continue through. That is a fairly broad remit you have just explained to us, but how do you see that remit changing with the establishment of the Jersey Development Company?

Mr. S. Izatt:

Can I perhaps address things that could have been improved to get to the remit for the States development company, because one of the issues over the years of W.E.B. has been I think a confusion of roles where it has acted both as putting together the development proposals, looking at planning briefs, seeking planning. Where we believe that the States of Jersey development

company will be an improvement is there is a clear separation of roles and it is very important that the planning for all of these things is set out within obviously the remit of the legislation such as the Island Plan and other things, but to make sure that that is set up through the Planning Department so that there is no confusion of roles. Because what the States of Jersey development company will be is a pure delivery vehicle.

The Deputy of St. Peter:

I accept that we are looking for no confusion between roles, but how do you see that being controlled within the J.D.C. (Jersey Development Company), the new company?

Mr. S. Izatt:

Well, I think it is set out rather well in the documentation in terms of the controls. It works within the remit of what the States sets in terms of Island Plan and other relevant legislation. Then there is the Regeneration Steering Group; again, clear separation of Planning and Regeneration Steering Group which sets out those objectives for the regeneration and for States of Jersey to deliver. Then we have obviously the board of J.D.C., again appointed by the States and with an appointee of the Treasury and Resources Minister. So, there are clear definitions there between how it operates and we work within those instructions.

Senator S.C. Ferguson:

But how do you see the role of W.E.B. changing? What changes do you envisage in what you do?

Mr. S. Izatt:

Well, it should have a widened role because ...

Senator S.C. Ferguson:

So are you seeing yourself as a development agency or what?

Mr. S. Izatt:

No, it is not an agency. It is absolutely not an agency because there is a clear definition difference between a development company and a development agency.

Senator S.C. Ferguson:

Well, how do you see your role or the role of the company and yourself changing between now and with J.D.C.?

Mr. S. Izatt:

Well, it is just a wider remit and it will operate under stricter controls, if you like.

Senator S.C. Ferguson:

How do you see your remit expanding, then?

Mr. S. Izatt:

Well, expands in larger area. Depending what the regeneration areas and regeneration zones are set to, that is what it will operate within. Currently what we are operating in is West of Albert, even though the original proposition envisaged going all the way round to Havre des Pas.

Senator S.C. Ferguson:

Yes, I am talking there about the actual ... at the moment you are a landlord, you are a developer, you are a developer of a sort of third ... you develop with third parties or you are a development facilitator. You know, there are a number of roles which the company is doing. How do you see those developing and the role of the company and yourself developing under the new organisation?

Mr. S. Izatt:

It only changes under the roles. I think we will be doing very similar activities as have been happening within W.E.B. One keeps the management of an estate generally to ensure the values

are maintained. After that, there really is not any sense of continuing the management of that once it is developed. That could be passed over. That is not an issue and certainly not an issue in terms of keeping revenue streams. When it comes to development, principally it is third party development with joint venture partners because there is a clear role and that role is to engage with the private sector. Now, what is the private sector? It is other developers but it is also leveraging in private sector finance because it may be that we choose to joint venture with a financial institution rather than a developer, or it may be with a developer and a financial institution, and in some cases where there is a significant need for additional investment in infrastructure and public realm and under the terms of the M.O.U. (memorandum of understanding) set out, to develop directly. Now, that does not imply market failure, which is the very difference between what normally happens between a development agency and a development company ...

The Deputy of St. Peter:

But just to clarify, this in effect is what you are doing now within W.E.B. and you will be expanding that into further regeneration zones with the J.D.C.?

Mr. S. Izatt:

Yes, and acting and developing those assets that are surplus of requirements of the States.

Deputy D.J. De Sousa:

So really your role will not change at all?

Mr. S. Izatt:

Well, it will only change in the sense that there will be a ... well, I presume there will be a supply of assets coming out of the States via Property Holdings, those assets that are not currently being used for States activities that could be sold or where best for the benefit of the Island they can be developed.

Deputy D.J. De Sousa:

So are you saying the only real difference between W.E.B. and J.D.C. is the size of the projects and the scope of the area?

Mr. S. Izatt:

No.

Deputy D.J. De Sousa:

So what else do you see changing?

Mr. S. Izatt:

It is the controls.

The Connétable of St. Peter:

Can I help, Mr. Chairman? I think for me, being rather simplistic about it, currently if we just look at the articles of association: "To promote, co-ordinate, implement a comprehensive strategy for the development of St. Helier waterfront." Waterfront Enterprise Board ... change "the waterfront" to "Jersey", Jersey Development Company. So what it is doing now within the waterfront it will do across the whole Island wherever there are redundant assets. So it widens the area of activity from just the waterfront to potentially anywhere where there are redundant assets on behalf of Jersey.

Mr. R. Law:

So just to clarify that beyond all doubt, what wider remit means, it is a wider geographical point?

The Connétable of St. Peter:

Yes.

Mr. R. Law:

So can we ... sorry?

Mr. L. Henry:

That is one half of it. I would say that the other half of it is looking back at the developments that W.E.B. has undertaken to date. It has only developed directly on social elements of the scheme and the commercial activity, the real ... the developments that would have generated profits have been undertaken by the private sector in the form of either a straight sale to a developer in the early days or, more recently, via joint ventures with third party developers.

Mr. R. Law:

Do you see that private sector element that goes straight to the private sector, do you see that continuing?

Mr. S. Izatt:

It has to continue because that is the whole point.

Mr. R. Law:

In the same way? In other words, it could ... to just deal with that point as an aside, it could go straight from Property Holdings to that end to achieve that?

Mr. S. Izatt:

Well, they are not developers.

Mr. R. Law:

No, I am not saying they are.

Mr. L. Henry:

Under the current proposals it would be that it would give the company and the States the option to use third party developers where there was a financial benefit in doing so, where there was not the expertise internally, or where there was some other overriding benefit to the public of the Island in using a private developer. Where there are overriding financial benefits from developing a scheme directly, the proposition gives the company - gives the States of Jersey - the option of going down that route, adhering to the very strict requirements of the memorandum of understanding.

Mr. R. Law:

Can I just tidy up on the wider remit point? You mentioned the other half and you have articulated that. Can I suggest that there is another issue that needs clarification and that is the role, the definition of what you are doing. Am I right in thinking that you stated it would widen, your role would widen? That is leaving aside geographics now; you would have a wider role than you currently have as W.E.B.?

Mr. S. Izatt:

I do not really see how it is that much wider because ...

Mr. R. Law:

Is it the same or less?

Mr. S. Izatt:

It should be very similar.

Mr. R. Law:

Now, it has been put to us in earlier hearings that in respect of the role your actual catalogue of things required of you would be less. If I can just pose that question to you and you respond to that, and then I would like to just follow up with one further observation.

Mr. S. Izatt:

I find it difficult to identify where it is less.

