

**STATEMENT BY THE CHIEF MINISTER
DR. THE HONOURABLE D. ORLANDO SMITH, OBE
TWENTY -SIXTH SITTING OF THE FIRST SESSION OF THE
FIFTEENTH LEGISLATIVE COUNCIL OF THE VIRGIN ISLANDS**

Thursday, 7th April, 2005

10:00a.m

UPDATE ON THE PURCHASE OF PROSPECT REEF RESORT

Madam Speaker I am pleased to present an update on the purchase of Prospect Reef Resort. My Government was elected to office with one clear mandate: to protect and promote the interests of the citizens and residents of the British Virgin Islands. That is the fundamental principle that guides all of this Government's actions and informs all this Government's decisions.

And it was in this spirit that on 11th February, 2005 the Government concluded the agreement to purchase the Prospect Reef Resort from the Cripps Family, for the purpose of establishing a world-class Hospitality Centre and a full-service business hotel.

The Prospect Reef Hospitality Training Centre is a central part of this government's deep commitment to empowering the people of this territory by providing them with the skills and experience to make the most of their God-given potential. In the coming years the graduates of this programme-young British Virgin Islanders- will enter the workforce as elite leaders in the hospitality industry prepared to take positions of authority and responsibility at all levels.

And with this goal in mind, and with great pride and excitement in the possibilities that this centre could provide, on 31st March, 2005, the Prospect Reef property was delivered vacant possession, that is, free of any encumbrances or occupants, to its new owners: The People of the British Virgin Islands.

Madam Speaker, the decision to purchase Prospect Reef and transform it into a world-class Hospitality Training Centre is not a small idea- it is a significant project based on a large vision for the future of our tourism industry and the role of our people in that industry, and like many big ideas, it has drawn

its share of critics. I would like to use this opportunity to try to put some of those criticisms to rest.

Madam Speaker, first allow me to address the question of the Resort's current employees. During the process of the Government's purchase of the resort, there was some speculation that the employee's interest would not be attended to. As I have noted on several occasions, nothing could be further from the truth.

Since the passage of the Prospect Reef Resort Management Act and the inauguration of the Management Company, the Government has ensured that the interests of the employees were fully taken care of. A combined team of the Departments of Labour, Immigration and the Social Security Board, the Management Company and my Office met with the employees to establish a workable solution to their severance pay and vacation pay entitlements. The employees were fully satisfied and appreciative of this Government's efforts in resolving their concerns. The result was that by 31st March, 2005 all employees were paid their entitlements by their employer.

Madam Speaker, I should also wish to inform this Honourable House that the independent operators on the Resort have been accommodated to continue with their business undertakings on a month-to-month basis while the Resort remains closed, as the Management Company works out the requisite arrangements. I have directed the Management Company to have these arrangements in place within the next three months.

But beyond the interests of the employees and independent operators, a great deal of attention and misinformation has focused on the issue of the timeshare holders. Among these comments was the unfounded charge that in purchasing Prospect Reef the Government of the British Virgin Islands was illegally expropriating property.

In fact, so much emphasis was placed on the issue of the timeshare holders that at times it appeared that their interests were the only consideration.

It appeared that in fact their interests were to be considered first among equals, more important than the interest of the employees, more important than the legitimate interest of Government and more important than the future of our young people for whom this purchase was made.

Be that as it may, there is no question that anyone who conducts business in the BVI is entitled to fair treatment and the full protection of the laws.

And these are two very separate questions – fairness and law. First, allow me to address the legal question. Government’s position is clear on this matter: The issues at hand are not a problem between the Government and the timeshare holders; rather the issues raised are a matter between the timeshare holders and the person or persons with whom they had entered into timeshare agreements.

The Government of the BVI purchased Prospect Reef Resort. It did not purchase every agreement ever entered into by the previous owners or operators of the facility. What the previous owners or operators did, remains their responsibility to address. This is the essence of **‘vacant possession.’**

I should wish, Madam Speaker, to advise that before the Government proceeded into a purchase agreement regarding the resort, we had conducted thorough due diligence. Paramount in this was the importance of ensuring the integrity of the transactions and the fact that **no liability** attached to the Government as a result.

And so, Madam Speaker, the legal issue is clear: the Government of the BVI is well within its rights to purchase Prospect Reef Resort without incurring any liability from the previous ownership. And let me make this perfectly clear: this Government will stand up for the legal rights of the people of the British Virgin Islands in all circumstances.

