

HOUSE OF ASSEMBLY

HANSARD  
OF MEETING

HELD ON 12 MARCH 1974

VOL. III

MR SPEAKER:

I think even the Honourable Leader of the Opposition will accept that I have given him a tremendous amount of tolerance. Let us come down to earth again and speak about the question.

HON M D XIBERRAS:

I am very much in contact with the floor, Mr Speaker, these are very . . . .

MR SPEAKER:

No, no, please do not misunderstand me. Mr remark applies insofar as the relevancy of the debate is concerned.

HON M D XIBERRAS:

Well, Sir, the relevancy of the debate can be summed up by the figure of £900,000. £900,000 and £600,000 that we had last year. That is the relevancy of this debate to the people of Gibraltar. Now as to the measures, Mr Honourable Colleagues have put forward the Opposition's view, starting with the expenditure side by the Honourable Mr Bossano, and ending with the question of our relationship with the United Kingdom, and there is not much more I am going to add to that. I might say, Sir, that it is important in respect of the Municipality Services, which has been a matter of constant debate in this House, that we realise that much of that debate was concerned with the legality of the actions of the City Council administration, which I do not propose to discuss. I merely say that the suggestion made by my Honourable Friend Mr Devicenzi as to whether in the new economic context of Gibraltar, this should not be looked into, is a very valid one. In other words, should our Rates, Electricity, Potable Water and so on, all be entirely selfsupporting, or should we be able to transfer funds from one part of the budget to the other. And I am sure that Honourable Members on the other side will take what I say seriously. What we cannot do is to act otherwise without changing the law. The Honourable Minister for Education talked about COLA, Sir. Now, just a few brief remarks. COLA is not aid, COLA has an economic effect on Gibraltar; and the money comes from Her Majesty's Government, but COLA is not aid, it is fair payment for workers in Gibraltar for an employer who has agreed to pay. It is not aid, it is not charity. The Minister for Labour, I should say, and I wonder whether the last Biennial Review



brought about 15% increase to absorb all this taxation, I wonder whether this was the case particularly in view of the fact that for the year following, the year following that, there was no COLA and most of the payment was in fact eroded.

HON A J CANEPA:

If the Honourable Member will give way, I will explain the figures. A labourer when we came into office was earning £11.60; as from January 1974 he has been earning £15.60. That is an increase of 35%. In those 18 months the Index of Retail Prices has gone up by 20%. Therefore there has been a real betterment in the purchasing power of his wages of 15%. It is as simple as that.

HON M D XIBERRAS:

It is very simple, yes indeed, Sir. I wish it had been so simple when the Honourable Member's colleagues were discussing the first Marsh Award, when I quoted exactly the same figures, 37%, and the Honourable Mr Montegriffo said that we had cheated the workers. In fact, Sir, the Honourable Member is taking in COLA payments, Oh yes. Well, perhaps he could compute COLA payments and Biennial Review during the time of our administration. He might find a favourable answer there as well. But that is not the point, Sir, the point I was going for was the question of industrials. Industrials, for one reason or another, be it because the Honourable Member has discouraged two jobs, be it because of the last Biennial Review, the tendency that existed for young persons to turn to industrial employment which started in 1969 is no longer there. And some people who went into industrial employment in 1969, in the context then obtaining, are now very dissatisfied with the situation and are reverting their roles; they are going into clerical employment as quickly as possible. So if the Honourable Member can do something to enhance the position of the Tradesman, we on this side would be very happy to support him in that, provided that it does not mean a lowering of the standard of living for the clerical workers.

Now, Sir, there was a reference by the Honourable Mr Featherstone to the "overheated economy" which I found very interesting. The overheated economy. Honourable Members on the other side are great apologists for not trying to establish some sort of economic relationship with Britain.

HON M K FEATHERSTONE:

I referred to the heated economy in the United Kingdom and the measures they took there to cool it down.

HON M D XIBERRAS:

I seem to recall that the Honourable Member was saying that we should take the same measures here. It was not? I see. Well, Sir, we will leave the overheated economy and I was saying that Honourable Members are great apologists for not seeking money from Her Majesty's Government, and this is what riled us on this side of the House. This is what we cannot understand. We are trying to say that we deserve this money because we work for it. Because we are a part of Britain, to use the phrase used by my Honourable Friend in his release on insurance pensions. Certainly for the purpose of the EEC we are, and we are getting none of the benefits. We are getting none of the benefits of the EEC. We are getting the disadvantages and none of the benefit. We are British, we are in Europe. According to Mr Heath when we went into the Common Market we had a part to play with Britain in Europe. Well, we must somehow work on this economic relationship if there is to be any message of hope for the people of Gibraltar, and I am putting it again to Honourable Members opposite against the background of our consultations with the Chief Minister. I am putting it again. That this is vitally important for the future of Gibraltar. And anybody who has had anything to do, even a member in the stranger's gallery, would know that the situation is very pressing for Gibraltar, and I hope if anything comes out of this budget it is going to be an awareness of the limitations of the economy of Gibraltar; and what we elected Members in this House can do about it other than present this mammoth tax bill before the people year after year after year.

MR SPEAKER:

Are there any other contributors to the debate?

HON MAJOR R J PELIZA:

Yes, Mr Speaker, my contribution will be short. The reason why I have stood up to speak is not because I think my colleagues have not covered the ground pretty well and the Opposition has not unfortunately really received the answer that we expected them to give, but frankly because I think this is a fateful day for Gibraltar. It is a much more serious day for Gibraltar that, in my view, we have so far realised. We have to see this in the context in which we live. The people of Gibraltar

Have been subjected to psychological warfare that nobody else in Europe have had to withstand. This is true. We have been. So much so, that a Member of Parliament, who is a great friend of Gibraltar, out of his own initiative, asked a question in Parliament the other day. He asked the new Minister of State to relieve the situation of Gibraltar by granting cheaper fares to the people of Gibraltar to be able to go to Britain. Unfortunately the Minister of State did not seem to know what the situation in Gibraltar is and expected the Spanish Government to do something about it, when it is precisely the Spanish Government which is imposing the restrictions. It shows of course the ignorance of the situation of Gibraltar, of some people in the House of Commons, including Ministers of the Government. And of course, if the attitude of the Government is not to bring the situation of Gibraltar to the notice of the Ministers in Great Britain, we shall be aiding and abetting our enemy to carry on harrassing Gibraltar. We must not find excuses for what the Spaniards are doing to us. We have got to try and find the answer and press for proper redress. And, if this is not possible from Spain, then at least from some help from Great Britain. This is not going round begging. This is finding a way to ensure that our community will survive. This is what we are asking for. No more.

Now because I feel that we only have seen what one might term, the tip of the iceberg, the Government has not hoisted in yet. That is my opinion. Because I believe that if they had realised the magnitude of the problem they would have tried, even before coming to the House, to find a solution to this crisis, but which obviously affects us much more seriously than any town or village in the United Kingdom. I think we can put that case very clearly, and I am sure, at least from the reception that I had when I went there in 1969, that we would receive a very sympathetic hearing. We brought from the United Kingdom not just aid for Development, but also for our recurrent budget, and undoubtedly the financial situation, as we can see from these estimates, was not near as bad as it is today. So I believe that if they listened to us and they helped us then, they will listen to us and help us today. And I think it is a great pity that the Chief Minister, as soon as he realised the difficulties that Gibraltar would be facing, did not make his way to Great Britain, knocked at the right doors, and brought back some help for Gibraltar. As it is now we are going to face a financial situation which I think is going to be a very serious one, and which I do not think will be of twelve month's duration. We just do not know

/which is  
an inter-  
national  
crisis/

how serious this may get.

I am surprised to hear one Minister say, and in fact the chief Minister and even the Financial and Development Secretary I imagine, suggesting that we should not ask for aid. We have not heard the Financial and Development Secretary on this, but I imagine he will speak with the same voice as the Chief Minister. But I did hear the Minister for Economic Development suggesting that we should have some aid for our Housing Stock. So at least there is one member of the Government who realises that there are certain things that Gibraltar cannot afford to do. And I would say that our Housing Stock is something that will require continuous attention, and, therefore, whether it is recurrent or not recurrent it is the same thing. It is something that one will have to invest in year after year.

Now, the oil situation as we see it - we are not thinking now of cars using petrol, as my Honourable Friend the Minister for Education said, no, if they have got to be taxed, of course they have to be taxed, and no one is suggesting for a moment that this should not be done. I remember of course that I got clobbered for doing that in my day, and the Opposition made no hue and cry on this side.



because I was depriving the people of the amenity of going around the Rock in their cars. Now it is apparently walk and walk! And that was of course the Gibraltar Evening Post - not the Government Post. Ch! I'm sorry I didn't realise that the Post and the Government do not see eye to eye!! Therefore, it is clear that there is a case for Gibraltar to ask for aid, and in fact it is the sort of aid that can be easily distributed to the people of Gibraltar, because it could be limited to oil. And since oil is one of the things that generates our electricity, which has very directly to do with the livelihood of the people of Gibraltar, because today electricity is not just light. It also affects the cooking of food in the home, which we cannot do without, it is also an aid for the productivity that our friend the Minister for Education has remembered is the goldmine - and I think he agrees with me that this is a goldmine - labour is a goldmine. At last he has realised that I wasn't all that far out, and that we had something. Therefore if this is one of the things that is also going to help women to go to work - because if we are going to make it possible for them to use their washing machines, as I think one Honourable Member on the other side was suggesting, I think it was the Minister for Economic Development, I think the House must realise that if they must not use so much electricity in the future our women will have to go back to using tubs again to do their washing. This is the future that this Government is promising the people of Gibraltar!! This is what he said, this is what he said. But surely, I think no one in the House would like to see that happening in this day and age. We are absolutely right, it is retrogressive, this Government is retrogressive. And instead of putting the clock forward you want to go back and put the clock back. It is the good old days that you are thinking about, not the better days in the future. So I believe that Gibraltar has a very strong case for that, and I do not hesitate to say, and I say it in all honesty, that had I been Chief Minister I would have done it. And I would have done it with all courage. And I would have made it very clear, if a 'no' had been given to me, as I have always done when I have been to England and I have felt that in certain things I had not received the answers that I should. And even in Gibraltar I have done it too, when I have felt, as far as my own conviction went, that I was not being given a fair deal to Gibraltar. I would have done it. And I think that I would have come to this House today, not asking for £900,000, but I would have been able to reduce the bill at least by £200,000 or £300,000. And the reduction of that bill is not simply because the people would feel it easier to live in the next twelve months, but it is simply because it would not have allowed Gibraltar to start slipping down as it is going to happen. Not just because of this enormous taxation that we are receiving today, but also from the immense cuts and the consequential that will come from this policy, this admittance that Gibraltar hasn't got the capacity to build. Those two together I think, will do untold harm to Gibraltar and of course nobody but this Government will be to blame. And of course, even more than that, by the wrong financial policy of this Government since it took office. The question of not borrowing in time, as my Honourable

Friend Mr Bossano said, that would have relieved taxation, the over estimating expenditure and under estimating revenue; that would have relieved taxation. And this would have allowed more money in the economy of Gibraltar to be in a stronger position today to be able to meet this bill.

But the position is even worse because we are not buying today, and we shall have to buy tomorrow and perhaps in two or three years' time - sooner or later we shall have to do what we need if we still exist as a society, and I hope we do - if this has to be done, we shall be paying threefold what we should be paying today. This is the wrong policy of this Government, what is going to happen to the people of Gibraltar now when they find that because of higher electricity bills and the effects of all the other taxation measures, they cannot afford to have a holiday? What is going to happen? I am serious about this. This is what I am thinking, this is the effect of the psychological war. And this is what we have got to overcome. And when I stand here and speak like this, I am doing it in all sincerity. I am certainly not talking to the gallery, as some of the Honourable Members there might think I am.

Well, failing to do that, I do hope then that the Government will find the other solution as I see it. The first thing is, since obviously it is the way of recovering money and of increasing our income, to ensure that COLA is increased. Everything must be done for the rate of COLA to be increased.

MR SPEAKER

Yes, but we are not talking about that.

HON MAJOR R J PELIZA

Well, Mr Speaker, I am saying this because, obviously, I believe that unless we do something .....

MR SPEAKER

Yes, but we are not talking about that, we are talking about the actual revenue raising measures that are before the House.

HON MAJOR R J PELIZA

Well, to relieve the individual, Mr Speaker, I think that something has to be done. This is why I am referring to the revenue measures. How do we relieve the burden on the people? How do we bring our economy back to its proper footing? I believe then that COLA has to be increased. I believe that the Biennial Review, which is due to come, must be a decent one. I believe that immediately Old Age Pensions has to be increased otherwise those people will suffer very severely. And I believe that Family Allowance must be increased much more than by 10p, again to enable the larger families to meet the extra burdens. The well to do will not get it because it gets clawed-back, but at least in respect of the really big families,



who are as I know from my own experience the greatest sufferer, I do hope the Government will do something about that.

HON CHIEF MINISTER

If the Honourable Members will give way for one moment. All those desirable increases, all those desirable changes which he suggests, which are very laudable but which will tax our budget more, ought we to go all the time to England to get money for all those things?

HON MAJOR R J PELIZA

No, it is very simple. I think the Honourable the Chief Minister has not realised what I am talking about. It is very simple and perhaps when I tell you how this can be done you may agree. I think it is obvious that the economy of Gibraltar ticks because of the income that comes from the UK employer. So if the UK employers are prepared to pay a fair wage to our workers and have made - in fact I asked and I got the figures showing a comparison of what they get in the Dockyard in Gibraltar and what they get in Dockyards in the United Kingdom. I cannot release the figures because they are confidential, so confidential that I got them on the understanding that I wouldn't even tell the Unions about it. Now, if we got for instance a fairer deal for our workers in the Dockyard that would be more money coming into our economy. And that would have meant that you could tax them a bit more, but at least we would be able to keep to the level of European standards. But if we don't do that, and if we tax ourselves and there is no more income coming in we shall slowly, but surely sink. This is what I mean by that. And let me say one more thing: you need not start by taxing because you can always work on your reserve until the money comes in to recover that. So, it is no use to tax first and pay later: this time, you can pay first and tax later. That is the right way to do it, in the same way as you start lots of businesses with loans and eventually you repay them. It is exactly the same thing. The unfortunate position in Gibraltar with this type of finance is that we always take into account the money that we owe, but we never take into account the money that is owed to us, and therefore our balances never shows a true figure.

Mr Speaker, I think that I have tried to be constructive. I think I have done my best to bring to the notice of the House the seriousness of the situation. I don't think anyone can accuse me of trying to be demagogic. And I do hope that the Government takes account of my words and at least accepts that I have said what I have said with all sincerity.

MR SPEAKER

Well, if there are no other contributors, I will call on the Financial and Development Secretary to reply to the motion.

HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, Sir, there is not very much that I feel I need to say. There has been a good debate both on the expenditure side

and on the revenue side of the budget that it was my responsibility to bring first to this Government and then to this House. And let me say, Sir, that throughout this I have recognised this is a pretty hard budget. I never pretended it is anything else but I think it is a realistic budget and I think it is a budget under control.

Now, Sir, on the expenditure side we've discussed. Perhaps now it will be more apparent than it was to some people yesterday why I felt that we must put a curb on part of our development expenditure. Otherwise I should have been coming here not with a revenue requirement of £900,000 but with an additional revenue requirement of £1,300,000, although maybe - and we will come to this - maybe I should have been proposing that we go to HMG for half of that increase, but still only half of it, £200,000. That would still be an additional revenue requirement of £1,100,000.

