



PROCEEDINGS OF THE GIBRALTAR PARLIAMENT

MORNING SESSION: 10.04 a.m. – 11.30 a.m.

Gibraltar, Friday, 19th July 2019

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The Gibraltar Parliament

The Parliament met at 10.04 a.m.

[MR SPEAKER: Hon. A J Canepa CMG GMH OBE *in the Chair*]

[CLERK TO THE PARLIAMENT: P E Martinez Esq *in attendance*]

Standing Order 7(1) suspended to proceed with Government Statement

Clerk: Meeting of Parliament, Friday, 19th July 2019.
Suspension of Standing Orders. The Hon. the Chief Minister.

5 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I beg to move, under Standing Order 7(3), to suspend Standing Order 7(1) in order to proceed with a Government Statement.

Mr Speaker: Those in favour? (**Members:** Aye.) Those against? Carried.

Meetings in London – Statement by the Chief Minister

10 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I rise to update the House on meetings I have held in London in the past 48 hours relating to matters of interest to all hon. Members and no doubt also to the wider community.

On Wednesday afternoon I met with the Prime Minister, Theresa May, at 10 Downing Street. I was accompanied at that meeting by the Deputy Chief Minister, the Hon. Dr Joseph Garcia, and the Hon. Attorney General, Michael Llamas QC. The discussions centred around the tanker
15 *Grace I* and Brexit-related issues. I was also able to use the opportunity to thank Mrs May for her unwavering and solid support for Gibraltar during her time in office. I recalled that she had received me and Dr Garcia for the first time on the day that she was appointed Prime Minister, only hours before meeting Her Majesty the Queen. On this occasion, I allowed myself to tell the Prime Minister that I would not have kept the appointment with me if I had a meeting fixed with
20 Her Majesty the Queen immediately afterwards. The fact that she did set the tone of unwavering, stalwart and staunch support that was to follow in Mrs May's three years in power.

On Thursday morning, the Deputy Chief Minister and I met with the Foreign Secretary, Jeremy Hunt MP. The meeting with the Foreign Secretary centred on a discussion of the *Grace I*
situation and on preparations for our departure from the European Union.

25 We subsequently met also with Boris Johnson MP for a more general, convivial and positive discussion of matters of mutual interest and Gibraltar, and in particular the challenges of a so-called 'hard' Brexit and how to mitigate them.

Mr Speaker, the Government considers it highly significant that within 24 hours we have been able to meet with the current but outgoing UK Prime Minister, the Rt Hon. Theresa
30 May MP, and with the two candidates contesting an election to succeed her. We consider that this reflects the success of the ongoing policy of the Government to put across the Gibraltar

point of view to decision makers in the UK as quickly and as directly as possible. The Gibraltar Government has developed and continues to develop a close working relationship with Members of Parliament in the United Kingdom from across the political spectrum and on all sides of the Brexit argument. The relationship is one based on promoting understanding and support for Gibraltar's cause and not on buying influence. This sensible and methodical strategy has allowed Gibraltar issues to be properly understood across the board. It has also built a solid base of support for our position now and into the future, based on these personal relationships and the persuasive nature of the arguments we advance for Gibraltar.

Needless to say, both the Deputy Chief Minister and I wish both candidates to succeed Mrs May all the best for next week. *[A mobile telephone rang]* No doubt that is one of them also in touch with the Father of the House! *(Laughter)*.

Mr Speaker, I also met, late on Wednesday whilst in London, with Iranian officials, as I had asked the Foreign Secretary on Saturday to offer the Iranian Foreign Minister, His Excellency Javad Zarif. The meeting was held, at my request, in the Foreign Office. We discussed with our Iranian interlocutors matters related to the detention of *Grace I*, in a spirit of seeking to de-escalate all aspects of the issues arising. I am happy to report to the House that the meeting was both constructive and positive. At every stage we emphasised the distinct nature of Gibraltar's jurisdiction and the independence of the Supreme Court of Gibraltar, as well as the importance of the due process of law being followed in a state governed by the rule of law. This matter will be before the Supreme Court today once again, this afternoon. We look forward to continuing to work constructively and positively with officials of the Islamic Republic of Iran to facilitate the release of the *Grace I* pursuant to the satisfaction of all legal requirements.

Mr Speaker: The Hon. the Leader of the Opposition.

Hon. E J Phillips: Mr Speaker, we welcome the Statement by the Chief Minister. Indeed, we welcome the meetings that he has conducted in London with the Prime Minister, together with the prospective new Prime Minister, whoever that may be in due course.

Of course, the future continues to remain uncertain for our community, but we shall remain positive about our future relationship with the EU and indeed the United Kingdom in the current climate. It would be remiss of me not to remind members of our community that we should all continue to prepare for a difficult time ahead insofar as a hard Brexit is concerned and we would encourage the Government to continue in its efforts to prepare this community for difficult times.

We have met with the Deputy Chief Minister in respect of the risks that we see insofar as the difficulties with the land frontier. I know the Deputy Chief Minister has identified that as being one of the most difficult areas, but I am hopeful that the Chief Minister can also mention a few things about how we are to prepare this community in moving forward in respect of those risks.

Hon. Chief Minister: Mr Speaker, I am grateful to the hon. Member for his reference to the work that we have done this week in respect of matters relating to Brexit. I know that they have met on a number of occasions with me and with the Deputy Chief Minister in relation to these matters.

The fact is that I think everyone in the community is aware of the difficulties that leaving the European Union, whether with a deal or without a deal, will create for Gibraltar. I have been very clear, with those who make remark about the 96% support that staying in the European Union garnered in the referendum three years ago, that – I think I reflect the view of the whole House – that result was not in any way a reflection of any affection for the European Commission and its approach to Gibraltar or lack of affection thereof or therefor. It was a deep reflection of the understanding that everyone in our community has of the importance of the European Treaties in ensuring that Gibraltar and its neighbour, Spain, have been able to enjoy a

relationship without having to reach understandings bilaterally, trilaterally or otherwise, and of course that is one of the key issues that I think we face in the context of any type of Brexit.

85 I am aware that next week the United Kingdom will be sending a number of officials to Gibraltar to continue the in-depth discussions we have held in respect of every area that would be affected by our withdrawal from the European Union, not least the border and issues relating to the rights of citizens etc. And the Brexit Executive Group will be meeting today, chaired by the Chief Secretary and reporting to the Deputy Chief Minister, so I am grateful for the opportunity
90 to update the House also in that respect at the invitation of the Leader of the Opposition.

**Standing Order 7(1) suspended
to proceed with Government Bills**

Clerk: Suspension of Standing Orders. The Hon. the Chief Minister.

Chief Minister (Hon. F R Picardo): Mr Speaker, I beg to move, under Standing Order 7(3), to suspend Standing Order 7(1) in order to proceed with Government Bills.

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Mr Speaker: Those in favour? (**Members:** Aye.) Those against? Carried.

BILLS

FIRST AND SECOND READING

**Gibraltar Residential Properties Limited
(Assignment, Transfer, Vesting, Registration and Notice) Act 2019 –
First Reading approved**

Clerk: Bills – First and Second Reading.

A Bill for an Act to make provision for the assignment, transfer and investing of certain rights, interests and obligations from Gibraltar Residential Properties Limited to GIC Limited; the
100 exemption of the assignment and transfer from registration requirements under the Land Titles Act 2011; for the notice of the assignment and transfer to relevant parties and financing institutions; and for connected purposes.

The Hon. the Chief Minister.

105 **Mr Speaker:** Before the Chief Minister moves the First Reading of the Bill, I wish to confirm that I have received a letter from him signifying the urgency of this Bill.