Mr. L. Henry:

I think Stephen has already alluded to that, though, when he started by suggesting that the conflicts in the early days were because W.E.B. was responsible for master planning these areas as well as developing them out, and under these proposals there is clear separation between the master planning function that would be undertaken by the Planning and Environment Minister and the development that would be undertaken by this committee.

The Deputy of St. Peter:

And your final point, Richard?

Mr. R. Law:

It relates to other things that you currently do. I do not think there has been mention of what I understand occurs, and that is the provision of services either to yourselves or to other elements of the States.

Mr. S. Izatt:

I think that is an interesting one because there are places ... well, let us take ...

Mr. R. Law:

But you do do that, do you not?

Mr. S. Izatt:

Not so much, no, but I could see within J.D.C. that happening, particularly if we took the airport because that would probably best be developed on behalf of the airport without the land being transferred into J.D.C. and, therefore, say, provision of employment, land, warehousing space, light industrial, whatever it might be there, that would be for the benefit of the airport directly but does not need to be transferred into J.D.C. We would act as developer on behalf of the States.

Mr. R. Law:

You are right in that is the way a developer can behave and does behave and perhaps that would also apply to Harbours, but you offer, do you not, other services like in terms of planning to assist, no ...?

Mr. S. Izatt:

No.

Mr. R. Law:

You contract them in and then provide them, do you, deliver them that way when you need them?

Mr. S. Izatt:

What we are doing is only looking at planning on projects where we have a direct involvement.

Deputy T.A. Vallois:

You were mentioning some items that you are currently involved in, projects like the West Water, et cetera. How is that going to be affected with the changeover to the new company?

Mr. S. Izatt:

Not at all.

Deputy T.A. Vallois:

There is not going to be any changes? So it is not going to affect them in any way?

Mr. S. Izatt:

No.

The Connétable of St. Martin:

I would like to ask a fairly fundamental question. The Waterfront Enterprise Board operates currently and according to the proposition the Waterfront Enterprise Board will be subsumed by J.D.C. Limited, and yet in parts of this documentation I am not certain, I do not really know whether you are going to continue Waterfront Enterprise in addition.

Mr. S. Izatt:

No.

The Connétable of St. Martin:

So you will not have a separate board or a separate ...?

Mr. S. Izatt:

No, not at all. What will happen is the name of W.E.B. will change, an adoption of new memorandum and articles, and then a changed board.

The Connétable of St. Martin:

So, basically the Waterfront Enterprise Board will not continue to operate your current work and scope and remit but it will be the Jersey Development Company Limited?

Mr. S. Izatt:

Jersey Development Company subsumes it, yes.

The Connétable of St. Martin:

Yes, right. Thank you very much. I understand that.

Senator S.C. Ferguson:

Can you just clarify something for me, please? I am probably just a simple politician and I probably ... you talk about being involved with the airport, for instance, the surplus land at the airport, but would the lead on that not be taken by the Regeneration Steering Group? Would you not just be, you know, a consultant as opposed ... or brought in as a developer rather than ...?

Mr. S. Izatt:

That is exactly what we are. We are a delivery vehicle. So you are right, the Regeneration Steering Group would lead on it, obviously assuming that the airport was set up as a regeneration zone, and we would act as the facilitator in that case providing the development expertise. But in most cases we would be the developer, either directly or more likely with third party private sector developers.

Senator S.C. Ferguson:

Thank you.

The Deputy of St. Peter:

Any other clarification from the panel before we move on to the next question? No, okay. Gentlemen, can you explain how you expect the relationship between the company, the new company that is, and the Regeneration Steering Group will operate?

Mr. S. Izatt:

I would see the Regeneration Steering Group as providing the policy direction to the new company and also to be monitoring the activities of that company.

The Deputy of St. Peter:

What problems, if any, do you think may occur between the views of the board of J.D.C., the new J.D.C., and that possibly of the views of the Regeneration Steering Group?

Mr. S. Izatt:

Well, there should not be conflict because obviously the policy is being set by the Regeneration Steering Group and then it is for the board of the new company to interpret those policies and

effect delivery and then it reports back that delivery to the Regeneration Steering Group. So it is very much a 2-way street but at the direction of the Regeneration Steering Group.

Senator S.C. Ferguson:

So you would be working to the development agreement prepared by the ... under the auspices of the Regeneration Steering Group?

Mr. S. Izatt:

Yes, together with obviously specific development agreements with the Treasury Minister controlling Property Holdings because the clear thing is that the new company delivers what it says on the box so there is no misunderstanding.

The Deputy of St. Peter:

What does it say on the box?

Mr. S. Izatt:

Whatever the agreement requires through the direction.

Mr. R. Law:

Sorry, can I just understand that, how you would be achieving that as between the 2 parties, because you are on the receiving end. How would you do it? Are you going to have it handed to you as a complete document and say: "Please go and do this" or will you be "negotiating" it? Would it not be negotiated?

Mr. S. Izatt:

I think we have all been around long enough, Richard, to know that one negotiates those things. However, at the end of the day it is very much for the Regeneration Steering Group and the Treasury Minister to direct us. Whether we like it or not, that is what is to be delivered.

Mr. R. Law:

No, I bring it up because one of the issues that has been of concern to all those of us that we have seen beforehand is this whole question of transparency and openness, and I feel that by placing it, as you rightly put it to me, in the real world we have to make people understand who ... other than here that it is by negotiation; in other words, that it is a matter of you considering that you are in receipt of an acceptable contract, to put it bluntly.

Mr. S. Izatt:

Absolutely, although that is exactly what we have suffered anyway.

Mr. L. Henry:

Yes, there is no change.

Mr. S. Izatt:

Because under the States proposition every transaction of significance has to be approved by the Treasury Minister. So before one undertakes them, before one enters into any commitment, that has to be agreed with the Treasury Minister. So it is rather similar, but in fact the transparency should work to everyone's advantage because ... sorry, Peter.

Mr. P. Crespel:

I was going to say there is nothing at the moment on the waterfront at all that has not been directed by Planning in terms of design and what goes there and gone through the States and the Treasury to see that it is commercially sound. That will remain clearly with the new company. What you will have perhaps is more clarity because you have more feed-in from the taskforce of exactly what the Island wants or the elements that the government want.

The Deputy of St. Peter:

Before I move on to Debbie, what difference do you see between what was the Regeneration Task Force and the new Regeneration Steering Group, the task force that was in the previous proposition to establish J.E.B.?

Mr. S. Izatt:

I think I can only really look at what the Regeneration Steering Group's activity is there. They are very clearly stated. It is the interpretation of the States requirements and ensuring the delivery of those are effected.

The Deputy of St. Peter:

Through negotiation between them and yourselves as J.D.C.?