No, we were not deflationary on the expenditure side and we were not pessimistic, we were realistic. Now, I have listened to the debate today. Is the additional revenue requirement of £900,000 intolerable? We think not, we think not. It has not been, I think, proposed by the other side either that it is. But, Sir, for one reason, and do not let us ignore this, we have a recurrent budget and a capital budget, towards which we put what we reasonably can from our own funds and HMG makes up the rest. We are reducing this year what we are able to put from Gibraltar funds, and as the Honourable and Learned the Chief Minister said yesterday, we've asked for certain items on that. Now, I do not myself believe and this is certainly, there has been no suggestion to the contrary put to me at any stage by the Government which I serve that we are not able in Gibraltar to rise above the difficulties that has hit us this year. I am not pretending it will be easy, I never have done, but I don't think we are incapable of surmounting these difficulties. But I ought to say this, Sir, in regard to our aid. The British aid carries the larger part of our development programme, and we are going to have discussions very soon with Professor Clayton, appointed to assist us in preparing our Development Plan, and Honourable Members opposite will have the opportunity, I am sure, Sir, to meet him fully on this occasion, we shall be discussing with him just as we shall be discussing, in connection with the Development Aid Programme with HMG, what is the reasonable taxable capacity of Gibraltar. We shall have the opportunity to discuss these things.

HON M W XIBERRAS

I just thought I might say that I feel this is very hopeful. I commend the Honourable the Financial and Development Secretary for that sort of thinking. Perhaps we could also talk about the standards, comparative standards. Taxable capacity and comparative standards.



## HON FINANCIAL AND DEVELOPMENT SECRETARY

This is the point I have with the Honourable Leader of the Opposition, comparative standards. I don't accept this. I said earlier in this debate that no statistician working for me will spend his time trying to calculate what an income of so and so is worth in London or Birmingham or Sheffield or Glasgow, and what an income of so and so is worth in Gibraltar. Mr Speaker, Sir, people every day in the United Kingdom are asking themselves the same question. What is the effect if I move from my post in Glasgow to a job in London? Do you think any statistician would try to produce an answer to that question? No, Sir, because the considerations are not calculable in terms of £p at all. Nor, is the relative number of hours of sunshine in Gibraltar calculable in terms of cash with the number of hours of sunshine in Glasgow.

HON M XIBERRAS

Mr Speaker, I am grateful to the Honourable Member for giving way, but perhaps the Honourable the Chief Minister might give him an indication of our consultations on these matters, from the point which I put to the Honourable the Chief Minister, which I consider to be a very fundamental point. And that is that it is absolutely necessary, and I think the Chief Minister would agree with me, it is absolutely necessary to carry out even a rough comparison of standards between Gibraltar and the United Kingdom. This was discussed by the Honourable the Chief Minister and myself as he remembers.

HON FINANCIAL AND DEVELOPMENT SECRETARY

Well, Sir, that very rough calculation can be done, I am sure about the calculations.

Now, Sir, we will come to the measures and as I say, I think there is only one point of disagreement between us. I am concerned that we were right to show some restraint in our capital expenditure in the coming year. I do not find that there is dispute on the nature of the form of taxation that we have chosen to apply. We had direct last year, we have eschewed direct this year. I have not heard criticism of the forms of measure we have taken.

The distribution of the burden goes on all the time, but as I said in the initial speech, we've got to raise revenue from where it can come, and there is scope for all that amount of sparing of the majority of people in this country.

Sir, I have the honour to commend the motion standing in my name.

HON J BOSSANO

I was hoping, Mr Speaker, that the Honourable Financial and Development Secretary might give an indication of whether he was either willing or able to answer the points I raised earlier

as regards the estimates of revenue, which I thought was something that ought to be taken into consideration in assessing the support the Opposition can give to the need for raising the amount of money the Government wants to raise. Because certainly I cannot advise the Opposition on the stand it ought to take in respect of these measures unless I get some indication of whether I am going to get an explanation in this matter.

MR SPEAKER

I am afraid that your hopes have been dashed. The debate is finished. I will now put the question in the terms of the motion in connection with the Brackish Water and General Rate Charges, proposed by the Financial and Development Secretary.

On a vote being taken the question was resolved in the affirmative.

MR SPEAKER

We will now recess for approximately 20 minutes.

The House recessed at 5.00 p.m.

The House resumed at 5.45 p.m.

HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, Sir, by general consent agreement, I described at an earlier stage in the proceedings today the changes in the Import Duties which were proposed. Perhaps it may be sufficient if I now come straight to the motion itself which I have the honour to move.

MR SPEAKER

I believe you have to move the suspension of Standing Order 19 in respect of this motion.

HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, yes, Sir, I have the honour to move the suspension of Standing Order 19 in order that I may move a motion without notice.

Mr Speaker put the question which was resolved in the affirmative.

Standing Order 19 was suspended.

HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, I beg to move the following resolution:

In the exercise of its powers conferred by Section 48 of the Imports and Exports Ordinance and of all other powers thereunto it enabling this House resolves that the First Schedule to the said Ordinance be amended as follows:-

- (a) In the first part by the deletion of the amounts of duty shown in respect of Item Nos 1, 2, 8, 9, 13, 14, 15, 16 and 22 and by the substitution therefor of amounts of duty as follows:-

<u>Item</u>	<u>Article</u>	<u>Duty</u>
1	Malt liquor per gallon	43.33p
2	Motor spirit per gallon	19p
8	Manufactured tobacco not otherwise enumerated including chopped, pressed or packed, shredded, long cut and rolled, plug, snuff, siftings and cigars, per lb	260.39p
9	Manufactured cigarettes per lb with an additional duty per one thousand cigarettes of	71.25p 513p
13	Mechanical lighters and fashioned and component parts thereof other than flints imported separately: ad valorem	12½%
14	Cameras and accessories and component and fashioned parts thereof, excluding photographic films: ad valorem	12½%
15	Cinematograph projectors, and component and fashioned parts thereof: ad valorem	12½%
16	Radiograms and component and fashioned parts thereof: ad valorem	12½%
22	(a) Articles of jewellery, that is to say -	
	(i) Any small objects of personal adornment (gem-set or not) (for example, rings, bracelets, necklaces, brooches, ear-rings, watch-chains, fobs, pendants, tie-pins, cuff-links, dress-studs, religious or other medals and insignia); and	
	(ii) Articles of personal use (other than watches and fountain pens, including ball-point pens) of a kind normally carried in the pocket, in the handbag or the person (such as cigarette cases, powder boxes, chain purse, cachou boxes): ad valorem	17½%

- (b) Imitation jewellery, that is to say, articles of jewellery within the meaning of paragraph (a) of this item, not incorporating pearls, precious or semi-precious stones, (natural, synthetic or reconstructed) nor (except as plating or as minor constituents) precious metal or rolled precious metal, and composed -
  - (i) Wholly or partly of base metal, whether or not plated with precious metal; or
  - (ii) of at least two materials (for example, wood and glass, bone and amber, mother of pearl and artificial plastic material), no account being taken of materials (for example, necklace strings) used only for assembly, or of paint, varnish, pearl essence or similar coating materials: ad valorem 17½%
- (c) Pearles, whether real, cultured or artificial: ad valorem 17½%
- (d) Precious and semi-precious stones (natural, synthetic or reconstructed): ad valorem 17½%
- (e) Precious metal, that is to say, silver, gold, platinum and other metals of the platinum group (iridium, osmium, palladium, rhodium and ruthenium): ad valorem 17½%
- (f) Rolled precious metal, that is to say, material made with a base of metal upon one or more surfaces of which there is affixed by soldering, brazing, welding, hot-rolling or similar mechanical means a covering of precious metal. The expression is also to be taken to cover base metal inlaid with precious metal: ad valorem 17½%

Provided that the deletion of Item 2 and the substitution therefor of the new item as set out above shall take effect on the 1st April 1974, and not on the date this motion is moved.

- (b) In the First Part by the addition in their appropriate numerical position of a new Item as follows:-



<u>Item</u>	<u>Article</u>	<u>Duty</u>
6A	Any liquor otherwise dutiable under Items 3, 4, 5 or 6 but which is less than 0.5 <sup>0</sup> proof: per gallon	39.33p

- (c) In the Second Part by the deletion of Item 1(a) thereof and by the substitution therefor of the following:

<u>Item</u>	<u>Article</u>	<u>Duty</u>
1(a)(i)	Motor Vehicles, other than commercial vehicles, with an engine capacity of 1299c.c. or less: ad valorem	20%
(ii)	Motor vehicles, other than commercial vehicles, with an engine capacity of 1300 c.c. or more: ad valorem	22½%
(iii)	Commercial vehicles: ad valorem	15%
(iv)	Motor cycles: ad valorem	20%
(v)	Component and fashioned parts of motor vehicles imported separately, including tyres and tubes but excluding electric bulbs: ad valorem	22½%
(vi)	Accessories (excluding safety belts) specially designed for use in motor vehicles and imported separately: ad valorem	22½%

For the purpose of this Item commercial vehicles means (i) a vehicle built or adapted for the purpose of carrying goods, and (ii) a vehicle designed to carry 8 or more passengers.

- (d) In the Second Part by the deletion of the amounts of duty shown in respect of Item Nos. 1(b), (c), (d), 2, 3, 4, 5, 6, 7, and 8 and by the substitution therefor of the amounts of duty as follows:-

<u>Item</u>	<u>Article</u>	<u>Duty</u>
1(b)	Electric accumulators up to 200 ampere/hour capacity: ad valorem	22½%
(c)	Internal combustion engines not including under the foregoing sub-paragraph (a), capable of being used in, or of being adopted for use in, a motor vehicle: ad valorem	22½%

- (d) Accessories and component and fashioned parts not included under the foregoing subparagraph (a), of any internal combustion engine which is capable of being used in, or adapted for use in a motor vehicle: ad valorem 22½%
2. Radio receiving sets and radio transmitting sets and component and fashioned parts thereof: ad valorem 12½%
3. Watches and clocks, and component and fashioned parts thereof: ad valorem 12½%
4. Fountain pens, including ball point pens: ad valorem 12½%
5. Sound recorders, sound reproducers and recording media, gramophones and record players, and accessories and component and fashioned parts thereof, and records: ad valorem 12½%
6. Binoculars and telescopes: ad valorem 12½%
7. Electric shavers and component and fashioned parts thereof: ad valorem 12½%
8. Mechanical and propelling pencils and refills: ad valorem 12½%

Mr Speaker then proposed the question and invited debate on the motion.

HON P J ISCLA

May I ask for clarification. I am not quite sure what Item 9 is. It says: "Manufactured cigarettes per lb 71.25p", then "with an additional duty per 1,000 cigarettes". Is it 513p or is it £5.13p? Is the top one 71.25p or is it £71.25?

HON FINANCIAL AND DEVELOPMENT SECRETARY

Yes. There is first of all the basic duty of 71.25 pence, which is the basic duty at the moment, and then the present duty is 368 pence per 1000 cigarettes. It is now being increased to 513 pence. In fact as we were told it is approximately 3 pence per packet, 50 packets in 1000.

HON J BOSSANO

Mr Speaker, on the question of the indirect taxes presented in this motion, the Opposition would welcome from the Financial and Development Secretary some information as to how in particular the articles where we have duty at 12½%, such as watches and radio sets and so on, whether these in fact are not

articles in UK which pay VAT at 10%. Because it is of interest to us to see how the tax measures compare with those in UK, and the Honourable the Financial and Development Secretary has already made reference to our taxable capacity, I don't know how it is that he intends to obtain advice as to the taxable capacity of Gibraltar's economy, but we feel on this side of the House, that a comparison with UK is one of the ways of approaching the question of taxable capacity. And the fact that we may be in a situation here today where on some specific items our rates of indirect taxation are higher than in UK, where VAT is still at 10%, is, I think, of great import to the people of Gibraltar. Because Gibraltar has always been cracked up to be a place where indirect taxation was generally low in comparison with the rest of Europe, and this has been used as a justification for keeping our wages below the average in the rest of Europe. And it is I think of great importance that where we are either very near the level of indirect taxations that are in force in UK or even in some cases above it, the House should be made aware of this. Another matter that I would like the Honourable the Financial and Development Secretary to clear up is the question of when the indirect taxation will have an impact on the Index of Retail Prices, and consequently, in triggering off payment under the Cost of Living Formula.

I am sorry, Mr Speaker, that I did not raise this in respect of the previous motion before the House, but as you know I was waiting for an answer that didn't arrive, and I am afraid the other matter escaped me. Perhaps you would be somewhat lenient in this respect, you will allow the Honourable the Financial and Development Secretary to make a reference to the effect of the previous motion, the increase in the Brackish Water and General Rates, when he mentions the effect of the IRP on this thing. The thing that I am interested to know, on behalf of the Opposition, because this is something we have discussed amongst ourselves and we have already decided on our policy line in this matter, is when are these indirect taxations going to have an effect on the IRP, and in particular, whether it will mean that it will affect the payment that is due as a result of the computation of the Index of Retail Prices on the 1st April. We feel this is most important both for the economy as a whole, and I don't think I need to elaborate any more in that respect, I think members on the other side realise the importance of that respect, and of course for ensuring that some measure of protection is given to the lower paid, as it was intimated in the opening budget speech by the Honourable the Financial and Development Secretary. And I would like to say that we ourselves feel very strongly in this matter and we feel we could not support the Government unless we had an assurance that this in fact would be the case.

MR SPEAKER

You realise of course that this is your contribution to this particular debate. Is there nothing else you want to say? I am warning you because you only have the right of speaking once.



HON J BOSSANO

Yes, Mr Speaker.

HON M K FEATHERSTONE

Sir, I cannot answer for all the list shown here, but I can answer for cameras and accessories, cinematographic projectors, etc, optical goods. Cameras and cinematographic projectors etc, on importation into the UK, other than from the EEC, pay 20% duty, and then on top of that there is Value Added Tax. Components and parts, which are not attached to the camera, such as a spare lens etc, pay 25%, and then Value Added Tax on top. This refers in particular to Japanese products, so we would still be considerably cheaper. Radios, etc, electronic products from Japan, also pay at the 20% rate, and VAT on top. Of course, Sir, something manufactured in the UK would only carry the VAT, but I don't think anybody is going to come out to Gibraltar to buy a UK radio and ship it back.

HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, Sir, .....

MR SPEAKER

You have the right to reply. Are there any other contributors to the debate?

HON A W SERFATY

I would like to say, Mr Speaker, on item 4 and 8, that there are many of these articles which are manufactured in UK but are sold at much lower prices in Gibraltar and can take the 2½% extra import duty.

HON J CARUANA

Mr Speaker, I am very illuminated by both the Honourable Minister for Education and the Honourable Minister for Trade and Tourism, when they say that these items can take further taxes. I think that when the people who are directly concerned, and I believe that both Members are directly concerned and have declared earlier on an interest in being traders in those goods, but I think that unless we are being intentionally misled by the trade generally in Main Street, who have been complaining now for the last two years that Main Street - and the Chamber of Commerce have put their foot in on many occasions, in their defence of the interest. They have complained on numerous newsletters how uncompetitive Gibraltar is becoming with surrounding ports, and that Bulgarians, Russians, Rumanians are not coming to Gibraltar because we are uncompetitive in many things. The Minister for Tourism and Trade says that is not the case. I think he'd better compare this with the Shipping Agents who have very recently represented to us how uncompetitive we have been in this thing and how lucky we have been in supplying water and other things.



Shipping is not coming to Gibraltar and it is a fact that there has been a decrease, a significant decrease in the numerous ships we used to get coming to Gibraltar. They are not coming now. There might be other reasons, Mr Speaker, but prices in Main Street are also a very important issue.