The Chief Minister.

110 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I have the honour to move that a Bill for an Act to make provision with respect to assignment, transfer and investing of certain rights, interests and obligations from Gibraltar Residential Properties Limited to GIC Limited; the exemption of the assignment and transfer from registration requirements under the Land Titles Act 2011; for the notice of the assignment and transfer to relevant parties and financing institutions; and for connected purposes, be read a first time.

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Mr Speaker: I now put the question, which is that a Bill for an Act to make provision for the assignment, transfer and investing of certain rights, interests and obligations from Gibraltar

120 Residential Properties Limited to GIC Limited; the exemption of the assignment and transfer from registration requirements under the Land Titles Act 2011; for the notice of the assignment and transfer to relevant parties and financing institutions; and for connected purposes, be read a first time. Those in favour? (**Members:** Aye.) Those against? Carried.

Clerk: The Gibraltar Residential Properties Limited (Assignment, Transfer, Vesting, Registration and Notice) Act 2019.

**Gibraltar Residential Properties Limited
(Assignment, Transfer, Vesting, Registration and Notice) Act 2019 –
Second Reading approved**

125 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I beg to move that the Bill now be read a second time.

I have certified the Bill as urgent under section 35 of the Constitution, as you have indicated, and in that respect the abridgement that I am proposing is for six days or so. The Bill will have been published for six weeks next Thursday, I understand. The Government does not consider
130 that this is too onerous an acceleration of the time limit. The reason for the certification and abridgement of time arises from the fact that Ministers will be travelling after today and that will make it harder for the Government to take the Bill before the end of July. Indeed, the volatile political climate outside of Gibraltar – the election of a new Conservative leader and Prime Minister; Brexit, which continues to take so much of our time, as we have just discussed; and
135 the absence of a government in Spain – at least today has required and may again require me and other Members of the Government to travel at short notice.

We have agreed with those purchasing the 50% equity in respect of the estates which are the subject of this Bill that the Bill will be passed before the end of July, and for that reason the Government considers it needs to take the Second Reading of the Bill today. In the case of this
140 Bill, the Government also requires advisers to be present and their travel may also make available dates more difficult. Additionally, as I have stated, I believe I may be required to travel at short notice again and I cannot therefore be sure that I will be available on other dates.

Indeed, during the course of the rest of my address I will be indicating that it is not the Government's intention to take the Committee Stage and Third Reading today and that I expect
145 that there will be an opportunity for the Government and Members of the Opposition who have an interest – both the Official Opposition and the hon. Lady – to meet before we take the Committee Stage and Third Reading next week.

Mr Speaker, as I set out in my Budget address, the Government is delighted to have been successful in attracting an investment which has allowed the locked-up capital value of certain
150 co-ownership interests held by GRP in certain affordable housing estates to be released. This is being achieved through first-tier institutional investors, namely Barings and M&G.

The estates which are affected are the following: Beach View Terraces, Mons Calpe Mews, Waterport Terraces, Cumberland Terraces, Nelson's View and Bayview Terraces – that is to say the 50/50 co-ownership estates developed by this administration and those developed by the
155 former administration. The first tranche of GSLP co-ownership estates is not affected. This transaction does therefore not involve any of the earlier estates developed, namely Montagu Gardens and Montagu Crescent, Sir William Jackson Grove familiarly known as Gib V, Harbour Views or any of the other estates that had earlier benefited from the 50/50 schemes, although they were not strictly developed as such. Hon. Members will know that Brympton, for example,
160 had a number of properties sold on 50/50 terms, and indeed so did Vineyards as the Government understands, but they were not developed as affordable 50/50 co-ownership estates.

165 The transaction that underlies this Bill has already been completed and I reported on it to the House during the course of my Budget address, and so this Bill has been presented to finalise certain post-completion aspects of the transfers in question.

170 In addition to effecting a statutory assignment transfer investing of GRP's co-ownership interest in GIC Limited, this legislation first of all exempts the assignment and transfer from registration requirements under the Land Titles Act 2011 and constitutes notice to relevant parties and financial institutions who have an interest in such an assignment and transfer. I nevertheless want to be clear in saying that the Government, as the sole ultimate owner of GRP, will be providing direct notice, to each relevant individual co-owner, of these arrangements. We will be writing directly to each one, so that apart from the legal notice requirements being fulfilled by this Bill, each owner will have a direct notification from us. They will have direct and cast-iron assurances from us that nothing in respect of their legal or equitable rights will change. 175 They will not be treated any differently by the new owner of the remaining equity in the properties. Indeed, the investors will be bound by exactly the same rules as GRP were bound for the Government. There is therefore no adverse change at all. There is no negative aspect of this transaction for the co-owners. In effect, all there will be is a change of name of the institutional co-owner. I cannot emphasise this enough, Mr Speaker. Indeed, should there be any suggestion 180 by any person or party that there is an adverse consequence to the current co-owners, that would be entirely false and self-serving and I am therefore sure that no one will want to fall into the trap of suggesting something that is demonstrably untrue and legally flawed. It is absolutely trite law that a contract cannot be changed unilaterally by one side to the agreement. There would be no enforceable bargain if one side could change a contract without regard to the considerations of the other side to an agreement. So the co-ownership agreements remain the same but are just now with a different counterparty. 185

As Members will be aware, the co-ownership interests held by GRP are subject to the terms of a trust deed entered into by individual co-owners and GRP. This has been standard since the first co-ownership estate was created under the administration of the Father of the House. 190 Individuals who own properties on a co-ownership basis in these developments entered into a trust deed with GRP at the time of purchase. This has been a standard part indeed of every single 50/50 transaction since the first estate was developed at Montagu Gardens, remarkably now almost exactly 30 years ago. These trust deeds record and govern GRP's retention of an equitable interest in those properties sold on a co-ownership basis. The trust deeds contain 195 declarations by individual co-owners that such equitable rights are held on trust for GRP. The trust deeds also provide the mechanisms and terms under which an individual co-owner can exercise his or her option to purchase the outstanding equitable interest in the property held by GRP.

200 What this Bill does is simply to give effect to the completion of the assignment transfer investing of such co-ownership interests and all rights, interests and obligations under the trust deeds from GRP to GIC Limited. The Bill exempts this assignment and transfer from the formal registration requirements under the Land Titles Act 2011 and it provides notice of the changes to all co-owners and financing institutions who have an interest in the assignment and transfer of these rights. The reason for this is that there are so many co-ownership properties that it would be very onerous indeed to have to specifically make the necessary changes to each deed 205 to replace GRP with GIC Limited. That is why we are doing this by way of a law. There have been many such Bills and laws in the past. This type of legislation is in fact quite common, for example, when a bank sells a mortgage portfolio and one lender is replaced by another in hundreds or thousands of contracts. The mortgage or the loan agreement does not change in any way, shape or form. The terms of the agreement do not change, the rights of the person 210 who has taken the mortgage or the loan do not change and their obligations do not change also. The only thing that changes is the counterparty. So if on one day you owe Bank 1 £1,000 and that bank sells its loan book or mortgage business to another bank, then by law – or alternatively, if you do it one by one, by novation agreement – you are told that your obligations

215 do not change but you must now pay Bank 2 the same sum of money every month for the same
period as you agreed with Bank 1. The terms do not change at all and that is the situation with
this Bill. The underlying homeowners who own by a co-ownership structure continue in exactly
220 the same position as before. Absolutely nothing changes for them. The only difference is that
they have a new counterparty in GIC Limited instead of GRP, but all the terms are exactly the
same. The right to sell, the terms of sale and the conditions for sale all remain identical under
GIC Limited as they were under GRPL, and indeed all other terms remain identical too.