Mr. S. Izatt:

Yes, it is kind of Richard to mention this point of negotiation. Clearly it will be a matter of talking between, but I would stress that at the end of the day it is the Regeneration Steering Group that will set what is done. Now, if the board of the new company disagree, they can make representations, but it is for the R.S.G. (Regeneration Steering Group) to set that.

The Deputy of St. Peter:

Any further questions from the panel? Right, we move on. What mechanism will be in place for transfers both into and out of the new company?

Mr. S. Izatt:

Right. I think this is again, if one looks at the proposition and particularly addresses what is said in the DTZ report, the concept of the transfer of assets is that through the Property Plan properties are identified as being surplus to requirements and to be sold or developed. The transfer then, and particularly the transfer value, will be subject to market value. The definition of market value again is well set out there. There are issues that we will be looking at obviously, that market value will be impacted by the costs of providing infrastructure and the costs of providing public realm. I think when we are looking at this overall activity one has to look at the ... it is very unlikely that these transactions are one-offs. They are part of a delivery of an overall project of regeneration for the States, so you may look at the development, say, of a single office block but if it does not have the public realm and it does not have the infrastructure to support that development you cannot do it. So for the most part there are quite significant upfront infrastructure costs which will be taken account of at that transfer value, but there will be independent valuations taken of those assets. At the end of the day, again it is very much for the Treasury Minister to determine what is the right value and he will then sit on the Regeneration Steering Group, so all of this is a transparent process.

The Deputy of St. Peter:

You have mentioned several times, rightly so, the role of the Treasury Minister here. What interaction do you think there will be directly with the Treasury Minister between yourselves as J.D.C.?

Mr. S. Izatt:

Really, his role should be ... he should not need to be involved very much because everything should be done as third party transactions, so the valuations will be undertaken and then we will have discussions obviously with Property Holdings and come to an agreement as to what that transfer value is bearing in mind that clearly what we are trying to do is protect the transfer so that the States of Jersey has a value determined that if anything went wrong with the development thereafter at least the States has taken that value.

The Deputy of St. Peter:

We looked at transfers in. How about transfers out?

Mr. S. Izatt:

Transfers out again will be at market.

The Deputy of St. Peter:

Explain how that will work.

Mr. S. Izatt:

Well, everything is at market value. The market determines those transfers out.

The Deputy of St. Peter:

What is the mechanism for transferring out?

Mr. S. Izatt:

Well, in virtually all cases we would have done development appraisals, we would then look at ... if it is a significant transfer out there will be again a third party valuation to support that.

The Deputy of St. Peter:

In addition to the start of this question we added (a) - we do not have a (b), thank goodness - please explain what exit strategies will operate in relation to the work of the company. Exit strategies?

Mr. L. Henry:

I think it depends which development route is taken.

The Deputy of St. Peter:

Well, as you see fit. You are in the chair, against that question.

Mr. L. Henry:

Under a joint venture arrangement with a third party developer, the structure to date has been to secure a guaranteed base land payment with overage participation depending on what trigger values or profits are exceeded. So in that situation before the development works commenced there would be certainty of a particular return with future overages to be determined on the completion and final sale of the development scheme. Under the scenario where the company were to develop directly, the memorandum of understanding sets out that no construction work will take place until there is sufficient pre-sales or pre-lets that are legally binding to cover the cost of the first phase of construction. In that situation, the company's proceeds of the profits that would be coming from the scheme would be received on final completion and final sale of the development.

The Deputy of St. Peter:

Richard, do you want to ...?

Mr. R. Law:

No.

The Connétable of St. Martin:

I would like to question your transfer costs, and I do understand that the actual market value of the surplus property will have transfer costs in order to develop the new undertaking. These transfer costs would be to do with the infrastructure which is in the public realm. So at the present moment we are looking at an improvement of the infrastructure that is ... so we are transferring public assets to public asset. Can you describe any revenue stream that would go to the Treasury other than the improvement of infrastructure? I think we are looking to see cash into the Treasury.

Mr. S. Izatt:

Right. Well, I think that comes very much at what does one want of the company, because at the end of the day let us assume that everything has been developed within the company that the States want to. There should be a very significant capital within that company and, therefore, whatever that capital is can be divided out to the States. During the process of redevelopment it very much depends on what the future projects are because the equity is needed within the

company to cover the pre-development costs, which can be quite substantial, of putting together the operation. They also obviously need resources within the company to purchase the assets from Property Holdings. So the States can do what it likes with the way it takes the money, but the best thing to do is to keep the resources adequate within the company to fund the next stages of development that are envisaged over a period of time. Because otherwise it would be transferring money out and then potentially there may be money needed to go back to support the equity to purchase things.

Mr. L. Henry:

Effectively, you are recycling the money that is within the company to continue to undertake regeneration.

The Connétable of St. Martin:

I think that the thought triggered was of an earlier comment where you said that the car parks have been very successful and at the moment we have not seen any revenue stream at the Treasury from those car parks because you are using those to maintain the sites.

Mr. L. Henry:

We use it to maintain the sites, exactly.

The Connétable of St. Martin:

Presumably at the end when the sites are all developed, then can the States have some revenue stream?

Mr. L. Henry:

Absolutely.

The Connétable of St. Martin:

That is the point I am making.

Mr. S. Izatt:

Absolutely.

The Connétable of St. Martin:

I understand that the improvement of the ... it is an asset, a surplus asset, and we would like to see it developed into a tangible asset. You either have a tangible asset which is improved facilities for the population of this Island or you have a revenue stream, and I just wonder can we have both.

Mr. S. Izatt:

Can I take you to where this should be going because I think the real key to this company is to be using private sector capital as much as possible to fund the needs of the States of Jersey particularly within this. So, what we need to keep in the company is enough equity to allow that capital to be unlocked, whatever borrowing ratios are required. But at the end of the day you are entirely right, all of the capital that is generated and revenue is at the disposal of the States.

The Connétable of St. Martin:

I think that is quite important because I think the voters in this Island tend to think of the Waterfront Enterprise Board as being something which is completely working within themselves. We do not actually see much except a waterfront which is probably not what they expected, and I think really speaking, you know, I would like to think ... I would like to see this proposition succeed but I think there is a bit of an uphill struggle to get the perception over.

Mr. S. Izatt:

I think you are absolutely right but it goes back to what is the purpose of this thing. It is to deliver the socio-economic benefits to the people of the Island. That is all it is there for.

The Connétable of St. Martin:

Yes, and they have to believe it as well.

Mr. S. Izatt:

They have to believe it. Now, maybe ...

The Deputy of St. Peter:

Can I just add a point there? As I understood it, that was the exact role of W.E.B., just doing on behalf of the States what you have just described. So the situation, in fact, of what you are trying to achieve has to change if you move out of W.E.B. into J.D.C. Richard, would you like ...?