This motion we have in front of us, although it deals with jewellery and precious metals, can be called little but precious. In fact it is spiriting away quite a lot of items. And whilst I would hate to go into detail in one or two other things, I think that the question of the duty on motor cars, new item 1(a)(i) and 1(a)(ii), is a matter to be given a little thought. And I think it has been referred to earlier on in the meeting that this two tier kind of duty is bound to put some importers at a disadvantage against other importers. That is to say, that there are importers in Gibraltar of motor cars who exclusively deal with makes of cars which go beyond the 1300 cc capacity, and only deal in those. I beg your pardon.....

I am willing to give way.

HON H J ZAMMITT

Could the Honourable Member, Sir, be more specific and mention makes of cars that an exclusive agent only deals with and then probably .....

HON J CARUANA

Mr Speaker, Sir, it would be invidious to start mentioning particular companies, but there are specific companies, two specific companies who import the most popular types of cars which come into play. Fiat for example, deal exclusively with small cars and Ford. The point is, Mr Speaker, that from the start this taxation puts at a disadvantage, unless the Government can argue against, and they have plenty of opportunity to argue against, puts at a disadvantage some car importers against others.

The other thing that I would like to mention is that I find unpalatable and inconsistent the inclusion this year of the payment of duty ad valorem on commercial vehicles. In 1972/73, we did away with the import duty on commercial vehicles in order - oh yes! they were I bought a car immediately and so did other people because this was the whole intention. The intention was to do away in Gibraltar with derelict old commercial vehicles, and by giving an incentive to users of commercial vehicles, and plants in fact were duty free, so that they would replace old vehicles with new ones at an advantage. Unfortunately, this was done away with by last year's budget. This was done for one year 1972/73.

MR SPEAKER

Do not speak across the House. You must address the Chair.

HON J CARUANA

Mr Speaker, in 1972/73 the Integration with Britain Government did away with the import duty, ad valorem, on commercial vehicles and buses for the express purpose of giving an incentive. This included buses and plants. This was done to give an incentive to importers to replace old vehicles and bring to Gibraltar a kind of a Spring cleaning effect which I was very glad to see increased the number of commercial vehicles that were imported on that year. I am sorry to say that again this year, the AACR Government has not seen it convenient to do away with this duty to keep up the momentum. Commercial vehicles need replacing far more frequently than saloon cars and family cars and add to the cost of a lot of people. And those are the two specific points which I would like to record my objections on, Mr Speaker.

HON CHIEF MINISTER

Sir, with regard to the latter item, I think the Financial Secretary will say that this was done for one year and was a failure in the sense that there was only one bus and two or three commercial vans which took advantage of this.

Now, Sir, the purpose of increasing the import duty on cars, and increasing the duty on petrol are of course directed to one thing, in making sure that Gibraltarians will be able to enjoy cars in Gibraltar, because we are reaching the stage when unless we do something about our circulation - and I do not mean our body circulation, but perhaps our body circulation as well - it might do a lot of good to some people to start walking. Those were words from the Honourable Major Peliza in the budget of 1972. I use them in support of our measures today.

HON MAJOR R J PELIZA

Mr Speaker, in no ways have I said I am against taxing cars at all. In fact I think there was a demonstration in the streets and one of the ladies who took part in the demonstration against my taxing of cars and petrol didn't have a car herself, got into a taxi and went home after the demonstration. This is true. So, I am not at all for one moment suggesting to the Chief Minister that I am against that, nor have I uttered a word to that effect, neither has any Member from this House has said that. What I think my Honourable Friend has just said, and perhaps it bears repetition, since apparently it hasn't sunk into the cranium of the Chief Minister - I won't say brain, it might not be there! What I think bears repetition is that he fears that there is a bit of discrimination against certain dealers who don't import small cars. That is one. Now, perhaps, notwithstanding that, it is proper. The other one which I think is very legitimate, and I think very right, is particularly the question of Public Service vehicles, and unfortunately taxis have not been included, we would have wished that taxis would have been included as well. On Public Service vehicles, what we've said was, if we exempt those vehicles from taxation it is very likely that we shall have better Public Service Vehicles, safer for the people using it.



The Chief Minister said that it was not successful. Well, it was not successful because it wasn't given time. One year is hardly time for people suddenly to throw away all their buses and buy new ones but I think that if the incentive had been left there today we would have a better public transport service than unfortunately we enjoy. And I do welcome personally, that there has not been an increase for them of 10%. Of course we welcome that. But what we say is that it was a pity that you did not accept it all together, and then Gibraltar would have had a better public transport service, particularly, as obviously, because of the higher taxes on private cars and the higher taxes on petrol, some people will not be able to afford to have their own private cars for the first time in Gibraltar, thanks to this Government.

HON CHIEF MINISTER

You walk!

HON MAJOR R J PELIZA

Yes, of course, but I do it voluntary. But now I am afraid that this Government of dictatorship is going to dictate to the people of Gibraltar that they have to walk. That I would not agree with.

What is inconsistent as well, I might say, inconsistent with the statement of the Chief Minister is that having seen to his belief that there was a failure of 10% in the time that we accepted them all together, he now goes himself and accepts the 10% himself. So if it was a failure, why try the same method again. I think it is a little bit inconsistent.

HON H J ZAMMITT

Mr Speaker, just very briefly to answer the Honourable Mr Caruana. He mentioned the two tier system on importation of cars, and we asked from this side of the House if he could mention a particular firm or garage that dealt exclusively with vehicles under 1299 cc, or only over 1300 cc. He mentioned Fiat. I think he mentioned Fiat. Well, of course, Fiat, as we know, Mr Speaker, is probably the only company that deals in all the lines! from the little 5 horse power nothing, up until the 132 6-cylinder. So, I think Fiat are very well covered. And in particular may I equally say, Sir, that apart from dealing with one type of car there are very few Garages in Gibraltar that deal exclusively with one make of car. For instance, Fiat, which the Honourable Member mentioned deals in Citroens, deals in Lancias and the like. Ford Sir, deals from the Escort right up to the very large £3,000 model. Rootes Group have a small huskie and they go up to what was the Humber and the other kind of cars. I think that if we are really realistic - I know it is very easy to criticise at budget time, it is very easy to come out. Last year we had casserole for the poor, and hors d'ouvres for the wealthy, but it is very easy, Sir, and I haven't heard

anything yet to say: we would have done this as opposed to that.

HON J CARUANA

That is not our burden.

HON H J ZAMMITT

Of course it is not your burden, it is our responsibility, we know that.

MR SPEAKER

Order.

HON H J ZAMMITT

But, what we do say, Sir, is that we feel encouraged by what has to be done what had to be met in the fairest way and the easiest way to the benefit of all.

HON W. M. ISOLA

Mr Speaker, on the question of the two tier system, it seems to me that the Government has taken the easy way out in discriminating between large cars and small cars. Does the Government not consider for instance that a man with a large family should be penalised because he has to buy a large car and not a small car? Does the Government not realise that by having this two tier system it is penalising the taxi drivers who make a livelihood from taxis and they can't afford to use a small car?

Mr Speaker, the Minister for Education made some remarks regarding radios and components of that description, that when they come from Japan to England they pay 20% duty. But what he did not tell us surely, is that for instance radios and such likes, radiograms and stereophonic equipment coming for instance from Holland to England don't pay any duty except VAT. Does the Government not therefore realise that in Gibraltar we are being asked to pay more duty on imported things from Great Britain and from the EEC countries than in England? Does the Government not realise that by taking these measures they are killing, or will kill, the few cruise liners that now come to Gibraltar? Does the Government not know, because I know from my days when I was Minister that's two years ago, and I was warned again and again we were not becoming competitive. Did not the Honourable the Financial and Development Secretary in his opening speech say that we had to become competitive? Are we losing that competitiveness?

Mr Speaker, something tells me that we are very much losing it after these increases. Does the Government not appreciate that when people come to Gibraltar on a holiday, they come around



the shops to buy, and then they realise that they can have a far bigger selection of goods in the United Kingdom, and cheaper, that they will not buy here? Does not the Government realise they've increased the rates by something like 20% from 50 to 60p?

MR SPEAKER

What rates are you talking about? Are you talking about the General Purpose Rates? Not now. No? You are talking about the rates of duty payable on goods. That is why I interrupted you. Please go on.

HON W M ISOLA

Does the Government realise also that in putting up jewellery to 17½% it makes it far higher than in the United Kingdom? Has the Government consulted the various rates, and have they actually said that it is not the case, because my information is not the same. I have been told and believe that we will become completely uncompetitive in that line.

HON A P MONTEGRIFFO

I would just like to refer to family cars, gallons and what not. As a member belonging to the generation which was pre-pill and pre-television, I have six children. Now they are grown up, but at one stage I used to take them in my car, and I can assure the Honourable Member opposite, who at the moment is a bachelor, and perhaps rather fortunate, he probably did the right thing, I didn't need either a Rolls Royce, a bus, or anything bigger than a small Hillman and now a Ford Escort. So I don't think we should be worrying very much about that.

HON I ABECASIS

Sir, the last speaker on the otherside was complaining about the increase in taxation for jewellery and expensive cars. Earlier on he was complaining about the increase in beer which was the worker's drink. Will he make up his mind whether he wants us to tax the rich, the poor or nobody!!

HON W M ISOLA

I was just talking purely on the question of tourism and purely on the question of competitiveness in Gibraltar, vis-a-vis other people coming to Gibraltar. That is a different matter all together.

HON A J CANEPA

Mr Speaker, I just want to add something to what my Friend, the Honourable Mr Montegriffo, has said, which I think someone in this House ought to say: and that is: that with the enormous parking problem that we have, in spite of, I don't know, the 500 or 600 derelict vehicles that have been taken off our streets, in spite of the provision of car parks, such and where we are

able to provide them, it is becoming impossible for cars to move around our streets, or to find not a no parking but a no waiting place. Shouldn't we encourage the sale and the importation of small vehicles or small family cars? Not only will they alleviate the parking problems but they also consume a great deal less fuel.

I have, not a huge family, but I have three young boisterous children, and if one is to use one's car for going round the rock eternally on a Sunday evening, I would imagine it would be very uncomfortable for a large family to squeeze into a mini. But if it is a case of using a car for a few minutes to go from one point of Gibraltar to another, to take one's children to the beach for instance, then it can be done in a mini. And if they have to squeeze in for a few minutes it doesn't do anybody any harm. And if it is grown ups that we are dealing with, where there are families with a number of children who are young adults, they very often have more than one car in that family. But the fact is that I have been reading about one of the Motor Shows in one of the capitals of Europe - I think it was the Geneva or Paris Motor Show - and it is indicative that manufacturers are seriously thinking that with the increases in the price of petrol they must turn to the smaller vehicle, and that will be good for all of us here in Gibraltar.

HON ATTORNEY-GENERAL

If it is any comfort to the Honourable Mr W Isola I am told that quite recently they got nineteen people into a Volkswagen Beetle. I think that is a world record.

HON L DEVINCENZI

Mr Speaker, I will just make one point which has not been brought out by anyone, and this is to congratulate the Government on how - not cleverly - but cannily they have added this 5% or 7½%, depending on the size of the car, to the price of the car. If we remember, and I think this has been mentioned before and I will just make a very quick reference about what happened when we raised the car licences by, I think it was, £6 a year. Now in just one go, on a small car which nowadays is averaging about £700/800, and the bigger car for about £1000 range, you will find that even in a small car the man who buys the car now will be paying in a straight go, £40 extra, and for the bigger car about £60. It would take about five, six or seven years, depending on the car, for the increased licences, taken year by year, to equal what the present Government has done in just one go. Having said that, I still approve all the measures.

MR SPEAKER

Right perhaps the mover would like to reply now.

HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, Sir, on the question raised by the Honourable Mr

Bossano. I did enquire about this first thing this morning, and I have got a not fully complete answer, and I regret to say that I still have not got the fully complete answer. May I say that statisticians have an ethic of their own, and they will do things as they ought to be done statistically. Now what I may say is that in the ordinary course of events samples of prices are taken in the last few days of the month and in the first few days of the month. Now, my understanding this morning was that that procedure would be gone ahead with, just as this, so that there will be some prices found in the last day or two of the month, and there would be higher prices found in the shops earlier and these would be averaged in the ordinary way. However, I did enquire and I was assured that that would not happen in the case of one very important item, which is electricity charges. The full new electricity charges would go into the Index and would count for COLA as from 1st April. Now it may be so in the other case too. I would be happy, Sir, later to inform the Honourable Member how in fact it will be done, but what I will say is that it will be done on a sound statistical method.

For the resnt, Sir, I will only say that I fully appreciate the points made. In every tax increase there are advantages and disadvantages, and one looks for where the damage is less by putting on the additional tax.

Mr Speaker then put the question in the terms of the motion proposed by the Honourable the Financial and Development Secretary, which on a vote being taken was resolved in the affirmative.

#### HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, Sir, I beg to move the suspension of Standing Order No.19 in order that I may make a motion on Potable Water without notice.

Mr Speaker then put the question which was resolved in the affirmative.

Standing Order No.19 was suspended.

#### HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, Sir, the deficit we now face on the notional account for Potable Water is £174,000. The proposed revision of charges for water will, on the basis of sales estimated for 1974/75, increase receipts and thereby reduce the deficit by about £57,000.

Sir, of the households using potable water under the two-part tariff for domestic consumers, about 85% consume 1000 gallons or less a month. The monthly water bill for all these households consuming 1000 gallons or less will show no increase under the proposed revision of charges. With a consumption level of



exactly 1000 gallons the household water bill would remain at £1.625 per month. A 33 $\frac{1}{3}$ % increase is proposed in the secondary charge to domestic consumers, taking it from 26.25 pence per 100 gallons at present to 35 pence per 100 gallons, but this will affect only the remaining 15% of households using in excess of 1000 gallons per month. At a consumption level of 1500 gallons, for example, the household water bill would increase by only 6%, rising from £2.94 a month at present, to £3.12 under the proposed revision. It is proposed that the rate of 100 gallons to shipping should be doubled, increasing from 12.5 pence to 25 pence.

Sir, an increase of this magnitude does of course carry with it some risk that shipping will be discouraged from calling at Gibraltar for water, but bearing in mind that on average the cost of water production in Gibraltar is 34 pence per 100 gallons, there is clearly a balance to be struck between the uncertain economic consequences of fewer ships calling at Gibraltar, if that were to happen, and the certain need to charge to shipping a more economic rate for water. The same reasoning applies also to hotels, for which it is proposed to apply the same rate of 25 pence per 100 gallons, more closely related to the cost of production. The present rate for hotels is 18.25 pence per 100 gallons: the increase is proportionately not so large as in the case of shipping.

Sir, the resolution also proposes that the Financial and Development Secretary should have power to enter into bulk water sales at different rates provided that he smartly reports such transactions to the House. This is intended to cover the case of sales of water to the UK department. Sir, I therefore move the following resolution:

"In exercise of the powers conferred by Sections 106 and 132 of the Public Health Ordinance this House resolves as follows:

1. The price at which potable water is to be supplied shall be as follows:

- (i) to shipping from Waterport Wharf and North Mole at the rate of 25p per 100 gallons;
- (ii) to hotels and hospitals at the rate of 25p per 100 gallons;
- (iii) by meter or otherwise to all other consumers at the rate of 16.25p per 100 gallons for the first 1,000 gallons registered by any one meter in any one month and at a rate of 35p per 100 gallons so registered in excess of 1000 gallons. (The term "month" shall be deemed to be the period comprised between the date any meter is read for the purpose of the account and the date it was read in the immediately preceding month, and the above new rates shall be applicable in respect of and after the whole accounting period including 1 April 1974 in the next account rendered).



- (iv) undelivered supplies from fountains by small barrels, buckets or similar small containers at the rate of  $\frac{1}{2}$ p per 10 gallons.
- (v) delivery by lorry an additional charge of 50 pence per 1000 gallons and by temporary pipes an additional charge of £1 per 1000 gallons;
- (vi) a meter rental at the rate of 12 pence per month per meter.