One key issue, though, Mr Speaker, is that GIC Limited is of course not subject to litigation in
Madrid, as is the case of GRP as a result of the construction issues affecting the Gibraltar branch
of Bruesa and their litigation dispute with the former administration. I will be able to say more
225 about that particular aspect of this matter to hon. Members opposite when I brief them on this.
As I said earlier, I had wished to brief them all on this Bill before we had to take the Second
Reading. Indeed, I said as much in my Budget address, at paragraph 192 of the written text,
when I said that I expected to be able to take Members through the transaction before we
considered this Bill in the House. I have been unable to do so because the political climate has in
230 effect deprived me of enough hours in a day and enough days in the weeks between my Budget
address and today to convene those meetings. Indeed, I had hoped that I would have been able
to convene those meetings earlier this week at the latest, but for the reasons that hon.
Members will have heard me reflect on in the Statement I made a moment ago to the House, it
was not possible for me to be here to fix and attend those meetings. My offer is therefore to
235 meet hon. Members on Monday to take them, and any of their advisers that they may wish to
bring with them, through aspects of the Bill in more detail, and to take the Committee Stage and
Third Reading on Tuesday. We will therefore not be seeking, as I indicated earlier, to take the
Committee Stage and Third Reading today.

The co-ownership terms under the trust deeds applicable to individual co-owners have not
240 been and shall not become in any way, however, altered and will continue to be honoured by
GIC Limited instead of GRP. This Bill provides that any references to GRP shall be replaced by
references to GIC Limited as may be required. This will ensure that GIC Limited in effect steps
into the position of GRP in respect of all rights, obligations and causes of action. The terms and
valuations for a sale of co-ownership shares will continue to be determined exactly in
245 accordance with the relevant underleases and trustees. Indeed, all arrangements relating to the
sale of co-ownership interests shall continue to be administered by LPS under these new
arrangements. So, although the counterparty changes from GRP to GIC Limited for co-owners,
they will not even have to contact any different third party entity as a result of this change. It
will still be LPS that will be the point of contact even after this transaction. The transaction will
250 therefore have no practical impact whatsoever on homeowners should they choose to sell their
property or to buy any or all of their remaining co-ownership shares.

Mr Speaker, I reiterate, nothing changes for individual co-owners beyond GRP being replaced
by GIC Limited, but the unlocking of this capital value allows the release of funds and these
funds will be reinvested with the value of the new co-ownership interests retained and growing
255 within the GIC Limited structure. So, in other words, a dead asset which is financed by our
community and was not otherwise accessible to our community is now being released to fund
more new, affordable homes for our community. The capital value and growth of assets that we
created for one generation of home purchasers is now being used to create an asset for the next
generation of home purchasers and this is being done at absolutely no cost or risk to the original
260 home purchasers.

This investment and the release of such value demonstrates continued international
confidence in the economy of Gibraltar and entirely preserves all rights and interests of Gibraltar
homeowners. Additionally, the key factor here is that we are unlocking the ability to create more
affordable homes without having to encumber the rest of the community with new financing
265 costs for the period of the construction and without having to tie up capital value going forward.
In doing so, we are in effect lancing a boil, best exemplified in the valedictory statements of Sir

Peter Caruana – the greatest Gibraltarian of all time, according to some (*Interjections*) – in his last address during a Budget session in 2015. In that year, Sir Peter said this:

There are still things left to be done. But there is a limit even to the amount of housing for example which is historically our acute problem. There is even a limit to the amount of home ownership housing that this community given its limited size can absorb. There are, I acknowledge, pending things left to do.

That is a direct quote from him.

270 We agree, Mr Speaker, that it would be hard and indeed essentially unfair for this community
to continue to indefinitely fund low-cost, in effect subsidised, affordable housing from the
general resources of the nation. Instead, this mechanism provides a system where the assets
initially created from those general resources are put to work for the benefit of the future
275 generations of purchasers. Additionally, the finance required for the construction period is
absorbed only by the same entity and not by the whole of the rest of the community. In doing
so, we are delivering co-ownership housing at half of cost price for further generations of our
community with the massive discount that is represented by not charging the land value of the
plot on which the properties are built.

I say that not just in explanation of this Bill but in order to ensure that hon. Members and the
280 community as a whole are reminded that the price of the new affordable homes is fixed at cost,
minus the price of the land. The price of the land is absorbed by the taxpayers as a whole, as it is
not charged for. Increases in the cost of homes since our last tranche of affordable 50/50
housing arise of course from the collapse of the pound against the euro since the Brexit
referendum, the increased cost of construction as a result and the end of the recession in Spain
285 and inflation. Despite that, it is also important for people to remember that under our schemes
they can continue to purchase 50% of the properties for sale for half the price and they are not
prejudiced by choosing to do so as against 100% purchasers, as was the case under the former
administration where 100% purchases had first choice.

Mr Speaker, the transactions underlying this Bill are excellent ones that create opportunities
290 for future generations of homeowners, the backbone of Gibraltarian families that are the
lifeblood of our growing and emerging nation. And in doing so we can guarantee no change
whatsoever to the current homeowners in respect of their rights and obligations or other terms
and conditions as against their current counterparty, GRP, when they see their new
counterparty, GIC Limited. This Bill facilitates that process and makes the transition easier even
295 for existing homeowners as well as for the investors, who are confident also of our future and
are supporting Gibraltar's continued socio-economic growth.

In summary, if we did not do this by way of legislation we would have to ask each and every
homeowner to enter into a separate and new trust deed etc., and so therefore this makes it
easier for all the homeowners as well.

300 I want to thank Peter Montegriffo QC and Nicholas Howard of Hassans for their advice to the
Government in respect of this matter, as well as Land Property Services and the Financial
Secretary, Albert Mena, for their diligent hard work in making this new scheme, and to ensure
the continued viability of the 50/50 schemes for our nation's working people. Through this Bill
and through this transaction we will continue to be able to build for those who need to buy at
305 affordable prices.

It is my pleasure to commend this Bill to the House on what is in effect the 30th anniversary
of the 50/50 schemes first being introduced by the first GSLP administration. (*Banging on desks*)

Mr Speaker: Before I put question, does any hon. Member wish to speak on the general
310 principles and merits of the Bill?

The Hon. the Leader of the Opposition.

Hon. E J Phillips: Mr Speaker, we welcome the intervention by the Chief Minister in respect
of the Bill. We also welcome his apparent reassurance to homeowners in our community in

315 respect of the relevant estates, or at least the Government's interest in those estates that have now been 'sold off', to use the words of the Chief Minister in respect of his Budget address.

It will be recalled, of course, that the Government previously dealt with other aspects of housing in Gibraltar by mortgaging them up to the tune of £300 million, so therefore, the Chief Minister will not be surprised that we have very serious concerns about this particular transaction and the way in which it has been structured. We welcome, of course, his offer to meet with the Opposition before the Third Reading of this Bill so that he can, as he said in his Budget contribution, take us through some of the details of the sale deal, and I think he said 'walk us through the transaction' today. We would welcome that meeting so that we are fully informed of the fine detail in respect of this transaction.

325 We cannot, at this stage, support this Bill that the Government brings in respect of this particular transaction because I think this community expects its Opposition to already have the fine detail. Whilst I understand the Chief Minister has been extremely busy in a very volatile situation concerning Brexit, *Grace 1* and the evolving situation in Spain, he is duty bound to explain to the Opposition the detail of this arrangement so that we can become satisfied and certainly comfortable that this is in the interests ... so that we can give it our support – but at this stage we cannot support the Bill without understanding that detail.