Mr. R. Law:

Yes, indeed. You very properly, if I may put it to you, mentioned the need, of course, in many developments for private sector funding. I want to just apply this analogy to the hotel at the waterfront because as I understand it there was a planning application passed, received and passed, to provide somewhat different in appearance and facilities within the hotel. The developer who is funding that exercise had said: "Sorry, no can do." Do you see your role ... rather than going down the route of accepting that and, therefore, permitting a renegotiation of the planning consent, as you have cash funds, as you said, to acquire property, do you see your role as taking the other option, by stepping back from that situation you are faced with to apply the cash to enable it to be delivered as was originally intended by the Island through the planning process?

Mr. S. Izatt:

There are 2 issues with that, I think. Over the years W.E.B. has learned to have very much more strict development agreements that do not allow amendments to this unless obviously W.E.B. agrees to it, because I think we should be very much more the custodians of what is delivered. It is very easy to go back in planning applications and renegotiate the conditions. Our role should be to ensure that what was intended actually gets built.

Mr. R. Law:

So can I then ... can you now answer the question, which is would you see that to deliver that particular set of circumstances that I put to you that you would write the cheque out? Or would it go back to the States Treasury?

Mr. S. Izatt:

Well, will we write the cheque out or would we be the ones that had made the planning application first? Negotiate the planning conditions, negotiate the planning agreement, and then tender that scheme.

Mr. R. Law:

No, I think you are missing my point. I am articulating a set of circumstances where a developer is appointed and the thing, the project, is work in progress, as you know, using your appraisal where the figures are moving from those as estimates to reality as the work in progress takes place, and then you find that market conditions are such that the project as envisaged is in their view not a commercial ... it will not run. The funding is not there. In other words, I am articulating a very common set of circumstances where the equivalence within the U.K. (United Kingdom) of the 106 device is used to ensure that the local authority concerned gets delivered what it wants.

The Deputy of St. Peter:

Could you just clarify the 106 device, please, for those who are not ...?

Mr. R. Law:

Sorry, that is whereby there are conditions attached to planning consents which relate to maybe quality and other public realm issues and they require funding.

Mr. S. Izatt:

Can I answer it again, though, with what I was saying, Richard, that what we will be doing is negotiating the terms and conditions of the planning with P. and E. (Planning and Environment) but also negotiating the planning agreement as well, i.e. the 106 agreement, so that we would ensure that the project that is tendered is controlled by that together with the design codes that we set up. Because it is those design codes that are then attached to the development agreement which are contractual obligations of the developer.

Mr. R. Law:

Fully understood. I am not doing very well here with this point, but I am going to persist. If we can just cast aside the issues that I am dealing with and look elsewhere, one finds, for example, that in the U.K. there are funds available that enable ... that one can tap into. For example, if you go to the Midlands, Advantage West Midlands, which you are fully aware of, and they will provide cash into projects which it is considered by the region and the planning authority to be of necessity to deliver what that particular region requires. Those funds are provided by either the state nationally, in other words the U.K. Government provides the funding directly, or the region does. I am really posing that question to you in that context because as you require ...

Mr. S. Izatt:

I understand what you are saying, but I think if I may ... is to say that I do not believe the parallels are there.

Mr. R. Law:

No, but you are requiring funds out of the surpluses that you contain within W.E.B. to enable infrastructure to be created, correct?

Mr. S. Izatt:

Yes. That is absolutely right, and that is at the ... that will clearly be at the direction of the Regeneration Steering Group.

Mr. R. Law:

Yes, but it is happening?

Mr. S. Izatt:

But I think we have to be very careful to show that the parallels between the U.K. and Jersey do not exist the same way because we do not deal with market failure here generally.

Mr. R. Law:

No, I am not ...

The Deputy of St. Peter:

Can I just add a point here? What you have just described with regard to the Radisson is a change or it would appear to be a change of thinking. In other words, have you learnt from the experience with the Radisson so, therefore, you bring lessons learnt?

Mr. P. Crespel:

I think to address that, my understanding, and with the executive here, is that I do not think W.E.B. was consulted on that. I think it was felt, if I am correct on the time, that ... I think I am correct in saying the decision was made with Planning to vary that at that time.

The Deputy of St. Peter:

What input, if any, was there from W.E.B. with regard to that development change?

Mr. P. Crespel:

I do not know that, but I think the ...

The Deputy of St. Peter:

Was there an input from W.E.B. with regard to that development change?

The Connétable of St. Peter:

I think there was a political dimension to that. My recollection of that time was there was a political dimension and that the first 2 of the potential operator developers fell to one side, but there was a political dimension to have a category 4/5 star hotel on the waterfront. I believe when they finally found a developer that was prepared to do it, they did it as he wanted to do it just so that they had a category 4/5. So I personally believe there was quite a strong political element in the decision-making process which was outside of the control of W.E.B. That is my perception on that period of time.

Mr. R. Law:

But if we may leave W.E.B. out of that picture, there is or was an opportunity at that point and this point has been made earlier where it was acknowledged that the States had a choice. Either the planning authority stuck to its guns and said: "You do it to that specification" and they would have said: "Well, we are not going to do it", or if it was considered that the developer in a competitive situation had come forward with the best response and approach to the task, one had the choice, the States had the choice, the Treasury had the choice to say: "We will put in a contribution."

Mr. S. Izatt:

Yes.

Mr. L. Henry:

Yes.

Mr. R. Law:

That is the point that I have been seeking, and seemingly failed, to get across from the W.E.B./J.D.C. perspective. Because you are accumulating funds and resources as you go forward, and pump-priming, if I can use that term, I see no differently in the context of the illustration that you have helpfully assisted us with as any other pump-priming you do by way of providing infrastructure. It was a simple, straightforward approach that I was taking to this. It did not need ... you know, we need not get confused with distinctions between the Island and the U.K. It is just a different way of addressing it. You are in a position to not be cluttered, not be cluttered with all that has gone on elsewhere and you can learn from that, but it does seem that as market conditions, as an observation, get more difficult you are going to increasingly find the need, as the quest for higher standards, whether it is the codes to which your houses are built to, the densities to which you are going to be required to build in future if they are less, massing that is to be reduced, it is going to require proportionately either higher profits or more States intervention and funding.

The Deputy of St. Peter:

So, in summary, when I was ... just to make sure I have not got this wrong, and I saw Mr. Crespel nodding his head, in the event of a situation that has been described where something is being put forward in its final development position which is not to the required planning standard because of financing the actual development, that there is a possibility to achieve what was wanted in the first place for the Island, that there would be some form of priming taken from J.D.C., the new company?

Mr. S. Izatt:

Absolutely. One has to look at whatever the return is required. You are balancing the profit to the social benefit.

Mr. P. Crespel:

Strategically, the belief is that Jersey needs a new financial quarter, top class, in order to retain the business it has had and perhaps encourage new businesses here. Now, it will be up to the States ultimately to decide how important that is strategically for the Island and instruct W.E.B. accordingly. If it says: "We really do need this so we ought to be doing that", well, that is going to be a matter for this Regeneration Task Force at the end of the day. That is the way it will be. Hopefully, you are not going to need it, it works commercially, but there are ... clearly that is open

to the States at any time to do. I think in fairness the hotel ... I do not want to go into too much detail on that, but they took a decision I think to let the hotel run with that and, of course, that ...