But beyond the strict legal question, there is a border question of fairness.

Madam Speaker, this Government values every visitor to our Territory. We particularly appreciate the friendship of long-time visitors who have made our islands a “home away from home.” And so we understand the feelings of the

Vacation Club members and are prepared to work with them in a spirit of good-faith and basic fairness to resolve their concerns.

Madam Speaker, let me remind Honourable Members how this issue has unfolded. A letter dated 23rd February, purportedly written on behalf of the members of the Prospect Reef Resort Vacation Club, was received in my Office on 11th March. That letter essentially presented proposals for Government's intervention to resolve their concerns, and threatened certain actions if they were unable to reach what they termed a "very fair settlement". They had indeed acknowledged the fact that their investment contracts were negotiated and concluded with a person other than the Government of the British Virgin Islands.

Madam Speaker, in a response from my Office dated 31st March; it was made clear to the Club that the Government had not been privy to their investment contracts. The Government had simply engaged in a legitimate transaction as I have already noted. There is no legal nexus between the Club and the Government and therefore the Government did not and could not accept their claim that the Government, by entering into a valid purchase agreement, had expropriated the Club's property. In this context, my Government considered it inappropriate to consider their proposals, as we had no power to do the things they were demanding of us.

However, Madam Speaker, in the spirit of good faith, the Club was advised that the Government will do what it can to appropriately undertake to assist in bringing about an amicable settlement of the Club's concerns. Accordingly, they were invited to submit for the Government's study any documents pertaining to the interests of the Club and other persons concerned. We are still awaiting these documents.

I must stress though, Madam Speaker, that this voluntary effort by the Government must not be construed as an acknowledgement of any responsibility or liability on the part of the Government.

The Club's representative has since responded in a less confrontational tone and in a manner, which suggests that with willingness and good faith on the part of all stakeholders, resolution of the current concerns is possible.

Madam Speaker, my Government has a clear policy regarding any potential intervention in this matter towards arriving at an amiable settlement. First, all outstanding debts owed to Government, and statutory bodies must be paid. In addition assets of sufficient value and devoid of any encumbrances must be turned over by the former operator to the government to make up for any expense that may be incurred by the Government as a result of its intervention.

Madam Speaker, efforts in these areas appear to be progressing well as already demonstrated by the settlement of the employees' entitlements. We are also aware of correspondence from the former operators to the members of the Club advising them of temporary arrangements to continue to honour their current contractual arrangements as time shareholders while long term solutions are worked out. Copies of this correspondence will be circulated later today to all Members of this House. Ultimately, it is my Government's hope that what today appears or has been presented as an insoluble problem with respect to the members of the Club, whose friendship we as a country value, will be settled to the satisfaction of all.

Madam Speaker, as I have noted above this Government is rooted in the BVI's tradition of hospitality and warm welcome. We do not seek out, nor do we enjoy confrontation, especially with visitors to our shores.

That said, let me say this and let all those in this House understand my meaning well: This Government was elected by and is responsible to the people of the British Virgin Islands. We do not respond to threats. We do not respond to intimidation. And we will not be bullied into compromising the interests of the citizens and residents of this territory. Period.

The purchase of Prospect Reef was a legitimate action taken in the interests of this country and its people. It was performed within the letter and the

spirit of the law. At this juncture, let me say thank you to all the civil servants who contributed to our efforts to purchase this signature property.

In conclusion, Madam Speaker, my Government recognizes the rights of people to express their concerns and seek to have them resolved in the best manner possible. That is part of the democratic process we practice in this country and it is one we seek to promote. However, the right is one to be exercised responsibly and with the utmost respect. I wish to assure the members of the Club that we recognize their frustrations and will endeavour to assist them where assistance is legitimate and appropriate. We continue to welcome them and others to the British Virgin Islands and will extend to them the customary British Virgin Islands hospitality.

I look forward to many more years of friendship and partnership between them and the BVI. And it is my fondest hope and most cherished dreams that they and their children will be here in the BVI when the first graduating class of the Prospect Reef Hospitality Training Centre enters the workforce and begin to provide the kind of world-class service that will soon become as much a part of the BVI experience as our waters, sand and sunshine.

I thank you, Madam Speaker, for your kind indulgence.