

STATEMENT BY THE GSLP/LIBERAL OPPOSITION

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The decision of the Government to consider becoming a majority shareholder in the development of the first phase of the Mid Town project will only serve to further compound the way in which this development has been politically mishandled from the very outset. It was bad enough that the land for the project was undervalued and undersold five years ago. It now adds insult to injury that the taxpayer, who has been short-changed by this project, should now have to bail out the development because bank finance is unavailable.

The Mid Town project is located on former MOD land in the centre of town which included the two naval grounds and comprised about 7500 square meters of land for the developer. It was not put out to tender and was directly awarded by the Government to a company called Commercial Developments Investments Ltd which was then a consortium of Dutch and local developers. The original plans were for the construction of two buildings, one high-rise, in exchange for which the developer would build a school, a park, a car park for 650 vehicles and a leisure centre inside King's Bastion. These works were valued at £ 10 million.

The Opposition has long maintained that the project was undersold and that the real value of this large prime site of land was more in the region of £20-£25 million. The cost of the leisure centre alone proved to be around £ 11 million which was more than double the original estimate which meant that the balance between the original value and the new value were met by the Government. In other words, instead of the developer paying the Government, the Government ended up paying the developer.

There were further changes made to the project which included a reduction in the height and the construction of four towers of offices and luxury apartments instead of two. It was announced at the launch of the project that construction of the first building, Rock Tower, would commence in February 2008 and be completed in April 2010. The intention was that the four buildings would be phased in over 5-6 years in line with market demands. When questioned about the delay in Parliament in 2009 by Shadow Minister for development and planning Dr Joseph Garcia, the Government said that the developers had indicated to them that they expected to commence actual construction before the end of the year. No mention was made at the time of any difficulty in securing bank finance for the project.

The manner in which the Government has dealt with this project has raised a number of serious issues and exposed the shortcomings of their development and planning policy. It has become increasingly obvious that a condition of such awards must include a fixed commencement date failing which the developer would forfeit the deposit and lose the plot of land. It is also clear that the Government cannot possibly have known whether this was the best deal available simply because the project never went out to tender and other potentially interested parties were therefore excluded from the process.

Commenting on the matter, Shadow Minister for development and planning Dr Joseph Garcia said:

“The news that the Government now intends to become a majority shareholder in the development of Mid Town’s first phase means that as well as a share in any hypothetical future profit, they (meaning the taxpayer) are also landed with the majority share of the risk involved. The plain fact is that the lack of office space in Gibraltar is a problem of the Government’s own making. They took the decision to move the hospital into an office block at Europort instead of having constructed a purpose-built hospital elsewhere. They also failed to make provision for any future office space once the decision to move the hospital had been taken. It is totally unacceptable that the tax payers of Gibraltar should now be expected to pay for the mistakes of the Government once again.”