2. Notwithstanding anything contained in paragraph 1 the Financial and Development Secretary may enter into agreement to supply water in bulk at rates other than those specified in such paragraph if it seems to him in all the circumstances of the case reasonable to do so. Where any such agreement has been made it shall be laid on the Table of the House of Assembly at the meeting commencing next after it has been made and unless it is approved by resolution of the House of Assembly at such meeting it shall lapse on the date of adjournment of such meeting. Notwithstanding the lapse of any such agreement all water supplied before such lapse shall be charged at the rate specified in such agreement.

3. The charges approved by this resolution supersede the charges approved by Part One of the Resolution of the House of Assembly dated 28 March 1972 and published as Legal Notice No.31 of 29 March 1972."

Mr Speaker proposed the question in the terms of the motion and invited discussion on the motion.

HON J CARUANA

Mr Speaker, as the meeting progresses we are being confound systematically by a sledgehammer of the tax measures being introduced by this Government on the revenue, and getting nearer of seeing the total effect of the £900,000 to be raised at this session. The alleged figure from the Government that 85% of the families in Gibraltar use less than 1,000 gallons of water is something that one would wish time to go into, since less than the primary unit which would bring the consumption of under 1000 units, and the total amount which is billed of 3 or 30 units for the primary rate would bring the water bill of the ordinary family to around £5 a month.

HON CHIEF MINISTER

Mr Speaker could he repeat that very important statement again, I didn't understand it.

HON J CARUANA

I shall be very glad to elucidate. The primary unit will be charged at 16.25p, as they are now. There is no change there

and I accept that. The primary unit remains as it is and they have calculated the first 1000, which is ten units, right, so this means that the bill for 1000 gallons, or ten units, is £1.62. Right? Does the Chief Minister follow me? Good. So I want to know how many people in Gibraltar pay less or £1.62 a month. We have been told it is 85%. I find this extremely hard to swallow.

HON CHIEF MINISTER

You must swallow the water!

HON J CARUANA

I would gladly swallow the water. I have met very few people in my time who have had to pay less in water than £3 to £4 a month. I accept the figure given by the Financial and Development Secretary for the time being, though it is extremely difficult to accept. I would like to ask the Honourable the Financial and Development Secretary what his source is for this vital piece of information on which the Government bases the increase in water, that 85% use less than a 1000 gallons a month, which is just ten units.

HON FINANCIAL AND DEVELOPMENT SECRETARY

If the Honourable Member will give way, Sir, there was a question in the House earlier on in these proceedings in which I was asked about water consumption, and I replied to that question on the basis of information collected for it. And I gave an answer which corresponds very much with the answer I have given now.

HON J CARUANA

For the sake of argument we will accept that. It is a fact. Mr Speaker, if it is a fact, will the Honourable Member opposite venture to tell us how much?

MR SPEAKER

Order, I will not have members interrupting.

HON J CARUANA

Perhaps when they stand up to speak they will tell us how many of them paid £1.62 a month for water, and see if we get 85%, even in this House, on average.

MR SPEAKER

We must accept statements made by Members in the House. They can be questioned, but we mustn't start investigating the statements as otherwise we will never get anywhere. You can have your doubts on them but the statements must be accepted. I

am not suggesting in the least that the contents of the statement should be accepted, but it must be accepted as a responsible statement made by an Honourable Member of the House. Then you can deduce and you can doubt as much as you like.

HON J CARUANA

Mr Speaker, I have in front of me several water bills of very ordinary households in Gibraltar. I can tell you straight away that with the greatest economy in water, I pay up to £6 a month, and I have here the Honourable Mr Boassano's water bill, in which he pays - and I am sure that his family looks after water too - £7 a month. I would like to know how many Members opposite spend less than £1.62 less in water. They probably don't even drink the water if that is what they consume. And we are expected to accept, and I say I accept the statement of the Honourable the Financial Secretary, but I do not agree with it. If such is the case, then on my figures, and I stand to be corrected by the brilliant Economics Ministers we have opposite, the average bill of the households in Gibraltar is going to go up by at least £1.50 to £2 per month. Per week, I have been advised.

MR SPEAKER

I must call the attention of Members. I will not have calling from one bench to another. The Member holding the floor will speak without interruption.

HON J CARUANA

I must say, Mr Speaker, that by my reckoning the average household in Gibraltar is going to have to pay between £1.50 and £2 per month, and I am being corrected by that side that it will be between £1.50 and £3 per week! I am taking the conservative line, though if the answer lies somewhere in between, then the situation, as I have said, is extremely crippling, and bears out the argument we were putting this morning that the housekeeping money of the housewives, as from the 1st of April - April Fools' day - will be cut back severely by about £1.25/£1.50 a week, if she has to meet this kind of crippling bill. Even the water alone, I am being corrected, will account for this on its own. Then, Mr Speaker, we were told by the Honourable the Financial and Development Secretary that this was a controlling Budget, and we have argued previously about the effect on the economic activity in Gibraltar. Now we find that with regards to water, again, the compound crippling effect that we have been anticipating, and we have been restraining ourselves until we saw the whole figure: yes, we have been extremely restrained in the revenue raising measures, until we see the overall effect of the thing, and now we are seeing the overall effect we are getting nearer to the crunch that the vital sector of the economy which the AACR propose to expand by tourism is again being crippled, not only by import duties on items bought by



tourists, which as I have said earlier on in my intervention, discourages large fleets of Eastern Block shipping lines, but now the water to shipping is going to be increased 100% - from 12½p per 100 gallons to 25p per 100 gallons. We have had this problem of shipping going to other nearby ports: in fact very soon we are going to see them go to La Linea for water and bypassing Gibraltar. That will be a great shame because this can be stopped, and this is where perhaps we might need economic help, or technical assistance from Her Majesty's Government. Because all this is part of the effects, as my Honourable Friend Major Peliza was saying earlier on, of the economic blockade. If this has the effect of driving away shipping and tourism, is it any wonder that this side of the House is condemning the Government for such crippling kinds of revenue raising measures. If this is the cost to shipping, and the Financial Secretary has said that water now costs 34p per 100 gallons to produce, it is getting almost ironical that it is becoming far more expensive to produce water in Gibraltar than to import it from nearby Morocco. We were paying 90p per ton of water from Morocco and now we are paying 34p per 100 gallons to produce it in Gibraltar. And the Honourable and Gallant Minister for Public Works discontinued the contract of water for several months which was being carried out by a local shipping company and probably forced that Company to consider very seriously the question of selling their ship, to the detriment of Gibraltar, because we could then not count on importing cheap water from a nearby source. And if we were to assume that this is going to be the effect, I can understand the Government being upset by my pointing this out, but I am not saying that shipping is going to possibly be discouraged from coming into Gibraltar, I am not the one sounding the warning, it is the Honourable the Financial Secretary himself who is sounding this warning, when he has said in his motion - and quite rightly too because such a measure couldn't possibly have any other effect - when he has said: "increase of this magnitude, from 12½p to 25p, does of course carry with it some risk that shipping will be discouraged from calling at Gibraltar". Mr Speaker, I ask you, can we possibly afford to take such a risk of encourage further the thinning out of the number of ships which have been calling at Gibraltar ever since the closure of the Suez Canal. Can we discourage, can we take the risk, such a serious risk, can we put at risk such a vital lifeline to Gibraltar where Ship Chandlers are living from hand to mouth today in supplying ships; Main Street also sees the lack of the economic activities generated by the crews of these ships; can we take this risk that the Honourable the Financial Secretary has put black upon white?

If my tone is slightly raised, Mr Speaker, it is because the Financial Secretary has mentioned this risk on two occasions, in no less than two occasions in his speech. He goes on: "there is clearly a balance to be struck between (the uncertain economic consequences of fewer ships calling at Gibraltar) and the certain need to charge to shipping a more economic rate for water." Well, I will query the "certain need to charge the shipping a more economic rate for water.". I will query whether

the economic risk for one out balances the other. Mr Speaker, I think it is furthest again from our minds, and extremely discouraging to everybody concerned, to see such a piece of revenue raising measure coming before, not only the people of Gibraltar, because this indirectly affects the people of Gibraltar, but the economic lifeline of the people of Gibraltar. And I would be very interested to see how the Honourable Minister for Tourism and Trade is going to try to wriggle out of this clearcut consequence and the possible risk to the vital lifeline of Gibraltar.

HON LT COL J L HOARE

Mr Speaker, I really cannot let such wild statements go unchallenged, because the production of water is 34p per 100 gallons. And we are producing this from a desalinator which was ordered by the other side when they were in office. And if there wasn't need to get this and we could have got all the water he wanted from Morocco, perhaps it was a waste of money to go in for a desalinator. I don't believe that this is a fact. I believe that the desalinator was necessary because we have always got to safeguard our own supply. It must be within our control. This is why during part of this very dry summer we decided to ration water to shipping so that the people of Gibraltar would always have enough. Now, there was <sup>such</sup> a wild statement that I have grave doubts whether the last speaker knows how many gallons there are to a ton. There are 220 gallons to a ton. We were importing water very cheaply from across the water, from Morocco, but let me say that we were not given any notice at all about the sale of the tanker. In fact the importer left without completing the last order we placed with him. The last order was placed for 20,000 tons, of which he was only able to deliver 9,000 tons. We had it from March to August and it was in the middle of August that this ship was sold.

Mr Speaker, a ton of water to shipping, on present production based at 34p a 100 gallons, comes to 75p. We have been selling this up to now at 12½p. So that makes it 25% under 30p <sup>per ton to shipping</sup> ~~so we~~ are asking the people who live in Patio Casola to subsidise the supply of water to shipping by 45p per ton. Is that what they wanted? We were also in the position of having to import water <sup>therefore</sup> from the UK, and the latest quoted price for a tanker from the UK, Mr Speaker, was £50,000 for 5 millions. The freight alone on 100 gallons was £1. Is this what we were going to chance? Leaving Gibraltar <sup>and</sup> so that shipping could get extra water and roam the seven seas at our expense? I am sorry, I do not agree with this. Therefore 25p is reasonable and realistic, and it is still being subsidised at the rate of 9p 100 gallons. It is the same rate that we are prepared to charge the hotels in Gibraltar, who also attract tourists and, who also use water. We see no reason at all why any ship, or any passenger coming on ship, should be better served than tourists who come <sup>and</sup> who also spend their money in Gibraltar.



HON I D XIBERRAS

If the Honourable Member will give way.

Sir, a number of Honourable Members, including the Honourable Member who is just about to stand up, and to whom I am most grateful for giving way, have declared an interest in the various matters, have declared an interest in the sale of cameras; have declared an interest in the sale of washing machines; have declared an interest in various forms of construction; and I think I should declare an interest before I say what I have to say. And that is that I am employed with a firm for a wage, without any kind of directorship or any other kind of financial benefit from my employment, with the firm that imported water into Gibraltar, I am, therefore, in a position to know exactly what business was transacted between the Public Works Department and the Minister we have just heard speaking, and this particular firm. And I am shocked, or I would be shocked I have not heard the Minister speak before in the same manner, in the same grossly inaccurate manner in which he has spoken, by the present statement he has made. The Minister has said that the firm concerned sold this ship without any indication to the Government that they were about to do so, and I hold, as we must, the Minister responsible to that statement. I can say that my knowledge is that this was not the case. Perhaps the Minister has inadvertently made a statement, perhaps, as on other occasions, for instance to do with the quarry of the very same firm, when he made the most misleading statement in answer to a question by my Honourable Friend Mr Caruana, and my Honourable Friend, the Gallant Major Peliza, a grossly misleading statement which I had to take up with the Chief Minister. Now, I am rather surprised that the Minister for Public Works, who has a tremendous amount of money under his vote and who is responsible often enough for the picture of the Government which is presented to various gentlemen, contractors, importers and what not, should have made that statement.

The other statement that he made was that the firm concerned finished without ending the contract. I am very surprised that he should have put it in that way because I believe the Minister also had in his possession letters from the authorities in Tangier saying that there was no more water to be supplied to Gibraltar. And I think it is most misleading of the Minister to put the reputation of this firm in the bad by hinting, as he has hinted, that the firm gave up the contract, and not explaining that it was for reasons beyond their control.

HON LT COL J L HOARE

Mr Speaker, the.....

MR SPEAKER

Yes, but let me say something before you do interrupt. There has been a statement and there has been an answer. I will allow



you but we are not going to debate the reasons which gave rise to the determination.

HON LT COL J L HOARE

Mr Speaker, I was answering a specific statement made by the Honourable Mr Caruana, that we had stopped the contract. My object in doing this was to stress that we had not stopped the contract, that the latest order had not been fulfilled. Perhaps I should have said, in fairness, ~~I~~ I have always been very careful to protect the person concerned because I have realised that it wasn't through his wishing to do so, ~~but~~ but that his selling of the ship coincided with the drying up of water in Morocco. But that we did not stop the contract, that we were prepared, and able, and willing, to have continued giving them orders until such time as the desalinator was working properly. That ~~I can give the assurance~~ <sup>assurance</sup>. But that was not to be and that is why I had to look elsewhere for water.

HON M D XIBERRAS

Thank you, Sir. The first point that has been clarified, about the notice, and I.....

HON LT COL J L HOARE

The notification we had - I am quoting from memory because I haven't got the letter - was in a letter signed by the principal of the firm, I think it was dated the 25th of August, saying that the ship had actually been sold and had sailed on the 23rd, two days previously. That was the only formal notification that came into my possession.

HON M D XIBERRAS

Sir, the Minister had better check his records.....

MR SPEAKER

He can check his record and we can go into this another time.

HON M D XIBERRAS

I am sure, Sir, because it is a matter of considerable importance.

MR SPEAKER

Most certainly, I accept that.

HON M D XIBERRAS

.....the sort of statement that the Minister has made. And he might also enquire from Mr Canessa in his department as well about the frequent telephone calls to this effect in which I myself have on occasion intervened. Further, the record will

show what the Minister has said and whether he has to retract or not.

Now the other point about the potable water which I can inform the House about is that the reason why this firm gave notice that it intended to sell this ship which was bringing water in at the price of 90p a ton was that the Department of Public Works was not willing to commit itself to anything beyond 1,000 tons at a time. They were kept on a shoe string and it would have required further investigation to bring water from further than Tangier. They were not willing to do it for 10,000 tons of water at a time on contract. The position about the last contract was, for the Minister's information, if he does not know, the position of the last contract was that it was started by the firm, the firm started delivering water before the contract was actually shown to the firm. In other words out of the goodwill of this firm the next contract was started.

MR SPEAKER

We are now getting involved.

HON M D XIBERRAS

It is because of what I think, quite rightly has been the mismanagement of the Minister of this particular item that he has been led in no small measure to the importation of water. And the importation of water has led to the needs to increase these rates.

Now, Sir, I think my Honourable colleague, Mr Bossano, will deal with the percentage of the people who had to pay or would not have to pay water. I think the figures is £1.62p, and that 5% of the families in Gibraltar pay less than that. My Honourable Friend, Mr Bossano, will no doubt refer to an average that was given to him at a later stage. I should clarify, and I have intervened, precisely because the Honourable and Gallant Minister for Public Works stood up on a point which I have just contributed, and I would not like to anticipate what my Honourable Friend has to say. But let me say, Sir, that I find it rather difficult to reconcile my own experience with the statement made by the Honourable the Financial and Development Secretary, and my Honourable colleague, Mr Bossano, as I have said, will refer to the averages in due course.