The Deputy of St. Peter:

Sorry, when you say "they" ...?

Mr. P. Crespel:

Well, the States, the planning, as my understanding. But, of course, that brought tremendous investment in other areas which I think they can well see. The hotel, the Yacht, the Grand, the Pomme d'Or, all invested heavily to compete with the new hotel, so it is never straightforward. There was huge investment went into the Yacht as a consequence of the Grand Hotel and the Pomme d'Or. It is the same with transferring. I take the point that the Constable made in transferring funds out at some time because obviously it is a benefit to the Island, which I well see. But if you do that altogether ... I remember the airport very well with this, the funds go out but when you need it to develop a particular thing which is of strategic importance to the Island you cannot get it back. There is the ... and you cannot. I have known many, many times. So it is absolutely correct on that, in the end it is the States money, they can instruct W.E.B. to do what they like. But if you are looking at this in a strategic way then there are huge benefits for the Island in these developments that are going forward for the finance industry, for tourism, for the Island itself. If you then transfer it all out and then you say: "I need this to develop that now" and it is a time when they need a hospital or a school, you are going to have a problem. Again, it is a matter for ... it is not going to be W.E.B. W.E.B. is instructed by the States. It is not its money.

Mr. L. Henry:

Sorry, really just to add to Stephen's earlier comment that the development agreements that the company now enters into with its joint venture partners are much stricter, and in terms of the controls that the company imposes on developers in terms of the planning permissions themselves and the plans that have received the permissions, there are now design codes attached to those developments to ensure certain specifications, quality, et cetera, is achieved. Now, all of this takes place at the time of negotiating the development agreement, so if a third party developer considered that our requirement for granite paving on a scheme added materially to the cost, they would then negotiate with us a lot of land value to reflect the additional burden, if you like, that we would be placing upon them. I think that it is difficult once you have entered into an agreement with a developer to then revisit that down the line when it does not achieve the sales values that he once considered he could and, therefore, he should be taking a hit on his development profit, not us taking our hands to our pocket. I think that we would then be open to massive criticism from the public if we were to go down that route. It should all be negotiated upfront.

Mr. P. Crespel:

You may wish to re-tender at that stage to make quite sure you were getting value for money.

Mr. L. Henry:

Exactly, so it should all be negotiated upfront and specifications agreed in advance.

Mr. P. Crespel:

Yes, and only vary if you have not been back to the ...

The Deputy of St. Peter:

Or step in.

The Connétable of St. Peter:

I think the most important point is that they must come back to the W.E.B. contract as it currently is to get their approval for any changes.

Mr. P. Crespel:

Yes, absolutely.

The Deputy of St. Peter:

Any other questions from panel members with regard to where we are now? Obviously we are all concerned about the current global economic situation. What is your view on the position of the local markets in respect to the way forward in J.D.C.?

Mr. S. Izatt:

Well, you would need to analyse each of the markets because if you look at residential development, again all of these ... well, everything we look at, you are looking at delivery periods of 3 to 4 years. So one can only look at what is happening in the present market. What is the restriction in the present market is the availability of mortgage finance for purchase of residential developments. That, however, has not particularly affected the largest scheme we have at the moment, which is Castle Quay phase one, which is 72 per cent pre-sold for delivery of those units in the next 2 to 3 years. As to commercial, again Peter alluded to the financial sector. There are a number of financial institutions on this Island that did not suffer unduly under the sub-prime crisis and that need to look at their space requirements to be more efficient for the future. We are talking to them as to the possibility of looking at what their requirements are. So, yes, there is a tightness of funding but the small number of banks are lending to preferred customers still. Yes, of course, loan to value ratios have tightened, they may require pre-sales, but these are conditions that we can work with. We have to look at saying, you know, what for the future?

The Deputy of St. Peter:

What risk is there with pre-sales? You talk about 72 per cent.

Mr. S. Izatt:

What is risk?

The Deputy of St. Peter:

Yes.

Mr. S. Izatt:

Well, of course, rather nicely under Jersey law you enter into a binding contract, unlike in the U.K. where you can renege and drop your deposit. Now, of course, in the U.K. they can still come after you if there is an actual loss, but it is difficult to prove that. Here you enter into a contract so if ...

Mr. P. Crespel:

But in the financial institutions, if we are talking about that sector, then obviously there is a guarantee put in by ... you know, they are going to take so many square feet and that is tied to largely a bank guarantee, so that takes away the commercial risk.

Mr. R. Law:

But I think the risk that perhaps the Chair is looking for is the fact that you can sign a contract to buy something on completion which means you pay for it then with an interim payment or a staged payment possibly, but if you cannot come up with the money that is the issue that has been found elsewhere, people are not able to complete. So we must keep that to the fore, what the risk ...

Mr. S. Izatt:

But it is a much tighter market here, Richard; that is one of the good things. Yes, of course, one has to do financial due diligence. However good the financial due diligence is, you probably would not have identified that RBS was in the position it was. So, yes, there are always residual risks and this is one of the points I think made in the proposition and in DTZ's report. At the end of the day, if something goes wrong, there is always a residual risk with the States of Jersey because we have to step in and finish the job. We cannot leave things unfinished.

Mr. R. Law:

We seem to have strayed off the question a little, if I may, Chairman, in that we were talking about how the various classes in the market are finding things. To assist you, we have had it put to us by a number that tenants are having difficulty paying their rents in St. Helier. They are

approaching landlords for reductions in rents and there is a higher than previous rate of turnover of tenants. It is my understanding from those comments that that relates to offices and retail and there is some evidence in the housing market; again I think you put your finger on that over the question of difficulty in taking mortgages. Now, there is one thing about the banks you have also mentioned and there is a hint of that perhaps apparent as well in your market here. It is one thing for banks to offer money or wish to lend it to even good people, but in practice people are tending perhaps not to accept that offer so that the banks are not able to, if you like, shovel out the buckets of money that they would like to because the terms and conditions attached to that money are unacceptable to a prudent borrower. So those are the comments that have been put to us and you are suggesting or creating in my mind a very different picture when you have touched on that.

Mr. S. Izatt:

Well, we are looking to the future and while there may be ...

Mr. R. Law:

So it is difficult at the moment?

Mr. S. Izatt:

There may be.

Mr. R. Law:

Because that is what the question you were asked was, to talk about the market today.

Mr. S. Izatt:

It is not apparent to us because we are not in that particular market. What we are looking at for the future, if you look at office rentals, we would be looking at fairly major institutions. So we are not looking at the smaller end particularly. We are not ourselves engaged in letting retail space, so we do not know that at the moment. In Liberty Wharf we believe there is quite a significant interest in those units. So, yes, that may be the case but I do not think we are looking at that and we do not see that at the moment. As to the residential marketplace it is to ensure that one is delivering what the market need is, but it is projecting, if you like, for the future.