It is unfortunate, of course, that we are in the situation that we are now at the Second Reading of this Bill without that detail, because I do not think it is appropriate for this side of the House to support a Bill without that information. We do welcome the meeting, we look forward to meeting with him and we do not expect just to receive a briefing in relation to the operative parts of this transaction, or as described by him the 'post-operative' parts of this transaction. We would like and we would appreciate the fine detail of this and the commercial rationale for this decision, which has not been included in his intervention this morning.

335 This community deserves to know why the Government believes it is in the wider interest of this community and the wider interests of the public finances of this community to structure this deal in this way before this side can support it. I would be grateful if we could receive that information on Monday so that we can be satisfied at the third stage of this Bill that this is in the wider interests of our community, given what we have always said in relation to the public finances of this community, which we again repeat our concerns about. I know that the Hon. Mr Clinton will be delving into some of the detail that we can glean from the papers and indeed the Bill, but I am sure he will share my very brief analysis in respect of our general position.

Mr Speaker: The Hon. Marlene Hassan Nahon.

350 **Hon. Ms M D Hassan Nahon:** Mr Speaker, I wish to thank the Chief Minister for his primary contribution on this Bill.

I shall be abstaining for the moment, as I have not yet been fully briefed on the position. I believe it is an interesting Bill and a potentially positive Bill for the community, but I will prudently reserve my position until the briefing that has been offered to me for Monday, after which point I shall be in a better position to vote on, or against, this Bill at Committee Stage and Third Reading – on Tuesday if I am not mistaken, when we shall resume the House.

Thank you, Mr Speaker.

Mr Speaker: The Hon. Roy Clinton.

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Hon. R M Clinton: Mr Speaker, regrettably this Bill is the tail end of a much, as the Chief Minister himself said in his Budget statement ... And, Mr Speaker, you will forgive me if I make reference to the Budget statement, but it is particularly relevant to the Bill. He says:

This sale is also linked to a wider deal that also provides the funding platform and framework for the financing of the construction and development of Hassan Centenary Terraces and potentially other affordable housing schemes ...

365 But, Mr Speaker, if you recall, during the Budget session I asked the Chief Minister various questions – to which I have not yet had the answers.

370 First of all, he talks about GIC Limited having been funded for a subscription of shares by Eruca Investments Ltd – or whatever the strange name of this company is; let's call it 'E' Investments Limited for the sake of expediency – that in turn raised funds through the issue of loan notes to various institutional investors, all part of or managed by M&G or Barings. Now the Chief Minister comes to us with a Bill in respect of a transaction which he tells the House is already completed and effectively all this is is a bit of housekeeping to put the security required into GIC Limited as part of the wider transaction, but to this day we have no clarity as to what that wider transaction is.

375 Very simple questions. What value loan notes have been issued by 'E' Investments Limited? What is the period of these loan notes? Are they issued in tranches? What is the interest rate on these loan notes? He talks about 3.29% for the construction period, but is that construction period two years, three years? What happens after the construction period? Does the rate go up? Does it go down? Is it floating? Is it fixed? What is it, Mr Speaker?

He also says, rather cleverly – and again I am going to refer to the Budget speech, at 193:

I would just now clarify there is no security or mortgage over any real estate interest in Gibraltar nor has the Government provided a guarantee ...

380 But, of course, Mr Speaker, a search of 'E' Investments Limited shows indeed there is a mortgage, a charge and a debenture over itself in respect of its holding of redeemable shares in GIC Limited – a very clever structure and I commend the architects – but we still have no clarity as to what the overall wider transaction is.

385 Neither is it apparent to me where the cashflow is going to come from. He says we have taken an 'illiquid residual' interest and we have converted it into liquid cash. This is financial alchemy and he knows it. What other assets have been put into GIC or 'E' Investments Limited that generate a cashflow in order to pay the interest? We all know that with the 50/50s there is no capital repayment schedule or a requirement by which the other 50% owner, the ordinary person in the street in Gibraltar, has to purchase the 50% or required residual interest from the Government. So how is this of any interest to a third party with money to invest when there is
390 no guarantee as to the cashflow or redemption period? How has the Government actually achieved this? Has the Government – and this is pure conjecture, Mr Speaker – perhaps put in some Government buildings to sweeten the deal into GIC Limited and then pay rent and then that way it would generate cashflow? That would make sense to me, but again we have no
395 clarity and I can only speculate.

400 He talks about the £165 million sale proceeds, but could he tell us what is the value of the 50/50s, because I somehow doubt that GIC Limited will be paying the full value for those 50/50 interests. It could be those 50/50 interests are actually worth £300 million, £400 million, maybe more. I do not know. So if, for example, GIC Limited purchased an asset that was worth £500 million for £165 million, then of course they are sitting on a very nice in-built profit, but of course they do not know when that profit will be realised, and that again will be a risk to the note holders further up the chain.

405 So again I would ask the Chief Minister to give us clarity as to the wider deal, because all he has done today is come to the House with a Bill to tidy up the tail end of the transaction, to put assets into GIC Limited in a legally expedient manner in probably what is a cost-effective manner as well, rather than having to write to each individual owner of 50/50 schemes.

And so, Mr Speaker, whereas I am sure my legal colleagues this side of the House are perfectly au fait with the concepts of novation, contract and trust deeds and stuff like that and

probably need no lecture on the subject, what I am interested in is the mechanics of the wider
410 structure. What is the value of the loan notes issued by 'E' Investments Limited? What is the
term of them? Is there an option agreement, as there was for the £300 million mortgage? These
shares that are redeemable that were issued by GIC Limited to 'E' Investment Ltd – according to
Companies House, 155,750 shares of a notional value of £0.01, which I presume were issued at a
premium – what value has been paid for those shares?

415 There are so many questions in respect of the structure that I think it is really stretching the
good faith of the Opposition to expect us to support this Bill purely on what the Chief Minister
has said today. And to give us a briefing just before the Committee Stage, when he knows full
well there is probably nothing much in this Bill that we can amend because it is, as he says,
effectively a tidying-up structure, once the transactions finish, in order to put into effect the
420 insertion of security ... But there probably is not much we would want to amend in this Bill,
because there is nothing much in here that is amendable, as he well knows.

All we need to know in the Second Reading of the Bill is about the principle of it and why this
Bill is even required, and it is patently obvious this Bill is required because of the wider
transaction – and to this date the wider transaction has not been explained. We need to know
425 how much money has been borrowed for what term, what option agreement there is, what
other assets have been put into GIC or some other part of the structure, how is the cashflow
going to be generated, who is paying what and what is the value of the 50/50 that was
purchased for £150 million.

Again, I commend the architects of the structure – it is very clever, but not very cheap,
430 Mr Speaker. This is actually more complicated than the £300 million mortgage. I digress slightly,
but if we are doing so well, why the need to borrow more? Didn't they have £195 million left
from the £300 million? Why are we borrowing more?

Whereas he says this is part of a scheme that will ensure that future generations will have
affordable housing, without understanding this strange alchemy, this philosopher's stone which
435 converts liquid assets into ready cash, I really cannot see how he expects us to support this Bill.

Thank you, Mr Speaker.

Mr Speaker: The Hon. Daniel Feetham.

440 **Hon. D A Feetham:** Mr Speaker, thank you very much.

I personally cannot support this Bill. There are three reasons for it, Mr Speaker. The first is
that the devil is always in the detail and the Opposition has no sight of the detail. It is like asking
the Opposition to vote blind and it is totally inappropriate, in my respectful submission, for a
Government to come to this House in those circumstances asking the Opposition for support in
445 that way.