HON A W SERFATY

Sir, I have been doing a little arithmetic for the benefit of the Honourable Joe Caruana. In order to pay £2 a month more in water, considering that it has gone up by  $\frac{1}{3}$  for consumption over 1,000 gallons, the consumer would now be paying £7.625 per month. If in his interruption, the economist, the Honourable Mr Bossano, was right that the increase was £2 per week, then the consumer would have to be buying water at the rate now, before the

increases, of £25 a month. So I think that in this case the economist must be wrong.

HON CHIEF MINISTER

Now we come to water. Anyone who is careful with his water would not have to buy all that much more. There again it is a question of good housekeeping, not just in the Government but also good housekeeping in the family. Water as you know is quite a drain on our resources. We have to find about £75,000 more this year and I would tell the people of Gibraltar generally that as well as keeping tidy they should keep their taps shut. Hotels of course will have to pay slightly more as this is inevitable. We cannot subsidise hotels to any large extent, but they should bear in mind that we are spending about £15,000 more since we started on tourism, as I explained before, and, therefore, there should be some compensation. They are certainly getting more for what little extra they are paying for their water. There were words spoken by the Honourable Major Peliza in the Budget session of 1972, not my own today!! And this is exactly the same position. The point is ..... I am not giving way. I am only asking for the protection of the Chair so that Mr Caruana does not interrupt me. I have listened to him, I have had to be bored with his speech and have said nothing; now he has got to do the same and I hope he is equally bored.

The point is, Mr Speaker, that all Governments have to suffer the same difficulties, and I don't think it says much for our system of democracy that it should be so obvious to people that people when in Opposition say one thing and when they are in office they say another. That I think is essentially one of the aspects of democracy, but unfortunately it does not give a good character to our democratic system. Here is the Honourable Major Peliza, whom I begged that he should not increase the second rate as high as he wanted to at the time because precisely of the large families, and he didn't give way in the least in that debate. Now, we have done something that he didn't do; he increased the two rates altogether, and we have increased the second and left the first rate untouched. In so far as that is concerned we were assured, and we have every reason to rely on the details given by the Honourable the Financial and Development Secretary, that the vast number of people, 85% of consumers - it all depends on how many consumers there are. But the point is that there are about 4,850 consumers, of whom 4,000 are going to have no change in the cost of water. And I would like in that respect, in anticipation of anything that the Honourable Major Bossano the economist may say. I am sorry, I have given him a military title. I withdraw that, I should have called him Colonel if I did give him any title. Anyhow, in anticipation of what he will say, I will echo the words of a speaker in the Budget debate in the House of Commons, the former Home Secretary, now the Shadow Chancellor. He said: "I want to listen to the



voice of practical experience and common sense in these matters, and there is often a very great difference between what practical experience and common sense tell one and the views expressed by economists."

HON MAJOR R J PELIZA

Mr Speaker, I didn't hear what the Chief Minister quoted me as having said. Unfortunately I have to attend some other business outside but.....

HON CHIEF MINISTER

He had put up the rate of telephones then, and he said: "and so from telephones we went on to water. Now, anyone who is careful with his water will not have to pay that much more!" We say the same. "There, again it is a question of good housekeeping, not just in the Government but also good housekeeping in the family." We say the same. "Water as you know is quite a drain on our resources." We say the same. "We have to find out about £75,000 more this year and I would tell the people of Gibraltar generally that as well as keeping Gibraltar tidy they should keep their taps shut." We don't say 'shut', we just say, a little open, that's all.

HON MAJOR R J PELIZA

I am most grateful to the Chief Minister. Now, I think first of all I seem to be quoted as if I were the last word in everything I say. The last word. I am really becoming more important every day. Well it seems that I still am by the way I am quoted. Now, there is a change, one has to accept, in circumstances. Whilst I think that at the time it was very legitimate that we did put those charges up, in the present circumstances, things have changed. The reason why the price of water is going up now, and correct me if I am wrong, is because the price of oil has shot up the way it has. This is the basic reason. Now, I wouldn't tell the people of Gibraltar today to shut their taps. We know perfectly well that this has been brought upon us through no fault of our own, and that if we impose this terrible burden on the people of Gibraltar it will have a sinking effect to their spirits. Therefore, if I were now in the position that I was then, I would just repeat what I said before: I would have gone to the British Government - for aid to compensate for the astronomic rise in the price of oil which a small community like Gibraltar cannot possibly face without causing considerable hardship to the people in Gibraltar. In this case it is even affecting the cost of potable water it shows how deep it goes and it shows what an argument Gibraltar has to ask Great Britain for help.

So if the Chief Minister wants to quote me now he can say everything that I have said now and follow my advice. This is my message today. And it would not have been my message then because I think I was absolutely justified then in doing

everything possible within ourselves. It is a different situation now. In fact if I had been the Chief Minister I would have raised electricity and brought down water. Please do it.

HON M K FEATHERSTONE

Sir, I am not sure if we should blame in this instance the oil Sheiks, or perhaps we should blame the Honourable the Chief Minister or the Honourable the Minister for Public Works. The Honourable the Chief Minister in the past used to be able to produce rain at will, but he has lost the touch. So perhaps he is to blame.

Perhaps, Sir, we should also look into the question that the new distiller, the VTE, which we did not order, which is a prototype and which at the moment hasn't been working too well and which may turn out to be very costly to run, is one of the reasons why water is going to be so expensive.

HON J BOSSANO

The accounts which the House has looked at gives no indication that the rates we are being asked to pay are in any way required by expected breakdowns in plant. The only explanation given in the account is the increased fuel cost. If the Honourable Minister has got additional information I am sure the House would be glad to have this.

HON M K FEATHERSTONE

No, Sir. One is imply saying that on the figures we have, it cost us 34p to produce 100 gallons of water, presumably using this new wonderful distiller that they have got for us at very high expense, etc. etc. It might have been the distiller that would.....

HON MAJOR R J PELIZA

If the Honourable Member will give way. It was the Minister for Public Works who said that the new distiller was cheaper production-wise than the other. I think he probably didn't hear that.

MR SPEAKER

We are not going to have a debate on this. Will you please continue.

HON M K FEATHERSTONE

I think, Sir, as has been said before, we have got to be a little realistic in this. The whole question of water is not a problem we can solve overnight, but I think some of the figures that have



been bandied round about the increases as the Honourable Mr Serfaty has said already, just don't bear realisation in fact. The normal ration one gives to shipping is 5 gallons per person per day. Now, Sir, if one is going to face a £2 increase in water per month, one would be using, roughly, I think, the figures worked out to 100 gallons per family per day. Taking a family of 6 people, on the shipping ration it would be 30 gallons a day, double it it is 60, triple it it is only 90. I am sure our friend the Honourable Mr Bossano is going to produce some wonderful figures because he has already told us that it is £2 per week! This is such a fantastic amount. Perhaps the answer is, Sir, that they are turning the tap on and getting too big a drip. If they had a slightly small drip they would save a lot on it.

There is only one small point that I am sure Government will take into account in this, and that is that it is essential that the meter readings should be done regularly, because then there might be a possibility that one would get a reading, not of a month's period, but of a 6 weeks' period. Perhaps this is what is going to happen when Honourable Mr Bossano produces those little red forms there. He may be giving us to work on facts relating to one month which might relate to 6 weeks. I do hope he is going to give us accurate statements because I do not always trust the manifestations of economists, and perhaps he would also give us in his breakdown some idea of family structure.

HON J BOSSANO

Mr Speaker, we have had a number of contributions from the Government benches, some of them apparently they find the whole thing very amusing: the Honourable and Gallant Minister for Public Works almost went poetical telling us about the ships sailing the seven seas on our water. But I would like to bring the House back to the crucial problem facing us, and this is the imposition of a tremendous burden on households in Gibraltar. And I for one cannot accept the accuracy of the statement that has been made that only 15% of the households of Gibraltar - and the 1970 Census tells us that there are 4,986 households in Gibraltar which have potable water, which is virtually 5,000, I imagine the figure has increased somewhat since then but not very dramatically. And out of 5,000 households 50% would be 750 households, and I do not know what share of the £67,000 those 750 families are going to be expected to pay. But I leave it to the Honourable Minister for Public Works or the Honourable Minister for Education to divide the £67,000 among 750 families. Mr Speaker, there is no indication here of how much of the £67,000 is going to be paid for by shipping or by hotels. It is to be assumed that a great part of the increase is going to go to the households of Gibraltar.

Again if we look at the accounts, the accounts just tell us that last year the income from sales of water was £213,000. There is



no breakdown there of how much the domestic consumer has contributed, and I find it very difficult to suppose that 4,000-odd households were paying in the region of £15/£16 a year for water which would produce only a small proportion of that total. In the absence of accurate figures the Opposition can only make assumptions, Mr Speaker. And this, whether the Government likes it or not, must be a source of dissatisfaction which must make us reserve our position.

The House will recall that last year on Municipal Accounts we had the same problem. We had this Notional Account where we were told that those were accounts which reflected fairly accurate the position as regards the Public Utilities and we have a legal obligation to meet any deficit in respect of the Public Utilities. And we said on this side of the House that in that case we had to support it. It may be possible to make a plea like, apparently, the Honourable and Learned the Chief Minister used to do when he was on this side of the House in respect of large families such as mine, because the reason why my water consumption is high, Mr Speaker, is because I have got four young children and they use obviously more water. They have to be bathed every day and one is a baby of three months who needs her clothing washed and so on. So large families consume a lot of water and this is something that can be determined statistically quite easily. Their per capita consumption goes up in proportion to the household composition getting bigger. So I can understand the Honourable and Learned the Chief Minister making such a humanitarian plea from this side of the House and I am sorry that my Honourable and Gallant friend, Major Peliza, did not do this when he was Chief Minister, but I don't think that because he didn't do it it necessarily prevents the Honourable and Learned the Chief Minister doing it now. I know that he has read what my friend Major Peliza had to say. He is so obviously overwhelmed by Major Peliza that he promoted me to Major, but, Mr Speaker, if all the Chief Minister can say is that the previous Chief Minister, Major Peliza, said this, and he is saying it. If that is all the Chief Minister is going to do here, he might as well have stayed at home and let the last Government carry on. This present Government was presumably put in office because it succeeded in convincing the people of Gibraltar that it had alternative policies. It is no good saying to us: "Well, you said it, and you did it and therefore they are going to do it". It is very satisfying to see them following everything we have said. We said "productivity" and they said "productivity" we said "water must go up", they said "water must go up", Mr Speaker. And obviously it is very encouraging to see that they think so highly of the previous administration, that they say they are following the example, both in fiscal policy and in the way in which they distribute taxation, that is sufficient reason for the matter to be accepted just like that in this House. But I am afraid it is no longer so because I myself require more satisfaction than that, Mr Speaker. I require an explanation that I think makes sense, and the figures that the Financial and

Development Secretary has brought to the House are insufficient. It may well be that he can substantiate what he has said about 15% of the households being the only ones who are going to be affected by the increase, but on the basis of what he expects to be produced by this change of the £67,000, this represents a tremendous burden for 750 families. And I find it difficult to see how he produces an average for 5,000 households of between £15 and £20, and yet 85% of them are below the mean point of that average. That doesn't tie up. So perhaps if the Honourable the Financial and Development Secretary has got a break-down of this figure he can give us this figure. And perhaps he would also like to inform the House how it is that, also in respect of the water account, last year he put in a figure of £26,000 as a contribution to the Improvement and Development Fund, which isn't there now. And how it is that in the expenditure estimates we find an increase of fuel cost for 74-75 that is estimated at £126,000, and yet for three months' operation of the new distiller in this current financial year he is only estimating an increase in fuel cost of £320. Because the original estimated £10,000, the fuel cost has already gone up, the distillers are all working, none of them are broken down to our knowledge, and yet he only expects us to spend £320 more this year than he originally estimated. So the House cannot be expected to take everything that is laid on the table on faith. It has a right to question it, it has a duty to do so and to demand satisfaction, Mr Speaker. And that is all we are doing. So I would put it to the House that if there is insufficient information on which to make an assessment as to the validity of the arguments that have been put forward, certainly it would seem that if the bulk of this money is going to be raised from 750 families, and if, as the Honourable and Learned the Chief Minister has admitted, it is large families that consume most water, well I believe the Honourable and Learned the Chief Minister made a plea last year that the secondary rate should not be raised because it affected mainly large families. I don't know whether the Honourable the Chief Minister believes that smaller families consume more water than bigger families, perhaps he does. I certainly would say that there is *prima facie* a case for believing the opposite, Mr Speaker. That the bigger the household the more the total water bill of the household is going to be.

HON. CHIEF MINISTER

Of course I did not say that small families consume more water than large families, that would be ridiculous. Whatever disagreement we have we hope that we would try to speak with some sense. What I was saying in that one, which was not agreed, was that he was increasing the two rates at the same time, at the same amount, and I pleaded that the second rate should be lowered in that case in order to get at least relief for the bigger family. Now, we have done it the other way, in the sense that we have lowered the first rate so that the families whose income is smaller are cushioned off from the first effect.



HON J BOSSANO

What he means by "lowered", it is he hasn't raised it. Well, I put it to the Chief Minister that he could have gone even better. What he could have done was that instead of concentrating on 750 families he could have spread the burden and each family would have had to make a smaller contribution. And if he wanted to protect for example the person living on his own he could have introduced a differential rate, where, for example, the first 500 gallons would have been maintained and the secondary rate would have applied to the excess of 500 gallons. There are many computations that can be done, but to concentrate on 750 families, and to admit that the secondary rate is going to affect large families, is to my mind not to be concerned about the impact of large family. If the bulk of the £67,000 is expected to be paid by the householder, and there is nothing here to indicate how that money is going to be made up, then this would represent a considerable burden on a householder, on a large family, which will be already burdened by high electricity bills, by an increase in brackish water rate, by an increase in the general rate, all of which are virtually inescapable, Mr Speaker.

One of the advantages from the point of view of the consumer of indirect taxation, generally, is that the consumer has got a choice. And if the price of an article goes up, if the price of a car goes up, as Honourable Members of the opposite side of the House have said, it may well produce a tendency for less cars to be sold; it may well discourage people from buying cars, but at least a consumer can take the defensive action to avoid having to pay the tax. But you cannot very well take defensive action in respect of water unless you stop washing and you stop drinking. And you certainly cannot take it in respect of Rates unless we all go and camp on the Rock. And you cannot take it in respect of electricity unless you stop cooking or you use candles, Mr Speaker. These are basic essentials of life that we are tackling, and it is very important to give great consideration to how it is going to affect the standard of living of our people, because it is something that we are concerned to protect. And I take it that Members on that side of the House are as concerned as Members on this side to protect the standard of living of the people of Gibraltar.

Now to the extent that an attack on the standard of living is defended by reference to published account then it is my obligation on this side of the House to question those published figures, and this is one of the things I have been doing Mr Speaker. Members should not take objection to that because if we get clarification I think it is of value to both sides of the House, both to Members in Government and to Members in Opposition.

But to come back to the question of the increase in water, Mr Speaker, I would also like the Honourable the Financial and



Development Secretary to clarify the point that I make in respect of the other matters, that is, the impact on the Index of Retail Prices. Because again on this, on things that are going to affect the cost of living, we feel that, if for example, the increase is announced as being effective as from today, then the Statistician ought to be made aware of the fact that it is in effect from today, and that consequently this ought to be taken into account. He may well go around and ask householders whether they are paying more for their water and householders may not be aware of it, but it is a fact that once it is announced and it is passed presumably it has legal force, and in effect, it is on from today. I would like clarification on that because we feel strongly that since the Cost of Living Formula is the one solid measure of protection we have to cushion any drop in the standard of living, we must make the best use that we can of it.