The Deputy of St. Peter:

In the current market, are there attempts by people who are trying to get floor space to negotiate down the prices?

Mr. S. Izatt:

We have not seen it.

Mr. L. Henry:

I think it is fair to say, however, that the types of occupiers that we would be looking at particularly on the Esplanade Quarter are your larger tenants, and it may well be that if you were a start-up business in these economic times you may be looking at, you know, negotiating a longer rent-free period or reduced rental but those would invariably be your smaller commercial space. As Stephen has said, we are not ... do not have any retail units on our books so we do not know what is being negotiated in that particular market. Going forward, the developments that are being proposed do not contain major elements of retail. That should be retained within the existing fabric of St. Helier.

Senator S.C. Ferguson:

You talk about not having direct experience of retail. You must have some experience with Liberty Wharf or some knowledge of what is going on, where we do, in fact ... we have received anecdotal comments that the rents for the properties in Liberty Wharf, the retail units, is very significantly ... you know, at a significant level. This is perhaps explaining the reason why none of the retail units have been taken. Going on with the marketing and talking about the residential units, I would refer back to West Water where you said, I think, that there were going to be some units starting at 500 square feet. Well, is that not the area where people are finding it hardest to

sell because they are, you know, little rabbit hutches, so that perhaps ... are you keeping in touch with the market as much as you should?

Mr. S. Izatt:

Very significantly, and I think West Water is 11 larger properties and that requires probably 3 or 4 pre-sales of apartments of £1.5 million and above and those are ...

Senator S.C. Ferguson:

But you mentioned 500 square feet.

Mr. S. Izatt:

No, I mentioned the gap site and what I said was there is a range of units ranging from 500 square feet to 3,000 square feet. Now, if you look at what is happening, if you look at some of the Dandara developments that have gone through, 500 square feet is a significant size for a Dandara development and they have got **[Laughter]** ... they have got sold, and sold at decent prices.

Senator S.C. Ferguson:

Yes, but a lot of those have been sold as buy-to-let and a considerable number of those were buy-to-let from off the Island.

Mr. S. Izatt:

Well, a lot of them also have been occupiers.

Senator S.C. Ferguson:

Well, I have actually done the research on this one and these are the ones that the locals do not want to buy.

Mr. S. Izatt:

Well, that is ...

Senator S.C. Ferguson:

Sorry, and the abattoir site, the rents we understand that are proposed are fairly significant and reaching levels equivalent to King Street and this is why they are not being taken up.

Mr. P. Crespel:

But they will ...

Senator S.C. Ferguson:

So where does this fit into your whole marketing context?

Mr. P. Crespel:

Well, it is for the developer. There is no risk to the States except empty shops in the abattoir development; there is some overage. There is no risk. The developer has to build them out and has to rent them. It was known from the very beginning of that development, it was recorded very early on that they were never going to be easy to do because of the location, because of their size and because the people that ... or the tenants that are likely to occupy them are not going to look for a long-term lease. If they are selling lampshades or whatever it is, it is not ... you will get a key store maybe in there, but the others ... so they will go and Harcourt will have to adjust their rent to market conditions or they stay empty, which is not obviously what the Island wants but there is no risk in the sense to the public purse I think on that ...

Mr. R. Law:

May I just ... sorry, I apologise to interrupt you, but may I suggest there is a risk and the risk is, of course, that the developer may fail; in other words, financially fail. In those circumstances, there is the whole question then of what is going to happen either to something that is not completed ...

Mr. S. Izatt:

That is why we take guarantees.

Mr. P. Crespel:

That is why we take guarantees. It is to ...

Mr. R. Law:

Those guarantees will prevent that happening, the developer failing? In other words, the consequences will be covered?

Mr. S. Izatt:

No, the guarantee does not prevent the developer failing but what it guarantees is the return to ...

Mr. R. Law:

You get your money?

Mr. P. Crespel:

That is right.

Mr. S. Izatt:

A minimum return.

Mr. P. Crespel:

They will let, it is just ...

Mr. R. Law:

So in those circumstances you get your money and you could then face yourself carrying the future risk because if the developer fails will it not be a step-in situation as provided for in your development agreement?

Mr. S. Izatt:

It could well be a step-in situation and generally that is when one starts making a lot of money.

Mr. R. Law:

Or losing a lot of money.

Mr. S. Izatt:

Well, very rarely do you do that if the transaction that you have entered into is strict enough.

Mr. R. Law:

I just put it to you that in the real world it is very difficult to be able to say you will only make money. I think a lot of people ... RBS were of that view and who would have thought it?

Senator S.C. Ferguson:

And Northern Rock.

Mr. S. Izatt:

With respect, I think that goes down to the transaction, down to the quality of the transaction in terms of the development agreement and the associated risk mitigation by ensuring that you have the guarantees to get a minimum return.

Senator S.C. Ferguson:

But if you have a development that does not let or does not sell or apartments are too small and, yes, you get a step-in or whatever, the whole point ... the long-term risk to the Island is that nobody will want to get involved with any of the developments because they cannot let them and they cannot sell them.

Mr. S. Izatt:

Absolutely right, but at that stage we have called on the guarantee, we have taken the return that was expected, we step in with the agreement of the funder and then we negotiate to ensure that those properties are either let or sold. At that stage one can be very much more flexible because the return has already been taken.

The Deputy of St. Peter:

What happens if the development has not been completed?

Mr. S. Izatt:

If it does not complete?

The Deputy of St. Peter:

No, it has not been completed physically?

Mr. S. Izatt:

Well, again, you call on it and then you complete.

Mr. L. Henry:

You call on the guarantee.

The Deputy of St. Peter:

But your guarantee then is date of completion, that is all.

Mr. R. Law:

At the point you step in, you are either stepping into the shoes of the party who is in difficulty so that you are then ... thereafter you are saying you are backed with the cash that was provided to complete the scheme and that figure was determined at the point of contract. Now, the scenarios that occur and have occurred with hindsight are that those figures were inadequate to cover increases in costs of completion of developments, et cetera, plus the extension of time that was required to achieve either lets or sales ...

Mr. S. Izatt:

Right. Well, let us go back to the whole ...

Mr. R. Law:

Those are real costs which after step-in ...

Mr. S. Izatt:

Absolutely, and those go back to the whole point of what we are talking about.

Mr. R. Law:

My point is that they are real costs which if the States or W.E.B. or J.D.C. step in will have to incur risk on from the point of step-in.

Mr. L. Henry:

Sorry, if I may, the priority of step-in is such that a funder would have the first opportunity of stepping into a scheme.

Mr. R. Law:

Yes, indeed.