The second – and this goes to the heart of why I do not believe that we ought to be
supporting this Bill – is that the Opposition has held a very careful line since 2012 in relation to
public borrowing, and in particular off-sheet public borrowing. I suspect, for the reasons that the
Hon. Mr Clinton gave a few moments ago, that while the Government and the Chief Minister in
450 particular described this as a sale during the course of the Budget speech, this is a very
complicated structure to allow the Government to effectively borrow £165 million using the 50%
share that it owns through GRP in these estates as effectively collateral, as security. The reason
for that is that he himself has described this 50% as an illiquid asset. There is absolutely no
commercial benefit at all to anybody to buy the 50% that the Government owns in these estates
455 because they cannot sell them on. Even if that increased in value it would have no resale value
because they could not sell it on. That leads me to the conclusion that this is a very complicated
structure in order to allow the Government to borrow £165 million. Since 2012-13 we have been
warning the community not only about levels of public debt but also about the Government's
propensity to borrow off balance sheet. And there is one issue which the Government has never,
460 ever been able to satisfy us on – and, I believe, those in the community who know a little bit

about these things – and it is this: that it has borrowed £1.3 billion, plus now the £165 million, and we do not know how much of that has been spent. Therefore we cannot in fact project with any certainty what the economic health of the community from a public finance point of view is, which has been at the centre and at the core of our discourse in relation to these things. For the
465 Government to expect the Opposition to support the Government in those circumstances I am afraid is completely and utterly unreasonable and pie in the sky.

The third reason is that the Hon. the Chief Minister says, ‘Well, GIC is not subject to litigation in Spain.’ That is a complete and utter red herring, as anybody with any experience of litigation and insolvency law would be able to tell you, because to the extent that the Hon. the Chief
470 Minister is saying that by effectively transferring this asset out of GRP into GIC it would be putting assets out of the reach of a creditor should that creditor obtain a judgment in Spain, it is complete and utter nonsense. Under Gibraltar law, for a period of two years after the transfer of an asset out, if GRP were to go insolvent the creditor would be able to trace into the hands of whoever has obtained that asset, particularly if it has been transferred for the purpose of
475 putting it beyond the reach of creditors. He knows that it is inconceivable that if there is a judgment against GRP in Spain or wherever else that is enforceable in Gibraltar through routes that we are all aware of, the Government would not step in and would not satisfy that debt. Therefore, to suggest that this is necessary in order to protect in some nebulous way these estates from the black hand of a creditor in Spain is nonsensical and I for one cannot accept that
480 as a reason.

Mr Speaker, thank you very much.

Mr Speaker: Is there any other contributor to the Second Reading of this Bill? The Hon. Albert
485 Isola.

Minister for Commerce (Hon. A J Isola): Mr Speaker, very briefly, I would just like to take this opportunity, as I think it is appropriate, to congratulate my Friend the Father of the House, the Hon. Sir Joe Bossano, for the sheer genius of what he created 30 years ago. (*Banging on desks*)

I am not sure – can I just clarify if the hon. Members are voting against or abstaining? I was
490 not clear.

Hon. E J Phillips: We are not supporting it.

Hon. A J Isola: ‘Not supporting it’ – well, we will have to listen to whether it is an aye or a no, I guess (*Interjection*). (**Hon. Chief Minister:** Or nothing.) Or nothing, yes. That is more akin to
495 what they normally do.

Mr Speaker, 30 years ago a unique system of developing and providing homes to people in Gibraltar was created by the Hon. Sir Joe Bossano. It has been copied in fact recently in the United Kingdom in a very similar device to deliver affordable housing to its people there. What
500 we are seeing today is another facet of that genius, which is the ability to unlock a value that is in an asset that stays in Gibraltar and cannot be moved from Gibraltar but releases funds to enable the Government to invest that same money back in more housing for other Gibraltarian people. I could not think of anything better. I congratulate the Chief Minister and I congratulate the architects and the people who have made this possible.

Yes, I accept that you are entitled to that detail, of course you are, and that detail will be
505 forthcoming for reasons that the Hon. Chief Minister has made absolutely clear. But what is before Parliament today is not the detail of a commercial transaction the Chief Minister described in his Budget address, but a piece of legislation which is in effect a deed of novation in terms of the 50/50 interests of individuals, which does not change an iota because the interests
510 of GRP insofar as the purchasers and the owners of those houses are concerned are now being put into the name of GIC. It is almost as if they cannot see the wood for the trees. There is

absolutely no change in the hands of each individual who owns a property in any of the housing estates that the Chief Minister referred to, none at all.

515 So that is the Bill that is before Parliament today. What are the hon. Members' views on that Bill? What are the hon. Members' views on the deed of novation transferring the GRP interests to GIC? All the other issues are absolutely valid and can be made, and the detail when it is given you can agree or disagree, you can make whatever commentary you want in a political way, as is your job. But in respect of the Bill that we have before us today, it is simply finalising a transaction that the House was briefed on and informed on in the budgetary speech of the Hon.
520 the Chief Minister.

I could not think of a better way to use a capital asset that is locked and otherwise untouchable than releasing it in this way to provide more homes for Gibraltarians. I commend the Chief Minister and I commend the team involved in delivering this to us and I look forward to seeing many more houses built for Gibraltarian people, unlocking cash that otherwise would not
525 be available to us. *(Banging on desks)*

Thank you, Mr Speaker.

Mr Speaker: Does anybody else wish to speak on the Second Reading of this Bill before I call on the mover to reply? The Hon. the Chief Minister.
530

Chief Minister (Hon. F R Picardo): Mr Speaker, I am grateful to all hon. Members for their contributions.

Thirty years ago when Joe Bossano thought of reclaiming land and building on it, the need for a legal structure also came around. I remember being a very young man then and seeing what
535 was going on as James Levy became the architect then of the trust deed etc. and how you create a trust deed in respect of land that has just been created etc. And then, not as young as me but still younger than he is today, Sir Peter Caruana was involved on the other side of those transactions for Barclays Bank and raised issues about those trustees, and then a final agreement was done. So, ironically, a lot of the people I would consider to be the giants of our
540 community were involved in the structures that have created the, today, 50/50 schemes in one way or another.

So, when the Hon. the Leader of the Opposition says that he welcomes my Statement and welcomes my reassurance, I did think that he was going to tell us that the Opposition, for reasons that we had ventilated in a short digital discussion last night, might want to wait to take
545 a view in respect of what their position would be. But I think it has become increasingly clear, in varying degrees of certainty in the three speeches that we heard from the Official Opposition, that they are going to vote against this Bill – not that they are going to abstain, but that they are going to vote against. Half of me says, 'Then why bother briefing them?' Once somebody tells you 'I am against this in principle' then why would they like to come into the guts and the engine room of the transaction? What is it that you want to do, other than satisfy legal or financial
550 curiosity? It then really just becomes an issue of 'I would like to poke the bits of the engine that run.'

I am grateful, Mr Speaker, and I will come to him in due course, for the clarity that Mr Feetham has brought to the position of the Opposition in respect of the view they are going
555 to take on this subject. Of course, we know what his position was on the amendment to the Crimes Act last week and how he is going to vote in the referendum. I still do not know whether the Leader of the Opposition ... From his speech I did not know whether they were going to abstain on this Bill or whether they were going to vote against.