HON A P MONTEGRIFFO

I think that right from the very beginning of this debate we mentioned the taxation measures, we gave an indication of what they were going to be, I myself as the opening speaker enunciated the policy of the Government which would be that we would be asking the House for a further £100,000 in taxes in order to be able to give it back to those who would be suffering to an extent the effect of the revenue raising measures as regards electricity and water. That commitment still stands and I can once again tell Members opposite, and particularly the Honourable Mr Bossano, that it will be taken into account as from the 1st of April. But, Sir, I would like to go a little bit further and expand on the point that was originally raised by the Honourable Chief Minister as regards the revenue raising measures of water in 1972. Without having at the time the fuel crisis that we have now, and the very high increases in fuel, the consumer were soaked to the tune of £75,000. In that respect, I am sorry to disappoint the Honourable Mr Bossano, we are not following the policy of the last administration. All that we expect to get from consumers is £25,000. Now, we ask, why should we pass these £25,000 to big householders who are precisely the ones who may have more family commitments. It is a difficult one, Sir, and the decision is a matter of judgment. Either side of the House can be proved right, but we also took into consideration that at least at a certain stage of that family there are other wage earners and, therefore, though there are different permutations we thought that this one, which is the group from which we are getting the £25,000, would, by and large, except in circumstances like myself and perhaps himself, would be adversely affected. But we just cannot have a Budget tailor made to suit any particular individual. We thought this was the best judgment. Even the total amount of charges from water that we shall be deriving do not come anywhere near the £75,000, it is £67,000, and for the benefit of the other side of the House I will give the breakdown. Shipping £30,000 more - the first 1,000 gallons

no change; the remainder of the consumers, which are the second tier, £25,000; Hotels £13,000 more; and that is about all. It comes to £67,000. I will add one thing, Sir. If in 1972 it was necessary, and I use the words again: "to soak the people of Gibraltar to the tune of £75,000 on water", when we have heard so much of going to Britain for help, why then, at the time when all this huge amount of £75,000 was exclusively being placed on the burdens of the workers and the people of Gibraltar didn't the Minister go to Britain and ask for the money.

HON P J ISOLA

Mr Speaker, comparisons are odious and that is one lesson I would have imagined the present Government would have learned by now. The last speaker has talked of the last Government in 1972 "soaking" the consumers to the tune of £75,000 and they are only doing it now to the tune of £67,000. But does the Minister for Medical Services not recollect the earlier part of these proceedings when we learnt that the consumers were to be "electrocuted" to the extent of an addition of £416,000 for electricity. Mr Speaker, I am surprised that the Government goes back to 1972 to justify these measures. The Chief Minister has talked about the £75,000 in 1972. I think at the time that Budget measures of 1972 were referred to by the present Government, who were in opposition, as "the crippling taxation measures of that Government". I am not sure whether it was them, or whether it was reported in the newspapers. They will forgive me but I am sure I think it was in the House. I have to be careful.....

HON A P MONTEGRIFFO

Inflation was lower than it is now.

HON P J ISOLA

Well, yes. We will come to that point too. When in Opposition, the present Government referred to them as a "crippling taxation measure".

I was very interested to hear the Financial and Development Secretary four days ago, speaking on behalf of the Government, telling the Government, that at the time of the Budget two years ago, 1972, we were in the favourable position financially that with relatively modest additional taxation measures the revenue.....

No, no, Mr Speaker.....

MR SPEAKER

then you  
No, no. Listen to what I have to say, and / can disagree, if you feel like it. We are talking about figures relating to water, be they the ones that are being raised now or the ones that were raised in 1972, not general taxation.



HON P J ISOLA

Yes. Mr Speaker, what my argument is that as these motions all come separately you have to deal with them in the background, the general picture, that has been presented, and what I am telling the Government is that the measures that they described as "crippling" in this House, only a few days ago, were described by the Financial and Development Secretary, on behalf of the same Government, as relatively modest additional taxation measures. And, Mr Speaker, whatever may be said, whatever may be said, there is a very great difference in the world, I think all Honourable Members in this House will agree, despite inflation, despite everything else, between the Government of 1972 raising £260,000 in taxation, and the Honourable Major Peliza having to have met delegations of protestors outside the Chief Minister's office. There is all the difference in the world between that Mr Speaker....

MR SPEAKER

Order. Mr Isola, that is what I am objecting to.

HON P J ISOLA

Mr Speaker, I am obliged for your correction, but as I am saying, there is all the difference in the world between that and £900,000 which are going to be raised in taxation today. And when we are talking and Members have objected to the problems that arise in water prices brings it is against the background of a tax bill of £900,000. And when we are talking of going to the British Government for aid to help in water and in electricity, precisely in the fields that affect the consumer in Gibraltar, that affect the ordinary person, when we talk of that, we are not talking of a Municipal Services bill of £90,000 or £100,000, we are talking of a Municipal Services bill of £700,000. That is a big difference! Of course they didn't have to go in 1972, they had a surplus, the measures, to use the words of the Financial and Development Secretary in this year's Budget, "were modest". Modest. But of course we didn't have control of the press; that makes a difference. And this year, Mr Speaker, we are speaking against the background of getting out of the consumer £700,000 between rates - we have already passed an increase in Rates, in Brackish Water, now we are being asked to pass an increase in Potable Water, and I do not know whether it will be tonight or tomorrow morning, or Monday, sorry, it will be £116,000 in electricity. That is why all the Members are worried in this House; that is why I said comparisons are odious, because you can go back as far as water, that is probably the only comparison you have got in the 1972 Budget. Because £75,000 in a 1972 Budget of £260,000 is about 30% of the revenue, whereas what we are voting now is only 9% of all the revenue that is being raised in these three days. It makes all the difference in the world. This is why on this side of the House we are



astounded that the Government has not gone to the United Kingdom for - as we said earlier in the debate - a lending hand.

Mr Speaker, the question of the large family that my friend, the Honourable Mr Bossano, has raised is a big problem, and I think that while we are going to vote these measures - we have no choice obviously - we would have liked to have seen it dealt with in another way. I think the Government should give some thought to helping the large family. I am not sure whether what the Honourable Minister for Medical Services has said will help the large family. The problem of the large family, as I see it, in Gibraltar, is that if there is a large family the wife cannot work, and the problems are greater in a large family. You do not relieve that, I do not think you can relieve it except with perhaps substantial family allowance or one of our financial wizzards in the Government working out a system under which you can give relief to large families. I think the position of the large family is one that merits serious considerations, because it is the large family with young children that will bear the brunt of all the rises in water and in electricity. Because if you have a large family, you have more cooking, more washing, more drinking of water. I think this is something the Government should try and give consideration to and try and help, because I think this is a serious problem. Certainly on this side of the House we would welcome any adjustment to give relief to that.

Sir, the other point that I would like to raise is with regard to shipping, water to shipping. I find it difficult to understand the argument of the Honourable and Gallant Minister for Works. If there is no need to subsidise shipping, don't subsidise them one bit. I mean if water costs you 34p, I think it is, per 100 gallons..... No, I think somebody said it was 34p per 100 gallons, well, don't sell it to a ship at 25p per 100 gallons unless you have got a reason for it. This is absolutely basic to my mind. There is no reason at all, I agree, there is no reason at all why the Gibraltar Government or the Gibraltar taxpayer - with every respect to my friends - should subsidise Bulgarian ships and Yugoslav ships and so forth, with apologies, but as I understand the position, it is rather different, it is not just that it is not just that. I do not think the Honourable and Gallant Colonel sailed the seven seas, he actually marched, didn't he? Yes, he marched. Well when he was marching some years ago, my mind goes back to I think it was about 1954, when the Queen came to Gibraltar, and the Spanish Government started measures against Gibraltar, I think the Government of the day, and subsequent Governments, gave attention to Port development, which I think is something that people are still talking about 20 years later. But anyway, they gave attention to this and the British Government listened very sympathetically. And the British Government, if I remember rightly, gave Gibraltar £ $\frac{1}{4}$ m in order to build an additional reservoir for water to enable them to supply shipping

with water. And I think that is the origin of cheaper water for shipping and competition with other Ports and so on. Now, I would urge the Government to look at it this way, that water to shipping must be an act of economic policy in the interests of the economy as a whole, not in the interest of Shipping Agents or Shipping Companies, in the interests of Gibraltar's economy. Now, if the Government finds that the supply of water to shipping at a cheaper price does not in fact make any difference to the shipping that calls at Gibraltar, because for example Ceuta gives it free, if they take bunkers there and so forth, well, then there is no reason at all why there should be any subsidy to shipping. If the Government finds after careful consideration that giving a special price to shipping increases appreciably the number of ships that call at Gibraltar, therefore increasing the number of people who buy, who come ashore, who pay for goods and pay our indirect taxes on jewellery and so forth, well, then I think it is a worthwhile exercise and worthwhile pursuing. And that, certainly on this side of the House, we would urge the Government to take a close look at this particular point. Because if there is no need to subsidise shipping and these reasons do not apply, well, then, don't subsidise them. It doesn't matter to us if they don't buy the water if it doesn't help our economy at all.

The only other point I would make is that as far as hotels and hospitals are concerned. Well, if the rate is going up for hotels, obviously it is only reasonable that they should take their share of the increase of water. I am not quite sure that the hospital should be asked to pay more water, thought that is Government paying to itself so that doesn't matter. Mr Speaker, that is all I have to say on that part of the motion.

HON A J CANEPA

Mr Speaker, on the Government side of the House we certainly do not object that Members opposite should question figures, certainly not in the manner in which the Honourable Mr Bossano does, I am not being patronising but the fact is that we know on this side of the House that he does bring his mind to bear on the question and we do listen very carefully to what he has to say because we know he has considered the matter seriously. Therefore, one can have no objection to the Honourable Mr Bossano wanting further clarification on the figures that have been presented. But that, Sir, is a very far cry from the first speaker on the Opposition side on this particular motion, the Honourable Mr Caruana, standing up and uttering sheer tripe, because that is what it was.

Now, Sir, how accurate are these figures that show that 65%, in other words the bulk of consumers, consume below 1,000 gallons of water a month. These figures, Sir, have been arrived at following a scrutiny by the Water Accounts Section of the account cards of consumers over a period of time. That is where the information is, Sir. The accurate information does not lie



in a particular bill which the Honourable Mr Caruana happens to have there with him or in another bill which the Honourable Mr Bossano has had. The information must be sought from a scrutiny of 5,000 accounts and not one or two accounts. And it is no good, Sir, attempting to conduct a poll in the House as to what Honourable Members consume. Polls which are limited in number, which have a random small group are not accurate. This is the whole problem about the opinion polls in the United Kingdom in elections. But of course we are not going to go into that, Mr Speaker. But you must take a large sample, and the large sample is the whole range of consumers and that indicates that 75%, the bulk of consumers, consume less than 1,000 gallons. We either accept it or else we say, if we do not accept it, that the House is being misled by the figures that the Government is producing, that the truth is not being told, the truth to the extent of which it can be arrived at. I submit to the House that is the only basis on which they can be accurate.

We have also heard Honourable Members opposite, Sir, refer to their own experience. The Honourable the Leader of the Opposition said that. His experience is that a very large number of households consume over 1,000 gallons per month. That is not my experience, it is not the experience that I have from my family, relatives on either side of the family, and I will say why I think that my experience is rather more accurate. I think, Sir, that the housewife in Gibraltar is very thrifty. The Gibraltarian housewife is very thrifty when it comes to the consumption of water because a very short number of years ago that water had to be carried to our households in buckets. You couldn't turn the tap on and have it there, it had to be carried in buckets. And the bulk of our Gibraltarian families are used to consuming relatively low quantities of water. Today of course they have all the amenities, which they have a right to have, and which they have obtained since the war: more water is consumed, baths are used for the proper purpose, not to store coal, they are used for bathing. Where perhaps the Honourable Mr Caruana and the Honourable Mr Bossano differ in their own experience, and I am not saying this in any derogatory sense, is that they are married to ladies that are English and their whole background is different. In England you do not pay for water and therefore they are used to consuming huge quantities of water. The housewife will turn on the tap and put their vegetables underneath and let the water run. The Gibraltarian housewife doesn't do that. My wife doesn't do it. That, Sir, I am citing, not on intuition but on my own experience.

Sir, on the question of consumption something else that bears this out is the fact that in the Index of Retail Prices the average consumption there reflected per household is well below 1,000 gallons. I haven't got the figures here with me but I am reliably informed that it is well below 1,000. And that is based on a family Expenditure Survey embodying a large number of representative families, and on the whole basis of which the



present Index of Retail Prices is arrived at. Sir, as regards the actual burden that we are putting on the consumer, the breakdown has already been given, but let me say that the total of £67,000 that is being raised by the increased charges on water in the present motion do not go anywhere near meeting the whole deficit, which in the Notional Potable Water Account, we have heard, is £174,000. So in other words, Sir, £107,000 to be exact is being found by other means. And what are those means, Sir? By levying an increased general rate of 10p, and this will mean, Sir, that about  $\frac{1}{3}$ , I am told, will come from the two large United Kingdom departments, the DOE and the MOD. So in a way, in an indirect manner, we are getting a very substantial contribution to offset this deficit from - it is not directly from having gone to beg HMG for the money certainly - from the UK Treasury. From the United Kingdom rate payer, in other words.

But turning now, Sir, to the question of larger families. Why aren't we increasing the primary rate? Well, obviously because we accept that the Budget measures are going to have a very considerable effect on the community generally, and at least on this particular item - water, we are trying to relieve some burden from the majority of the community. That is why we haven't touched the primary water rate for consumers below 1,000 gallons. Does it mean, Sir, that the larger families are going to be seriously affected? It could be, it could well be that they will find it difficult to economise, though one would imagine that a household that consumes 2,000 gallons a month could have a greater margin for economy than a household consuming only 200 gallons, because there the position is much tighter. It could be, I am not saying that it is, I am just trying to show a counter argument. But we must obviously try *to* ~~and~~ see whether we can provide some relief for larger families in some other way, and I can say that the Government - we ~~have~~ *will have* now an opportunity over the weekend - will look into this. We will seriously consider whether either on this particular question of water accounts or by some other means, such as Family Allowances, whether we can do something. We will study the position over the weekend and we might be in a position on Monday to do something that will help the larger family. Sir, as I say, we can sincerely and earnestly consider this.

HON L DEVINCENZI

Sir, I will not keep the House any longer, everything has been said, all I will say is that since water has gone up and whisky hasn't it might be the right time to have a whisky now!! (laughter).

MR SPEAKER

That is the time when the Speaker should say: "No comment". I

will call on the mover now to reply to the debate.

HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, Sir, following the last intervention from this side of the House, Sir, I have the honour to commend to the House the motion standing in my name.

Mr Speaker then put the question, which was resolved in the affirmative.

The motion was accordingly carried.

MR SPEAKER

This House will now recess until Monday, the 1st day of April, at 10.30 in the morning.

The House recessed at 8.00 p.m.

MONDAY 1ST APRIL, 1974.

The House resumed at 10.40 a.m.

Electricity Charges.

THE HON THE FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, Sir, I have the honour to move the suspension of Standing Order No.19 in order that I may move a motion without notice.

Mr Speaker put the question, which was resolved in the affirmative.

HON FINANCIAL AND DEVELOPMENT SECRETARY

Mr Speaker, Sir, before I come to the resolution may I be permitted to read the following explanation of the proposals regarding the tariffs which Honourable Members will have before them.

Sir, the proposed amendments to the tariff are designed to raise additional revenue from electricity charges sufficient

to cover the deficit of £410,000 now shown in the Notional Account.