Mr. L. Henry:

So a funder, if in the event a developer defaults on his loan facilities and is unable to complete the development for whatever reason - it need not be this particular scheme - the funder will have the first option of stepping in. They may have another developer that they have previously worked with on building out these schemes that they wish to propose to W.E.B. or to States of Jersey/J.D.C. to move the scheme forward. If we are in agreement with that, then the scheme will

proceed. The scheme gets built out. Now, the bank, if it were the scheme at issue, the bank has already taken a hit on its debt so it will already have had to write down a percentage on that in order for the scheme to break even. In the event that the bank does not step in, it will be then for us to negotiate. The bank will already have had to have written down that loan and it will then be for us to step in with a massive discount on that scheme covering the cost of completing and looking at the sales projections.

Mr. S. Izatt:

We should have mitigated ... going on from that, we should have mitigated the risk at many stages there because what we would be looking for is obviously fixed price, fixed delivery of construction contracts. What we are looking at then is the development risk, purely on the letting and sale.

Mr. L. Henry:

So it is not that if a developer spent £10 million on a scheme that W.E.B. has to step in and pay £10 million for that scheme.

The Deputy of St. Peter:

Gentlemen, it is interesting. This conversation is getting very ... but what we are talking about is development here, basically in the way W.E.B. operates. We are here looking at the development of a new company called J.D.C. and the advantage it is intended to bring to the States of Jersey and the public of Jersey. Where do you see the major advantage in moving W.E.B. or closing down W.E.B. and moving everything into this new company?

Mr. S. Izatt:

It is 2-fold. One is delivering in a wider geographical remit the needs ...

The Deputy of St. Peter:

That is accepted, yes. Beyond that?

Mr. S. Izatt:

It is also seeking to maximise the return against the risk for the States of Jersey.

The Deputy of St. Peter:

This return is all-important. How do you perceive the risk/return? Is it in better buildings? Is it in financial return? How do you perceive success?

Mr. S. Izatt:

No, you do not just measure it in financial return.

The Deputy of St. Peter:

That is the point I just made.

Mr. S. Izatt:

Yes, again it comes back to what are we trying to do here. It is the socio-economic benefits of the Island. That is the key to ensure that there is an integrated approach to the delivery of that.

Senator S.C. Ferguson:

So there is no way that really you should be looking to be developing apartments which only people from offshore will buy because it is for the benefit of the Island.

Mr. S. Izatt:

That is the primary role, for the benefit of the Island.

Senator S.C. Ferguson:

So you do not want to build 500 square foot units.

Mr. S. Izatt:

Sorry, can I come back on this 500 square foot ...

Senator S.C. Ferguson:

I am sorry, I am getting into detail, I am sorry, Chairman.

Mr. S. Izatt:

I do not understand.

Senator S.C. Ferguson:

It is the general marketing as such that you need to ... it would strike me that do you not need to keep in mind the peripheral or the social benefits for the Island as well as the financial? This must be an integral part of your general marketing.

Mr. S. Izatt:

It is not so much general marketing as what is the requirement to be built by the Regeneration Steering Group. If there is a requirement to have social housing then we will build that. I am not sure I understand this issue of the 500 square feet because 500 square feet is a pretty standard size of an apartment almost anywhere.

The Deputy of St. Peter:

I do not want to get bogged down in 500 square feet. One of the concerns that has always been had, as we have talked through, is the risk element that might be brought to the States of Jersey as a body. How do you compare the risk element to the States of Jersey as a body compared to that in the U.K. given similar developments?

Mr. S. Izatt:

Well, we have much more control in Jersey than in the U.K. because the States of Jersey owns a very significant proportion of the developable land, first. Second, there is a limited number of developers and we have control very much within the Island as to who can come in and how that market operates. So, in terms of how the market operates, it is a much more closed market.

Mr. R. Law:

Are you suggesting that there is not an open market then? So when you talk of market value here, it is ...?

Mr. S. Izatt:

No, I am not suggesting it is not an open market. What I am suggesting is there is not a large market because if you look at the number of ...

The Deputy of St. Peter:

So, just to clarify, you used the term I think "controlled market".

Mr. R. Law:

Yes.

Mr. S. Izatt:

It is controlled in the sense that there are only a limited number of developers of a size that can undertake the projects that we are looking at. In fact, one of the benefits of the States of Jersey development company should be to try and act as the project manager to bring together a number of the smaller developers to ensure the benefits to the Island of keeping those profits on the Island and of using local contractors. That is a key issue.

The Deputy of St. Peter:

Any further comments on the risk element?

Deputy T.A. Vallois:

If I was to put a scenario to you with regards to the financial district and if it was going to go ahead with new financial offices because we need more space for the banks or trust companies, et cetera, say for example if we have another turnaround because, as we all know, the economy

goes in a cyclical cycle. If we saw an economic boom and then they all wanted offices and we let them all out and then all of a sudden we had a recession again and they wanted to negotiate, how would you go about ... would you and how would you go about negotiating rentals with the companies or would you let them leave and look at ...?

Mr. S. Izatt:

Well, for the most part anything that we would be doing certainly under the memorandum of understanding if we are developing it ourselves would be based on a pre-let and we would be entering into a long-term commitment there, generally an institutionally funded lease. So, if they come back obviously and say: "Well, for the next 2 years we cannot afford to pay that rental", what do you do? You may accept a reduced interim rental but then you backend it or you give them more fit-out allowance so that they do not have to raise the capital. There are many, many ways to ensure that the transaction continues.

Deputy T.A. Vallois:

I am just trying to understand that clearly.

Mr. S. Izatt:

Yes, it is cyclical.

Deputy T.A. Vallois:

If it was to go ahead then we would not just be left with an empty building sitting there.

Mr. S. Izatt:

Well, we would not be doing that because we are not ...

Deputy T.A. Vallois:

Just to see how the process works with yourselves.

The Deputy of St. Peter:

As soon as you mentioned giving somebody better options, then you are, in fact, losing some return.

Mr. S. Izatt:

Not necessarily. No, because if you are looking, say, over a 15-year lease, you may choose to take 2 or 3 years of less rental but then at the review you go out for possibly even advance of market.

Mr. P. Crespel:

You have to have an overall view then that if it is what the financial industry wants is a development of that sort to occupy up-to-date offices, then that also has a benefit to the Island overall and you must never ... you cannot lose sight of that. At the end if that is in the best interests of the Island, a major industry, a major earner for the Island, then you need to think about that or the Island needs to think about that, I guess.

The Deputy of St. Peter:

Now, the Constable of St. Martin earlier on questioned how potential profits from developments would be returned to the States. Are there any occasions on which they will not be returned?

Mr. S. Izatt:

I cannot think of any because the States of Jersey owns and controls the company.

The Deputy of St. Peter:

J.D.C. as the operating company will have control over how funds are returned to the States as I understand it.