Mr Speaker: The Abortion Bill or how anybody is going to vote is not relevant to the matter before the House now.
560

Hon. Chief Minister: No, Mr Speaker, but it is relevant to attitude and that is why I am going to continue to refer to it, because I have as much clarity from the Leader of the Opposition's
565 speech on how he is going to vote in respect of this Bill as I do on how he is going to vote on the referendum in respect of abortion. In other words, Mr Feetham has told us that he is against the Bill and that the GSD has been against issues since 2010 or 2012 – I think he meant 2012, Mr Speaker – and that therefore, because it offends his three basic rules, they are going to vote against this Bill. He did not start by saying that he welcomed my reassurances and he welcomed
570 my Statement and that he was looking forward to the briefing. He was crystal, like a leader should be. *(Laughter)*

Then the Hon. Mr Phillips took us to the fact that there is what they call a mortgage and we call an investment in respect of other assets, not the co-ownership estates but the Government's estates now. I do not understand what their point is in respect of that and I am
575 not surprised that I do not understand because I know they take so many different positions that my fault is trying to reconcile them all and try and find the strand of logic.

They were in favour of selling the family silver. In other words, they were in favour of selling the post-war Government tenancies. They sold that, the crown jewel of assets of the Government of Gibraltar. They sold the crown jewels, the family silver, and they presented that
580 as a great step forward for this community. You could have thought the man they refer to as the greatest Gibraltarian of all time had thought it was, today, 10 years ago and was telling us that this was a giant leap for 'Gibraltariankind' and a small step for each of the tenants who were buying those properties they were selling – flats at Alameda Estate, flats at Varyl Begg, flats at Laguna and Glacis – and they thought sale was perfectly appropriate. They were selling at £x per square metre whilst at the same time telling us that it was important that the community have more properties available for rent. So they were building, at 10 times £x, new post-war tenancies to rent, which they rented at £x to the minus power of a thousand because they were never going to get their money back on the building of those new tenancies, and they told us that that was very good because it was sale. Well, they then criticise us for raising an
585 investment, which they call a mortgage, in respect of those self-same estates and at the same time as we offer, and as the hon. Lady announced in the course of her Budget address, to buy back all of those crown jewels which they sold. So, on the one hand it is good to sell, they say, and bad to mortgage – that is what they say. And then when we sell they say, 'Well, that is just as bad as mortgage.'

Mr Speaker, hon. Members will allow me to continue to seek to distil some logic from what their positions have been and are in respect of these transactions. In this case, what we are doing is selling the equity that we hold in properties that were always for sale in respect of an asset that was always going to be sold. So indeed the trust deed requires the 50/50 purchaser, when he sells on, to sell on at least the 10% of our interest but hon. Members know that most
600 people buy the whole remaining 50% before they sell. So it is not true that there is complete illiquidity in these assets because they are sold on. There is no time when we know we are going to see that sale because there is no requirement to sell, but there is clearly a market in these assets.

They are in favour of sale when they do it, even though they are selling assets that we need and that they demonstrate that we need by creating more of them. So, on the day that they sell a property in Alameda Estate they break ground with Bruesa in an area on the sea front to build Mid Harbours. They sell 200 and they build 300. It is very difficult to reconcile any logic there. Then the approach they take when we create the investment over those tenancy properties is to say that it is a mortgage and that it is a bad thing.
605

If we were to have a discussion about whether you think it is more appropriate to sell or mortgage, then we could also have a very interesting view – not that I am accepting their characterisation, but you could have a very interesting view – that actually to mortgage, as long as you maintain the payments on the mortgage, is much better than to sell. Why? Because if you sell, you entirely alienate the asset. You sell it. You never see it back. Unless you have written in
610

615 a right to buy it back, you never see the asset back, you have lost it. So, when you sell the crown
jewel you lose the ruby and then you lose the emerald and then you lose the diamond. If you
mortgage the crown, as long as you make your payments against the financing, you keep the
ruby, you keep the emerald and you keep the diamond, and at the end of the mortgage period
620 the crown is entirely, both in equity and in law, yours in title again. And indeed, should anybody
sell during the period of the mortgage, the equity of redemption comes back to you too.

For those who might not understand that principle, if you have mortgaged the ruby for
£1,000 and you make £950 of repayments and you do not make the last £50 of repayment, the
ruby cannot be sold for less than market value, by then probably £2,000, and you have to be
given back all of the amounts less the amount outstanding. So, if the ruby sold for £2,000, the
625 person who sold it is only entitled to the remaining £50 you did not pay and they have to give
you back £1,950. So you could make a very good argument, if you had done a mortgage, that a
mortgage is better than a sale, because if you have sold something that you never had to sell
you have completely alienated it for good and you have lost it, whilst if you mortgage it all you
are doing is hypothecating it for a period but getting it back at the end.

630 If what you sell is that which you had already required should be sold, and in respect of these
50/50 properties you have passed an obligation on the co-owner to sell when he sells with no
time limit as to when that should happen but an obligation to sell at least a share – 10% – of
what your asset is, then all you are doing is accelerating the alienation. Is that a good thing or a
bad thing? Well, this community has thought it a very good thing for 30 years and this trust
635 deed – and that is why I alluded to who had structured it and who had finessed it for the banks –
has survived 30 years of scrutiny and is, we all agree, a very good thing.

And so there are differences between sale and mortgage, and in many instances there is a
very good argument to do a mortgage instead of a sale, but in this instance you have already
provided for sale – in the deeds which I have suggested are so helpful and so useful in the
640 structure of co-ownership – and all you are doing is accelerating sale and realising the value
earlier.

I think that overarching explanation should be helpful to hon. Members because I really do
not think that they have understood the detail of what it is that is going on here.

645 The hon. Gentleman told us then that he would welcome being walked through the
transaction. Well, I think I have walked them through the transaction but there is a deep
underlying curiosity in hon. Members in the financial engineering that is behind the transaction.
I believe that they should be entitled to that detail and the Hon. Mr Isola has said so as well.
There is nothing in the rules to say that they are, and indeed financial engineering was done
before and we had absolutely no detail of it whatsoever, although we asked and we were told
650 we would not be given it. So, in the context of the mortgages that the former administration did
in respect of a large amount of Government property, all the detail we had was the answers to
questions in Parliament, and the only reason we knew that the transaction had happened was
because our investigations – to use the terminology that hon. Members are enamoured of –
discovered through questions in this House that such a ruse had in fact occurred. So, let's be
655 clear about that. And before hon. Members start to utter that I should not be going back eight
years to the things that they were doing, I wonder if they read their press release on cruise lines
and such like, which goes back 12 years to the things that they were doing. So I think that their
people have lost them that argument for good. I hear the 'hear, hears' quietened quite quickly
on that one.

660 Mr Speaker, let's be very clear: I am not duty bound to explain the underlying financial guts
of this transaction to them, but I am a volunteer to do so. In other words, they found out about
this transaction because I announced it to them and they will know the details of all the issues
that they have raised because I have volunteered, without an obligation to do so, to provide it to
them. That is transparency, Mr Speaker: to give that which you are not required to give.
665 Therefore, I think hon. Members will also lose the argument that they are somehow left in the
dark as to the transaction, although I have said that I fully accept that they have not had it

670 before the Second Reading on general principles and merit. But that phrase of which I am becoming increasingly enamoured of translating literally – by the mouth dieth the fish, or in this particular month the tuna, although not anymore ... The Hon. Mr Feetham has made abundantly clear that I might walk them through detail, I might take them to financial guts, I might take them to any aspect of the transaction that I might imagine, and yet as a matter of principle, as a leader should, he stands by his view that they would not support the Bill.

675 And despite that and despite therefore having no reason to take them to the underlying quality of the transaction done here, I volunteer to continue to do so. Why do I volunteer to continue to do so? Because this is a transaction that we must be proud of as a community, not just because of the cleverness of the financial engineering but because of the value to our community and the ingenuity in finding a mechanism that delivers this going forward in a way that addresses the thing that the Hon. Sir Peter Caruana had said in his last valedictory Budget speech, which I referred the House to earlier.