Sir, the proposals follow the fundamental principle we have adopted in the past that the charges to every category of user should reflect in full the true fixed and variable costs associated with the production of electricity for that category. Bearing in mind that the increased costs which we now face are a result almost entirely of higher fuel costs, with little change in fixed costs, it follows that the unit (variable) cost for each category of consumer will all have risen broadly by an equal amount. It is estimated that higher fuel costs will increase the cost per unit sold to all categories of consumer by about 0.955p. Accordingly an amount of this order has been added (with certain exceptions) in the proposed tariff to each of the existing unit charges.

With regard to Domestic Consumption Tariff No.3, it is proposed that a new two-part tariff should replace the existing three-part tariff. The reason for this is primarily to cut down on the administrative workload at present involved in analysing each of 7000 monthly bills into three separate amounts, corresponding to each of the three separate charges.

The majority of domestic consumers now consume a monthly amount of electricity well in excess of 60 units - the amount covered by the existing Primary and Secondary charges taken together. As a result, the system of billing and accounting could be very much simplified, with little consequence for the consumer, by charging the first 60 units consumed in a month at a new single Primary Charge. In this way also, and by virtue of the rate proposed, those consumers with very modest demands can be given some cushioning against the full effects of higher fuel costs.

Commercial Tariff No.4, remains as a three-part tariff, with the increase proposed for each charge reflecting the higher fuel costs. However, such is the mathematical nature of this tariff, that once consumption exceeds 200 units, all units consumed can be calculated and charged at one single rate, which is mathematically the Effective Rate. The use in calculation of a single rate would again make further streamlining of the administration possible. It will however be necessary to show this rate in the Schedule of charges, and thereby give statutory authority for its use.

No change is proposed for the Industrial Maximum Demand tariff in respect of the Primary Charge. This charge is related to capacity, and therefore fixed, costs which are not affected by



the higher costs of fuel. The Secondary Charge which is proposed does however reflect these fuel cost increases.

As regards Off-Peak Electricity, as indicated recently in the House, the Government is anxious to try as far as possible to maintain the relative price attractiveness to the consumer of using off-peak electricity. Nevertheless, some increase in respect of higher fuel costs is unavoidable. The rationale of a suitably reduced rate of off-peak electricity is to use what would otherwise be idle generating plant, and thereby reduce the fixed cost per unit of electricity produced. For this reason, the charge per unit of off-peak electricity need be sufficient only to cover the variable costs involved in running the plant. But by the same token, the charge cannot be less than that needed to cover running costs of which fuel costs are the major part. (To charge for off-peak electricity at a loss would defeat the original object, which is to reduce overall costs and thereby either increase profits or reduce losses). The off-peak charges should therefore, as with other charges, reflect in full the higher costs of fuel. Whilst in relative terms the rates proposed will erode some of the price competitiveness that off-peak electricity has hitherto had over the tertiary rate for Domestic Consumption, in absolute terms the price differential of 0.7p per unit between the two charges will remain unchanged.

The effect of the proposed charges will be to increase by up to about 68% the monthly bill for consumers using electricity under the Domestic Tariffs. This figure will be noticeably less however where monthly consumption is low. Then an increase of 40 - 50% will be more representative.

There are at present 7366 households using electricity under this tariff. Of these, 5070 consume 300 units or less per month, with an average of 225 units per month. At this level of consumption, the monthly bill should increase by just over 60% - rising from £3.46 under the existing tariff to £5.56 under the proposed tariff.

Of the higher consumers, 1300 use between 300 and 400 units per month. At an average rate of 350 units per month, the electricity bill for this group would increase by something like 65%, rising from £4.96 under the existing tariff to £8.19 under the proposed tariff.

At the other end of the scale, a consumer with very modest demands of say 75 units per month will face an increase in the monthly bill of about 45%, rising from £1.66 at present to £2.41 under the proposed charges.

Sir, I now move the following motion.

"In exercise of the powers conferred by Section 12 of the Public Utility Undertakings Ordinance this House resolves as follows:

1. The tariffs and prices for the supply of electricity to be applied and charged in respect of the accounting period including 1 April 1974 and every such period thereafter to be as follows:

FLAT RATE TARIFFS:

Tariff No.1 - Lighting: 4.0p per unit

Tariff No.2 - Power: 3.25p per unit

DOMESTIC TWO PART TARIFF:

Tariff No.3 - Tariff for Domestic Consumers

Primary Charge - First 60 units per month: 3.5p per unit

Secondary Charge - All additional units per month:  
2.1p per unit

COMMERCIAL THREE PART TARIFF:

Tariff No.4 - Three part variable tariff for business, commercial and general consumers

Primary Charge - First 20% of monthly consumption (minimum 20 units): 4.0p per unit

Secondary Charge - Next 20% of monthly consumption (minimum 40 units): 3.25p per unit

Tertiary Charge - Remainder of total monthly consumption: 2.1p per unit

Provided that where total monthly consumption exceeds 200 units all units consumed shall be charged at a rate of 2.71p per unit.

INDUSTRIAL MAXIMUM DEMAND TARIFF:

- Tariff No 5 - Two part maximum demand tariff for industrial and commercial users with a maximum demand normally not less than 5KW
- Primary Charge - 85p per month (£2.55 per quarter) per KW of maximum demand based on a monthly (or quarterly) half-hour rating
- Secondary Charge - 2.1p per unit for all units consumed
- Power Factor Penalty - As set out in the definitions below
- OFF-PEAK TARIFF - For energy consumed at times other than the restricted hours as registered by a special meter
- Tariff No 6A - Restricted hours: 7.00 a.m. to 2.00 p.m. and 6.00 p.m. to 11.00 p.m.
- Charge - 1.4p per unit for all units consumed, subject to a minimum charge of 50p per month or £1.50 per quarter
- Tariff No 6B - Restricted Hours:
- (i) Winter period (November to March inclusive): 10.30 am to 2.00 pm and 6.00 pm to 9.00 pm
  - (ii) Summer period (April to October inclusive): restrictions to be imposed at the Government's discretion as for winter period if necessary
- Charge: 1.6p per unit for all units consumed, subject to a minimum charge of 50p per month or £1.50 per quarter

Connection Charge £1

DISCONTINUATION OF SUPPLY:

Where a supply of electricity has been discontinued under Section 10 of the Ordinance, a fee of £1 shall be paid by the consumer before the supply is restored.



SUMMER AIR-CONDITIONING TARIFF:

Energy sold for air-conditioning to be charged for under the provisions of Tariff No 6B provided that the consumer arranges the wiring of the circuits involved to enable separate metering. The following definitions shall form part of the Schedule of Tariffs:

UNIT	A unit of electricity is the consumption of 1,000 watts for one hour, ie one KWH.
POWER FACTOR	Power Factor means the figure obtained by dividing the kilowatts by the kilo-volt amperes or, in the case of average power factor, the kilowatt hours by the kilo-volt amperes hours, recorded by the Electricity Department's meters over a specified period.
POWER FACTOR PENALTY	Consumers charged under the maximum Demand Tariff (No.5) shall maintain an average power factor of not less than 0.85. When the City Electrical Engineer has reason to believe that the power factor of an installation falls below this value, he may instal meters to measure the average monthly (or quarterly) power factor and the primary charge shall be increased by 1% for each, 0.01 by which the power factor falls below 0.85.
MINIMUM CHARGE	Minimum charge means the charge payable monthly (or quarterly) by a consumer in cases where such charges is not exceeded in any particular month (or quarter) by the charge calculated in accordance with the tariff for energy actually consumed during that month (or quarter).
MONTH (OR QUARTER)	Month (or quarter) means the period comprised between the date any meter is read for the purpose of the account and the date it was read during the month (or quarter) immediately preceding.
CONSUMER	Consumer means any authority, company, person or body of persons supplied or entitled to be supplied with electrical energy by the Government.
DOMESTIC CONSUMER	Domestic consumer means a consumer who uses electrical energy for lighting, heating, cooling, refrigeration, cooking or other purposes for the household and domestic reasons for one family with dependants.
BUSINESS COMMERCIAL AND GENERAL CONSUMER	Business, commercial and general consumer means a consumer occupying premises wholly or mainly used for professional business or for the purpose of distribution or retail trade or for providing

a service (whether or not a charge for such service is made) such as offices, shops, hotels, restaurants, bars, clubs, educational or training establishments, places of amusement, public institutions, churches, hospitals, nursing homes, laboratories and similar institutions.

INDUSTRIAL  
CONSUMER

Industrial consumer means a consumer engaged in an extractive or manufacturing industry and on whose premises electricity is used for most part of the purpose of a mine, quarry-pit, factory, works, foundry, mill, refinery, pumping plant, ship building or repair and/or for motive power or for electro-chemical or electro-thermal process.

PART B OF  
RESOLUTION  
SUPERSEDED

The charges approved by this Resolution supersede the charges approved by Part B of the Resolution of the House of Assembly dated 30th March 1973 and published as Government Notice No.25 of 30th March 1973." and spoke on the motion.

MR SPEAKER

I now propose the question in the terms of the motion in connection with electricity charges proposed by the Financial and Development Secretary.

HCN M XIBERRAS

Mr Speaker, the subject of electricity has already been discussed under another motion. Seeing this resolution in all its various parts, no doubt, brings home the very great increase which the consumer in Gibraltar will have to pay. We are told by the Honourable the Financial and Development Secretary that for a majority of consumers the increase will be in the region of 60%. The House is aware of the attitude of Honourable Members on this side of the House in respect not only of this large, but by no means the larger part of the revenue raising measures, and that is, that we should have sought assistance from Her Majesty's Government to cushion-off the effect which these increases in Electricity are going to have, not only directly on the pocket of consumers, but also indirectly in its effect on the cost of living, which is already proceeding at such a galloping pace. I am sure that Honourable Members, and the Financial and Development Secretary in particular, are aware of the inflationary nature of these increases. Despite attempts to curb these on the Government side, as I understand it, there is no doubt that

in shops and places of business, apart from the home, the effect is going to be very serious. And, therefore, we on this side were surprised that the Government did not present the case with its full compelling force to Her Majesty's Government before bringing these measures to the House. Only this morning I was listening to the effect, the likely effects, which people in the United Kingdom thought that the budget measures in England and the fuel prices would have on developing countries. I think that for Gibraltar as a dependant territory, in that particular circumstance, they are likely to be very serious indeed. And I do not think that even the Honourable Financial and Development Secretary is able to tell the House exactly what the gross effect of this is going to be at the end of this year and afterwards. The Honourable Mr Bossano asked the question earlier in this meeting about the relative cost of producing electricity in the United Kingdom and here. I beg your pardon, my Honourable and Learned Friend Mr William Isola asked that question. And, the reply was that the rate of producing electricity was some 40% higher here in Gibraltar than in the average authority in the United Kingdom, even before these measures were taken. Therefore, Honourable Members opposite, whose responsibility it is to deal with this particular revenue raising measure as with others, can be in no doubt of the seriousness of the situation, and I would commend to Honourable Members opposite the view of the Opposition that Her Majesty's Government should have been asked in the peculiar, difficult circumstance of Gibraltar to assist and cushion off the effect, at least until a more stable situation had been reached in respect of fuel prices. In other countries of course the Government has resources of its own. In other countries you may have running water, or you may have power stations or something, but here in Gibraltar we have to produce electricity with fuel and the effect on us is a very serious one. I would not say that the effect can be limited to 68% or 60% in the fuel bill, the effect is much far further ranging than all that.

HON CHIEF MINISTER

Mr Speaker, Sir, I hope that if there are any particular objections to the particular kind of increases they will be spelt out so that they can be dealt with by other Members on this side of the House, but I take it, and I feel this was made clear in the other debates, that the Opposition have accepted the increases as inevitable having regard to the increased costs, particularly in respect of fuel, and that the issue really is: should we have gone to the United Kingdom for help this year? It is on that aspect of the matter that I propose to say a few words now because I think it is only fair that the point should be taken in a general way. And it was because I felt that the same point would be raised in this



motion that I thought I would leave my remarks to the end rather than to have dealt with it earlier, though in fact, some of the Honourable Members on this side of the House have dealt with them, not in an indirect manner but perhaps not in such depth as I propose to do.

Now, the expenditure has been voted, the additional expenditure that has not been voted but provision for which has to be made has not been seriously questioned, and, therefore, the money is required and it can only be met by increased charges, except of course on the question of assistance from the UK. Now, I am just referring to the local matter because I think Honourable Members now are of course caught in the argument that they have used before, naturally, that the Public Utility Services should pay for themselves. There was some mention by the Honourable Mr Devincenzi that is in fact that consideration ought to be given to the law being altered, now that the Government runs all the Municipal Services, so that one Service could be aided by other kinds of taxation. Perhaps there might come a day when this may be necessary or possible, but I think generally, apart from this main point about the contribution from UK generally, it seems to be good housekeeping that electricity should pay for itself, that telephone should pay for themselves, that water should pay for itself and the rates should pay for themselves.

Now, the other point that has been mentioned is that we should have asked for a figure of £200,000. I am glad that this has been mentioned because this gives one a greater opportunity to put the matter in proportion. Well, £200,000 in the context of this year's budget would of course have saved £200,000 from the local consumers in one way or other. But it would only have somewhat ameliorated, or slightly softened the blow, it would have dealt with it, because the increased cost of fuel is over £ $\frac{1}{2}$ m, £505,000. So to that extent only 2/5 of it would have been cushioned off by a grant, if it had been given. Now, I think two points have got to be considered before asking at any particular time for help from the United Kingdom. First of all, should it be asked for? Have we got a case? And secondly, if we have asked for it would we have got it? The chances were that we would have got it. If the chances were that we would not have got it, then of course other consequences must be taken into account. The Budgetary aid given since the Spanish restrictions were imposed were three once-and-for-all grants in each case of £100,000. Two under my administration and one when Honourable Members opposite were in Government. They were all given on very special considerations, particularly relating with the difficulties arising from the Spanish blockade. Our difficulties this year are due to the astronomical increase in the price of oil, which is a world wide problem that has been troubling the whole world, particularly since October

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of last year. Newspapers, radio and television have all highlighted the great difficulties that this is creating to the wealthier nations, and more particularly to the nations of the third world. Mr Featherstone very rightly pointed out in the course of another debate that we cannot attribute this to the Spanish restrictions in order to ask for help under the policy of sustain and support. These same increases, together with other troubles, have caused havoc to the British economy. Companies have been ruined, the Stock Exchange have suffered a loss of hundreds of millions of pounds, and investors big and small, and particularly the small ones, have been affected, have been very seriously affected. People have been left without work and have had to beat the toughest peace-time budget for many years in the United Kingdom.

My view has always been that we should ask for help from Britain under the support and sustain policy to continue our very much needed development programme, about which I have already spoken, and in particular for any aspect directly affected by difficulties created by Spain. I am not afraid to ask for help from the United Kingdom. Nothing would have been easier for me to do: and if I had got it to come here and say: "Here we have £200,000". But I am not prepared to go for budgetary aid unless I am convinced that we have a very good case, because then the denial of it would bring serious consequences to our friendly relations and affect other matters of great importance.

The British people as tax-payers and as consumers of electricity and other services, such as transport, gas, etc, are being very heavily affected in all respects. As previously stated we have taken out of our list of expenditure in the Improvement and Development Fund two very necessary items for which we would have had to pay over £100,000, and we have identified them and presented a suitable case for overseas development aid in that respect, for which we have a good case. Whether it would have come from loans or whether it could have come from a contribution from the recurrent expenditure, it is £105,000 less that we are going to be burdened with this year, if we can get assistance for these two projects approved from CDA. We have asked for this and we hope this will materialise. In this connection I ventured earlier that we had got £164,000 last year in aid here and there at the end of the financial year. And, again I stated earlier on in this meeting that a study is being made at present of our economic situation which was required to consider our future development programme. Now the Financial and Development Secretary also said in the course of this meeting that this study would include an assessment of our taxable capacity. My approach to this aspect of the study is that our taxable capacity should be based on our present



standards of living and make allowance for normal improvement in the standard of living to suit the particular circumstances of Gibraltar. For all these reasons, I did not consider inappropriate to ask for budgetary aid as suggested. In any case, for the particular reasons which I have outlined, and because of the serious problems confronting Britain since the beginning of the year, I am firmly of the view that we would not have had a hope of getting any such aid. Moreover, in the circumstances, this might have easily prejudiced the talks on development aid which will take place this year and which have great importance.