Mr. S. Izatt:

No. No, absolutely not, because the board is appointed by the States. It is directed by the States. So it is entirely the States decision as to what the resources are used for.

Mr. L. Henry:

The shareholder could request a dividend at any point.

Mr. S. Izatt:

It is not the board that can determine how it happens.

Mr. P. Crespel:

The board might say, you know, it may need that money down the road but ultimately it is going to be a States decision.

Mr. R. Law:

Treasury will say: "Could you please send it to No. 10" **[Laughter]** or maybe we do not have a No. 10.

The Connétable of St. Peter:

We have a No. 11 instead. **[Laughter]**

The Deputy of St. Peter:

In general terms, what lessons do you think W.E.B. will bring when it is subsumed to this new company J.D.C.?

Mr. S. Izatt:

Well, let us hope we do not repeat having 6 chairs over 14 years. I think what we need is certainty and that is the lesson that ... Peter has suffered this over many, many years.

Mr. P. Crespel:

I think if there is one thing this new company could bring it is clarity. You are never going to get agreement within the States. People have different views; I fully understand, we all understand it very well. But then if you are instructing a company, whether it is the Jersey Development Company or the Waterfront Enterprise Board, to carry out certain tasks on behalf of the Island then it needs clarity and it needs consistency. It does not want to start down a road and then there is a change within the House for some reason and that then is changed and you are halfway between 2 things. So if with these new checks and balances that you have, that you have agreement from all the parties that this is the way they want to develop the Island, this is what they want to do, then they instruct W.E.B. and it will not be coming back in 3 months' time perhaps after an election or something of that sort and saying: "We do not really see that now." So that I think could be ...

The Deputy of St. Peter:

I accept what you said, but as you pointed out if there was an election and the Regeneration Task Force was to change, then surely the direction may then change. So what is new?

Mr. P. Crespel:

It may indeed.

Mr. S. Izatt:

I think one other point we keep going back to as well is the separation between planning and delivery. That is the key factor. That is what has confused the delivery of W.E.B. in the past. After all, when you look at the Esplanade Quarter I do not know how many master plans we have been through.

Senator S.C. Ferguson:

I remember when it was going to be the town park.

Mr. P. Crespel:

Indeed.

Mr. S. Izatt:

I think they are 2 words we may not really want to ... **[Laughter]**

The Deputy of St. Peter:

But in relation to where we are now - and I do not want to get involved in discussions about the town park **[Laughter]** - are there any further questions from the panel with regard to how far we have got?

Mr. R. Law:

Just a tidy-up, really. W.E.B., does it have subsidiary companies?

Mr. S. Izatt:

Yes, but they are rapidly going away.

Mr. R. Law:

So you have them ...

Mr. L. Henry:

They are just landholding companies.

Mr. S. Izatt:

They are landholdings.

Mr. R. Law:

So they own ...

Mr. S. Izatt:

They are not operating companies.

Mr. R. Law:

No, they hold property?

Mr. S. Izatt:

Yes.

Mr. L. Henry:

Land, just bare land.

Mr. R. Law:

Okay, so they hold bare land and there are a number of them? How many roughly?

Mr. L. Henry:

I think there are 3 left.

Mr. R. Law:

What will be the destiny of those 3 or the land in relation to that subsidiary company, where is it going?

Mr. L. Henry:

Well, one of them is already committed to a third party developer. The other 2 areas will be committed.

Mr. R. Law:

Right. Assuming that J.D.C. is in place, how will they pass to J.D.C.? Stay as they are?

Mr. S. Izatt:

Stay as they are because obviously J.D.C. is W.E.B.

Mr. L. Henry:

But it is all just a ... it will just be a transfer of shares.

Mr. R. Law:

Just the 3 of them.

The Deputy of St. Peter:

We have alluded to a particular problem with most of the people that we have spoken to. I think generally speaking we all see the need for taking this forward but there is a fairly major stumbling block in this that the public have to be convinced through the States Members. Now, sadly - and Peter will know this more than most - W.E.B.'s reputation within the public and within the States is not at its highest for some of the reasons that you have described yourselves. How are we going to change that perception? What would be the intended route to try and change that perception so this has a chance of going through?

Mr. S. Izatt:

I do not think that is something that we can or should engage in. That is entirely ... as I keep going back to, it is a delivery vehicle. It should not engage in P.R. (public relations) exercises or whatever. It is there to deliver the requirements of the States of Jersey through the Regeneration Steering Group. I have been through this in the past with development agencies in Edinburgh. It does not matter what you do in terms of the P.R. of these things. You can never, ever achieve a great deal because one or 2 people writing to the *J.E.P. (Jersey Evening Post)* or whatever can destroy all of that; it does not have to be correct. That is not our function. It is delivery. If the States Members take that view, that is their right.

The Deputy of St. Peter:

But in formulating delivery, what responsibilities do you have for the sort of things that go on within the waterfront? You mentioned, going back to the Radisson, it would appear that it was somebody else's fault we ended up with the Radisson.

Mr. S. Izatt:

Well, I do not think we want to pass blame but I think we always look and say: "I do not think we would have allowed some of the things that P. and E. allowed." It happened.

The Connétable of St. Martin:

Interestingly enough, the same questions have been asked to 4 previous witnesses and I think out of ... now you are the fifth, 4 have answered exactly the same: "I understand the question but I am not the person to answer." Now, that is quite serious, I think. You are not talking about P.R. to the whole of the Island, you are talking about P.R. to 53 people. It is the States who are going to vote or going to not vote for it. The question is do you want to answer again? What will you suggest to ...

Mr. S. Izatt:

There will be a briefing session to States Members so States Members can ask any question in the same way and they will be given very open and direct answers.

The Connétable of St. Martin:

Thank you very much, but that will be the major stumbling block, as the Chairman said. Because although you say it was not your fault we got the Radisson, everybody blames you.

Mr. S. Izatt:

It is not about blame culture.

The Connétable of St. Martin:

It is perception. It is perception and maybe I understand you do a very good job, but the perception is that we have something we do not want.

The Deputy of St. Peter:

Because you appreciate that - and you used the term quite often during this session - W.E.B. goes into J.D.C. and J.D.C. is W.E.B.; W.E.B. is J.D.C. Now, I am not going to tell people how to structure the way they put forward issues but ...

Mr. S. Izatt:

I think that is very much ... we will have a briefing session. This project is sponsored by the Council of Ministers. I will keep going back to that what we are, within that company we are the mechanics to deliver. Politically it is entirely up to the Council of Ministers to pass that, and we will participate in that briefing session obviously to provide whatever information is required on an open basis.

The Deputy of St. Peter:

Right. Ladies and gentlemen, do you have any further questions? Well, thank you very much for your time, gentlemen, and thank you for being so open. Obviously we have a fair amount of deliberation to do. We are talking to the Treasury Minister this afternoon. Again, on behalf of the panel, thank you very much for your time.