680 So, Mr Speaker, I really do think that concerns about public finances etc. are things that Mr Phillips rightly says they have been expressing for some time and he repeats their view, and Mr Feetham has said that they have been expressing these things since 2012. I wanted to highlight the juxtaposition of those two positions because, first of all, I think they are true, they have been saying that and they are consistent in that and they have been saying it since 2012, and therein lies the great incongruity and contradiction.

685 Indeed, going back to the things I said during the course of my Budget address, therein goes almost the utter political discrimination in their approach, because by taking the position that they took since 2012 they demonstrate that they had no concerns one day when they were in charge of the ship and yet the following day they start to express concerns about the self-same ship with the self-same cargo, with the self-same weight – I have ships on my mind today, Mr Speaker, as hon. Members know.

690 If hon. Members were saying ‘we had concerns from 2015’, well look, Mr Speaker, that is a whole Parliament. We have done all our projects, this is a good reason to say at that stage, ‘Look, GSLP Liberals, we gave you three and a half years and look at where you are.’ They have confirmed today that which I have always been highlighting, namely they have been raising those concerns since the day that they lost office – no, indeed from the moment that I utter a Budget address, Mr Speaker, (*Interjection*) (**Mr Speaker:** Order!) when what we have done is to continue the same structure of public finances except that from the moment we were elected we pulled the handbrake on a number of projects because, as they know, at the ceremonial opening of this House their former leader told us – no, sorry, their former, former, former leader told us – that they were prepared to support a resolution to raise the debt ceiling, because they knew that they were reaching the debt ceiling. They knew that the things which I had said in my apparently devious Facebook video were true, because if they were not then they would not have got up here in this House to say, ‘We know that there is a debt ceiling issue coming and we are going to support the resolution of this House,’ which is the only thing that is required when you are getting near the debt ceiling, a resolution of this House which passes by Government majority, but in this instance we would have had GSD support to exceed the debt limit. And so by 2012 the hon. Gentleman – by the mouth dieth the fish that is Feetham – in this debate tells us that they already had the concerns about the public finances. Thank you for making it that clear.

710 Mr Speaker, the hon. Lady I think has taken a responsible position with which I cannot argue. She wants to have the detail before she makes up her mind. If that is the case, I sincerely believe that we will be able to show her the same guts of this financial engineering that we will show hon. Members. I know that those who are advising have taken note of the issues that have been raised by her and by other hon. Members in relation to this issue so that we are able to take you to those parts of the transaction at the time that we have those meetings, and then she can make up her mind.

If it is helpful, Mr Speaker, the hon. Lady has publicly said that she has sought a meeting with us on Victoria Keys. We had that meeting and I think as a result we allayed some of her fears but not all of them. She then came out saying that we had had the meeting and that some of her fears had been allayed but that many still continued, a perfectly legitimate political position and I thank her for taking the responsible view that she has taken today.

Mr Clinton starts his address with the word 'regrettably'. Regrettably his speech went on just to ask the same questions he had asked before and to express the same cynical view. He told us last week, I think on a television intervention, that he is just a cynic and that is the way that he approaches life. Well, Mr Speaker, living a cynical life may be fun for some. In my view, in politics we are right to keep a cynical view in respect of the position of the United Kingdom and Spain on many issues that relate to Gibraltar, but when it comes to the growth of this community, the investment in this community and the ability of this community to continue to deliver affordable homes for the families that are the lifeblood of the growing Gibraltarian nation, I am ambitious, not cynical. This Government has demonstrated an ability, through this transaction, with the ingenuity of those advising us, not least the Financial Secretary, which enables us to continue to build on that growing ambition for this community. I eschew cynicism in this respect and I commend ambition.

And so, Mr Speaker, yes this Bill is housekeeping in respect of a transaction that is completed – as if that were something wrong. All of the Bills of this sort that come to this House are about transactions that have been completed. That is why they are required. And indeed, whether this was a borrowing or not, as the Hon. Mr Feetham has suggested he thinks it is, whether it was the Government's direct borrowing or not, as I explained to Mr Clinton in my reply to his very mediocre Budget address this year, all such transactions come to this House post completion. In other words, when we enter into a direct borrowing for the Government with a financial institution, whether it is Barclays, NatWest or any other bank, that is laid in the House after it is done. There is no question of the House being asked whether the Government should or should not enter into a financial transaction. That is not the way that our Parliament is structured. There is no approval pre-completion of these transactions and therefore there is absolutely nothing unusual about coming to this House to tidy up an existing transaction that has been done for the purposes that I explained to the House in my Budget address, that they found out from me had occurred and that they will have more detail on.

Hon. Members are very good at saying, 'Look, we understand everything that you are doing and we support it, but we do not therefore now accept that you did not have time to brief us before you could do this.' Well, look, Mr Speaker, if they understand what we are doing, if they understand the political issues that Gibraltar is facing and if we explain to them why we have to deal with the Bill today, then I would expect them to say, 'Well, look, fair enough.' Mr Feetham's position is 'We are not going to support this Bill because A,B and C' – clear as a leader should be – but to say 'We understand why you have not been able to brief us, but we are not going to support you because you have not given us this detail at this stage' at the stage of general principles and merits and then not ask for general principles of merits, then ask for granular detail of the sort that does not go to general principles and merits is, in my view, entirely contradictory and can only be to approach this with deep cynicism, seeking to have that granular detail provided simply because it is something that the hon. Gentleman has a particular cynical curiosity to have. So be it, Mr Speaker. I have told him that I am a volunteer in providing that detail in meetings that will be held and I have even told him that they can bring unelected members of their political formation, if they like, to those meetings.

Mr Speaker, the Government has not put in any other Government buildings. The hon. Gentleman has asked other questions which he will have the answers to, but the Government has certainly not sold at an undervalue so that somebody feels that they are sitting on a great peach of an investment – we would not have sold at an undervalue.

In terms of general principles and merits, that is what we have explained and I explained it in the context of my Budget address.

770 The hon. Gentleman then ferreted away and found some detail that he wanted to raise and
wants more detail on. Well, so be it, but in terms of explaining general principles and merits we
have explained them. Indeed the general principles behind this Bill are actually *very* attractive
and I think I have explained them in a way that it would therefore be unfair, untrue and
illegitimate to say that this is a transaction that can somehow be described as financial alchemy.
775 We have explained exactly what we are doing. We are selling these assets. We are accelerating
the sale of these assets that by trust deed are to be sold at a later time. And so therefore to say
that that is alchemy is to go back to 1988 and to be cynical about the fact that land was being
created, that homes were going to be built on it, that people were going to buy them, that the
Government was going to retain 50% of them, that people would eventually take that 50%,
780 selling an additional 10% of the Government's interest at any time, or indeed the whole 50% if
people wanted. That might have been described by some at the time ... Indeed, I am sure that if I
went back to the *Hansards* of those dark times I would find 'mirage' and 'alchemy' and other
such references – in fact, I think I did in the same passage that I quoted at him in the reply to my
Budget address. But now to call that alchemy with 30 years of performance and indicator as to
785 when people sell etc. is simply to deny the underlying reality of that deeply ingenious idea which
the GSLP first introduced under Joe Bossano in 1988 and which has been really the main artery
through which this community has grown its prosperity and its most precious and valuable
resource, its people and its families, because those are the ones that create Gibraltarian
families.

790 Indeed, Mr Speaker, I should just say that I think I have shared with the House before that I
am enormously humbled by the fact that what Joe Bossano did and what the first GSLP
administration did – and indeed *they* continued, because they also built, not enough but some,
co-ownership estates – has a clear and direct effect on the demographic in Gibraltar. In other
words, in 1988 the number of babies born a year was 200. You built co-ownership estates and
795 the number of babies born every year is now over 400, so it is clear what people get up to in
these homes, Mr Speaker! (*Laughter*) They are building Gibraltarian families, and therefore this
is not just about bricks and mortar, this is about building relationships, strengthening families
and growing the Gibraltarian population. When Joe Bossano said that the two most precious
things that we had were our land and our people he found out a way to make more land and to
800 make more people, (*Laughter*) and boy, did we make more people!

Mr Speaker, as usual I have come to find a new level of intellectual ... Well, I would not put it
that way – of debating affection for the Hon. Mr Feetham because of the clarity of the positions
that he takes. He is becoming more and more a black and white politician and he left no room
for doubt: 'We cannot support this Bill' – what is the point of my taking them through the
805 detail? – 'first of all because we do not have the detail.' Well, I think I have dealt with that
already, and they are not voting blind because in terms of general principles and merits I have
given them more than we have ever got from them at any time already, let alone the more that
we are going to give them, although I know that when we gave them more detail in respect of
the £300 million transaction they just were more, in their view, emboldened to be against it
810 rather than persuaded to support it. But that is up to them. I am not for one moment saying that
they are going to see how wrong they are just because I show them the detail. They have a
monopoly on being obdurate in continuing to be wrong despite being shown the reasons why
they should change their view, and that is a political position which I will never seek to persuade
him out of.

815 And secondly, this issue about being very careful about borrowing off balance sheet, thank
you for the clarity on that. I have already said what I needed to say about his analysis from 2012,
but he is completely wrong and his position was entirely different to that set out by Mr Phillips
and indeed Mr Clinton.

820 He then does this thing which he has become particularly enamoured of from the moment he
became emboldened to do so when he took over as the then Leader of the Opposition in 2013,
which is an attempt to do what can only be described as *la cuenta de la vieja* – the old lady's

825 sums – of what the borrowing of the Government is without any indication as to amounts not
spent, amounts repaid, amounts invested, amounts mortgaged, amounts borrowed, amounts
realised. Forget all of the sophistication of modern finance, forget architects and forget
engineers of finance – just the pencil, the tongue, the side of the envelope and the old lady's
830 sums. He ill behoves a political Doña Rogelia, even if that is his approach to finance, but if he
wishes to take that approach I can just tell him that he is completely wrong in the sum that he is
pretending to do and he would be particularly wrong to now continue to add to the error of his
ways by adding another £165 million, in particular now that we have told him that this
835 transaction is an acceleration of a sale in a particular amount and a construction finance in
another particular period, because he cannot point to any Government in our history that has
developed affordable homes without either farming that out to a developer to do or raising
construction finance against it. Simple, and they did both: in one instance they raised
construction finance and built both for affordable and for rental and in one they farmed out to a
840 developer. Do I need to remind them of what happened there? They lost their shirts with the
developer. They lent taxpayers' money to the developer and lost it. That is what they did. So, in
terms of *la cuenta de la vieja*, if we were to do *la cuenta de la vieja* in respect of their affordable-
homes adventures *la vieja* ends up losing her skirt, let alone her shirt! Not the most attractive
proposition.

840 And so it is just absolutely unfair and, as he knows, because he is involved in the work of
sophisticated financial engineering in his practice – he undoes those transactions as a litigator,
he defends those transactions and it is no secret that his firm, of which I am also a partner on
sabbatical, advertises their expertise in this respect, and he praised his brother here in respect of
845 the work he does – there is nothing wrong with sophisticated financial engineering, it is the way
of the modern world, but what is remarkable is that we should try, in making this assessment, to
bring the Government down only to the benefit of pounds, shillings and pence-style calculations.
I do think that it is important that he realise who our advisers are in this respect because I think
it is something that should give him comfort, if nothing else.

850 Mr Speaker, the hon. Member then took us into this question of GRP and its litigation in
Spain. I have said very little about that. The hon. Gentleman launched into a tirade about it.
Well, the hardening period is something that can pass quicker than people might imagine. I just
tell him that by way of interest. He referred to a period of two years. It is also known in the
lexicon of the law as the hardening period. The hardening period sometimes passes quicker than
855 people expect.

I will not say more, but I do not know whether he is pretending by raising red herrings to take
the example of one of the Conservative candidates in the United Kingdom who held up a kipper
in one of his speeches this week, because it felt to me as if he was holding up the red herring in
an attempt, with the smell, to try and distract us from the lack of merit of the arguments that he
was putting.

860 But I will tell them more on this issue in the context of the discussion that we are going to
have. I do not know whether he is going to attend that meeting, whether he will be allowed to
attend for his party, but if he does then of course he will have the ability to better understand
the issues that arise and why we say that that particular piece of litigation is one of the most
rotten parts of the legacy of the party opposite and one of the main reasons why they would
865 never be able to defend that what they left Gibraltar was in any way a golden legacy of any sort.

870 So, Mr Speaker, for all of those reasons and having, I think, set out now adequately why the
interventions of Members of the Official Opposition deserve little merit by way of determining
how Members of this House will vote, I would ask that they re-evaluate their view, that they
consider perhaps even the more responsible position of the hon. Lady, which is to say 'we are
going to abstain until we have seen the guts of this transaction'. Otherwise, what they will be
saying to this House is that they are simply against a mechanism designed to guarantee the
continuation of the affordable housing schemes for generations of Gibraltarians, despite the fact

that having seen the guts of the transaction that give rise to it they might get very comfortable indeed and may decide that they support it.

875 I would ask them this ... they should be true to themselves. The Hon. Mr Feetham, depending on his mood, is sometimes free in his mind to be clearer and more honest about his views given that he sometimes tells us that this is a moment in politics when he is about to go into the horizon – although sometimes I know that deep inside him there is the thing that says that he is going to stay and keep going. They should look at the guts of this transaction honestly and
880 genuinely, not just cynically, not just to try and score political points. I do not know if they are able to, but if they do and if they look at it genuinely and if they understand the principle – and there is a General Election this year; they could find themselves in government, perish the thought, heaven forbid – they might then say, the morning after the election, ‘Well, you know what, it was not such a bad transaction, we were just saying it for the sake of trying to garner a
885 few votes.’ But look how badly that went for them on LNG the last time they used that tactic.

If they vote no today and if they look at the guts and if they are true to themselves and if they are genuine and if they are honest, on Tuesday I invite them to vote in favour of the Bill.

I commend the Bill to House. *(Banging on desks)*

890 **Mr Speaker:** I now put the question, which is that a Bill for an Act to make provision for the assignment, transfer and investing of certain rights, interests and obligations from Gibraltar Residential Properties Limited to GIC Limited; the exemption of the assignment and transfer from registration requirements under the Land Titles Act 2011; for the notice of the assignment and transfer to relevant parties and financing institutions; and for connected purposes be read a
895 second time. Those in favour? (**Some Members:** Aye.) Those against? (**Some Members:** No.) The hon. Lady is abstaining. Carried.

Clerk: The Gibraltar Residential Properties Limited (Assignment, Transfer, Vesting, Registration and Notice) Act 2019.

**Gibraltar Residential Properties Ltd
(Assignment, Transfer, Vesting, Registration and Notice) Act 2019 –
Committee Stage and Third Reading to be taken at next sitting**

900 **Chief Minister (Hon. F R Picardo):** Mr Speaker, I beg to give notice that the Committee Stage and Third Reading be taken on Tuesday.

If that is a convenient moment, I would move that the House should now adjourn to next Tuesday at 10.30 in the morning.

905 **Mr Speaker:** The House will now adjourn until next Tuesday at 10.30 in the morning.

The House adjourned at 11.30 a.m.