Though not directly concerned with the question of aid there was another matter under serious negotiations, of bigger and long term importance to Gibraltar, that had to be successfully concluded, and I wanted nothing to stand in its way. I refer to the question, Sir, of MOD lands not required for Defence purposes. But let me make it quite clear that I intend to press and pursue the negotiations for development aid with energy and determination when the time comes, because we have a good case for it and because it is in pursuance of the policy of sustaining and supporting which has been subscribed to by all political parties in the United Kingdom, and which I am sure will continue to be honoured. These, I think, are the main considerations that I have outlined for not having asked for aid on previous occasions, and I hope to be able to make a further contribution in another aspect of the question of British aid to Gibraltar at a later stage.

HON MAJOR R J PELIZA

Mr Speaker, since I believe I was one of the speakers on this side of the House who pursued this question of aid, I think I should be entitled to discuss the point that the Chief Minister, at this very late hour, has brought to this House. I would certainly have thought that this being of such importance, the Chief Minister would have thought it more appropriate to have started with this issue right at the beginning and perhaps cut down quite a lot of talk in the House which to me, now, could have been reduced very considerably, as obviously we are going over and over the same ground again. It is not my intention now, Mr Speaker, to go through the same argument, but rather to point out one or two things about which I think the Chief Minister has not really convinced me. One is the money involved. I think he stated that the extra cost was in the region of £580,000, I think this is what the bill.....



HON CHIEF MINISTER

£505,000, over  $\frac{1}{2}$ m.

HON MAJOR R J PELIZA

Well, I think, I am now talking from memory because I have not got the original speech of the Financial and Development Secretary, but if I remember rightly, the cost now was about £140,000 and the extra bill was going to be £540,000 or so. Therefore I would say that this difference is not of £500,000 but more in the region of 400,000.

HON CHIEF MINISTER

If the Honourable Member will give way. I have mentioned it in general terms because I was dealing with the general question of aid on oil. The extra cost of oil is £430,000 for the electricity and £75,000 for distilling water.

HON MAJOR R J PELIZA

Perhaps we should ask for more than £2/300,000, if that is the case. We are not thinking of figures we are thinking of the effect that this would have, particularly, on the morale of the people of Gibraltar. This is something that must not be forgotten. In fact if I remember rightly at the beginning of the restrictions the Honourable Chief Minister, in his capacity as Mayor, decided that he had in fact to cushion, if I remember rightly, the Rates, precisely because he felt that the extra burden on the spending capacity of the Gibraltarian and the taxing capacity of the Gibraltarian would have a demoralising effect under the circumstances, not because of our own mismanagement, but brought about by pressure from the Spanish Government. Therefore, I think it would not be, in my view, and indeed in the interests of Gibraltar, to limit what we I think is a fair assumption, support and sustain, to matters which affect Gibraltar directly because of Spain. There are effects in Gibraltar which are indirectly caused by Spain, and I think that that also deserves support and sustain from Great Britain. I have no doubt that if the frontier, instead of being shut were to be opened, we could use other resources, other ways. Perhaps by taxing visitors as indeed is being done now already, and suggested very rightly by the Minister for Tourism and Development. He said: "We must tax the tourists, otherwise what do we want the tourists to come to Gibraltar for." There

might have been a way of obtaining more revenue under the circumstances to cushion the effect of the extra bill in oil, but because our resources have been so unfairly limited, and because it is a deliberate policy of the Spanish Government to strangle the economy of Gibraltar, any indirect effect that this may have on our own economic resources and on the standard of living of the Gibraltarian, I think it is very very fair that the leaders of Gibraltar should appeal to Her Majesty's Government to support and sustain Gibraltar on that score. And I am extremely surprised the Honourable Chief Minister, who is really representing the interests of the people of Gibraltar, should think in different ways altogether and seems to be defending Her Majesty's Treasury in the United Kingdom instead of the pockets of the Gibraltarians.

That is my feeling. I do not believe that if we knocked at the door of Great Britain that it would be shut on our face. I do not think so. I think we would be allowed to go in. And if in discussions we did not obtain what we wanted, as any other British community in Great Britain, like we have Councils in England and Boroughs which they do not get what they want, they are entitled, in the proper democratic way, to appeal to public opinion. We could have done exactly the same thing in Gibraltar without causing any animosity in relations with Great Britain. As I feel so much one of them I am not afraid to speak openly about them because I feel I am talking about myself at the same time. And, therefore, there is no question, had this aid refused, that there should have been a rift in our relations. In fact, if anything, there might have been a move to become even closer to Britain so that their obligation is greater than it is now.

Perhaps the Honourable Chief Minister may think I am introducing integration. Well I am. I am introducing integration because at the bottom of our economic problem is our own independence on our own resources, which we all know are nil. As to the fairness of this, purely of its own merits, I think we have to compare the effect that this is going to have on our standard of living as against the effect it will have on the standards of Great Britain. Because I think the Honourable the Chief Minister pointed out that the people in Great Britain would also have to face a similar bill. Well, it will, but it will only be 30%, and this will start in August, not right away, and it will not be in the region of 60% as it is going to be here. And what's more in England gas is not going to be taxed at all for the time being. And believe me, household in England, I would say, about 50% use gas, because most people there do most of their cooking on gas and depend for

most of their heating on gas. So I think it is a great falacy to bring arguments like this into the situation of Gibraltar which seems to be arguing in favour of not having aid, with the strongest argument at this stage that this should be supported. In fact there are even international talks going on now about aiding underdeveloped countries, and Gibraltar, I think, because of its circumstances should surely, I think, be seen in that particular light. In the light of our circumstances, in the light that other countries in the world who because of their circumstances cannot afford to meet the astronomical bill that they will have to face through the increases in oil. All this is already being discussed at every quarter, and I would not be surprised if ODA themselves will contribute to other territories to cushion the effect that the extra bill on oil will have. So I cannot possibly agree with the Chief Minister. I am extremely sorry that he left such an important point for so late in our proceedings and that even then the contribution should have been so negative.

HON A W SERFATY

I am just going to say something about the reference made by the Honourable and Gallant Major Peliza to the question of taxing tourism. As I said the other day, I thought it was right and proper, so long as we remained competitive, otherwise they would not come, that we should tax tourists. For example, now they are buying whisky at 75p the bottle and now we are going to charge them a tax of very nearly, I haven't got the figures with me, but very nearly 50%. But on the question of whater and electricity we are also taxing them. Let us not run away from the idea that we are not going to increase electricity and water charges to the hotels, so it will be the tourists who will be paying for these extra charges and they will be making their own contributions. I think it is right and proper to say that we are spreading the load. The increases are high, but so have been the increases in the price of oil.

MR SPEAKER

Are there any other contributions?

HON J BOSSANO

Mr Speaker, first of all I would like to take up the point that the Honourable and Learned the Chief Minister has made



when he said that the Opposition had accepted the inevitability of the increases in the charges for the Public Utilities and that in fact we were only arguing whether the increases could be less than was proposed by our being able to obtain help from Her Majesty's Government in respect of the need to increase these charges. This is not entirely true because I have, on behalf of the Opposition, made a reservation about the adequacy of the information which.....

HON CHIEF MINISTER

I will accept that. What I said was that, broadly speaking, and in fact I invited comments on the particular measures, now. I accept that the Honourable Member has probed us for as many figures as possible and in fact I have agreed with him in respect of the Notional Account of the Utilities.. I do not want to interrupt him but I just want to make that clear. I was not assuming that it had been agreed completely, but broadly there had been an acceptance of inevitability, at least, on the increased charges, whether they were based on right figures or not.

HON J BOSSANO

Yes, Mr Speaker, though we do in fact agree that an increase of some sort to compensate for an increase in the price of oil at source was inevitable this year. but of course last year the House will recall that electricity charges were increased. And the Honourable and Learned the Chief Minister has in fact reminded the House ad nauseum about the drink I bought him. Perhaps this is why this year he has not put a tax on whisky in the hope that I will buy him another drink. But, in fact, Mr Speaker, the main argument last year was that on the basis of the Notional Accounts there was a legal obligation to raise revenue to meet the deficit that was expected in that Account. And I said on behalf of the Opposition then that we felt that if the law required that this should be done, then we would wish the Government to act in accordance with the law. It would have been inconsistent on our part to have accused them, in another matter, of not being in compliance with the letter of the law, shall we say, to urge them to do this at this stage now, and, therefore, we said, if that is the law then it ought to be done. If we want the law to be different we should change the law, and this is still our view on the matter. Last year, Mr Speaker, I believe the sum we raised by increased charges on the electricity was something in the region of £60,000. And last year there was a contribution to the Improvement and Development in the Electricity

Undertaking Account of £47,000, which was in part responsible for the estimated deficit which was subsequently covered by the increase in the charges. Now we find that this year, in all these Municipal Accounts, in all these Notional Accounts, this contribution in the Improvement and Development Fund is absent. I recall that the Financial and Development Secretary last year, in answer to my question about where this contribution appeared in respect of the accounts of the Improvement and Development Fund, stated that these were purely Notical Accounts, and that in fact what we were doing here was not making a money contribution but allocating a proportion of the expenditure of the Fund to the beneficiaries, we could say, of that expenditure, in respect of the individual accounts of the Municipal Services. Now I do not know whether the absences here indicate that the Municipal Services are not going to benefit any further from expenditure in the Improvement and Development Fund, or that it was thought that by calculating the Notional Accounts on the same basis as in previous years, the deficit would be that much greater and the need to raise that revenue would be that much greater. Now I must make this point quite clear, that we feel on this side that we were mislead last year. It wasn't absolutely necessary to include this contribution in the Improvement and Development Fund because the whole question of the liability of the Municipal Services would have taken a very different light. The total amount comes to over £100,000 in respect of the contributions for each of the different heads of the Municipal Services.

And another point, Mr Speaker, is that last year there appears to have been quite a large disparity in the estimates of income shown in the individual Notional Accounts, and in the amount shown in the estimates of revenue towards the beginning of the estimates. And this does not appear to be the case this year. Again there seems to be a change in practice which is rather difficult to understand. So if we look at the draft estimates this year on page 8, Mr Speaker, we find a list of figures there of the estimated revenue.

MR SPEAKER

You are now departing from the point at issue.

HON J BOSSANO

No. Mr Speaker, I am going to draw a comparison between the figures that appear here, for example, Electricity Supply, the estimate of revenue here, and in the Notional Account.

MR SPEAKER

Will it refer exclusively to electricity?

HON J BOSSANO

The same is true for all the other Municipal Services, Mr Speaker.

MR SPEAKER

But when it is not electricity, you can refer to them without having to go into details. Do go ahead.

HON J BOSSANO

Thank you, Mr Speaker. In respect of electricity supply we have got £650,000, for example, Mr Speaker; in respect of the General Rate £630,000, on page 8. Now, in the Notional Accounts at the back, we have on page 96, on the Electricity Account £659,000, that is a very close figure, a difference of £9,000 between the two, and in respect of the General Rates, we have £676,000, a difference of £40,000 between the figure that appears here and on the summary on page 8. Now, we can see that there are differences, but there is a fairly close relationship between the two. Now, what puzzles me about the way the accounts have been brought this year, and it is on the basis of these accounts that we are accepting the Government's argument for the need to raise additional revenue of the order that it has been presented, the need to raise additional revenue is not disputed, Mr Speaker, but the magnitude of the increase is related to the difference between revenue and expenditure. This is why I need to quote specific figures.

Now last year, Mr Speaker, we find that there is a tremendous difference between the Notional Accounts and the actual figures appearing on the equivalent on page 8 giving the Heads of Revenue. There we find that estimated income in electricity in last year's Notional Account, after the increase, was £672,000, as opposed to £650,000 in the summary of revenue, and the difference in respect of the Rates is even greater. Last year the estimated income was £767,000, as far as the Notional Account was concerned, and £570,000 as far as the summary of revenue at page 8. So we have got a difference there of almost £200,000 as between two estimates of income for the same year in respect of



Municipal Services. Now, differences of this order, which have just been explained away by saying that the accounts at the back are only notional, whatever that may mean, must, the House will realise, at least confuse Members, and at worse make one suspect that everything is not being presented in the most clear way to enable the House to decide objectively to what extent measures such as the one before us to increase electricity by this huge amount can be justified and therefore supported.

Now, as far as the specific charges for electricity are concerned, I would like to remind the House, on behalf of the Opposition, of the earlier question where a comparison was made as a result of the question by the Honourable Mr William Isola, where it appears that for equal consumption of electricity a domestic consumer in Gibraltar pays, or used to pay, 40% more than his counterpart in UK, with both household consuming the same amount of electricity. And if we take into account that fact that in the UK, as a result of the oil crisis, electricity charges had been put up on average by 30%, and in Gibraltar they had been put up on an average by 60%, we find that as a result of these changes, from today, a person consuming the average household level of electricity, that was revealed in the Honourable the Financial and Development Secretary's answer to an earlier question, will in fact now be at a disadvantage in the order of 70% as a result of these changes. That whereas today a consumer of electricity in Gibraltar pays 40% more than in UK on average, and consuming an equal amount of electricity, as from today he will pay 70% more.

Now, this very important point, Mr Speaker, I would like to impress particularly on the Financial and Development Secretary, because this is what we are talking about when we talk about parity, and when we talk about comparison of standards. And it is no good the Honourable the Financial and Development Secretary saying to the House, as he did in an early motion, that he wouldn't use his Statistician for comparisons with the UK because he couldn't quantify the value to the Gibraltarians of so many hours of sunshine. Well, Mr Speaker, we are having the same hours of sunshine today as we were on Friday, but today we are paying 70% more than UK for our electricity, and on Friday we were paying 30% more for our electricity, and if we leave out of the equation of the hours of sunshine both in Friday's computation and in today's computation, there can be no question at all about the fact that we have suffered a loss vis a vis the domestic consumer of electricity in our standards in UK and in Gibraltar. There can be no question that the gap in the standard of living will be increased if

if we have costs to bear in Gibraltar, which we are in a less economically strong position to withstand than citizens of the UK, who live in UK. And the citizens of UK who live in Gibraltar have a right, as members of the same nation, to expect a sharing of the burden. And this is in fact the whole point behind the argument that has been put forward by the Honourable and Gallant Major Peliza. Than an approach could have been made to United Kingdom in this respect and an approach made with this sort of argument. It isn't just a question of asking for budgetary aid, it isn't just a question of going with a begging bowl, we know that there are individuals in Gibraltar who like to use this phrase of the begging bowl whenever we compare ourselves with UK. Those individuals will not be found on this side of the House or in the party of which I am a member, Mr Speaker, or on the Transport Commission I am reminded. But, Mr Speaker, the importance is that one can go to the United Kingdom and present a closely argued case by doing the sort of exercise that I have now put forward to the Honourable Financial and Development Secretary. That if our charges have to go up by much more than UK and if the differentials have increased from 40% to 70% then it logically follows that the gap between us and UK is getting bigger, and that our standard of living is either dropping faster than theirs, if theirs is dropping as well, or else not going up as fast as theirs, if theirs is going up. It is not just a question of whether we are moving in the same direction as they are, Mr Speaker, it is a question of relativity that must concern the people of Gibraltar most. And I agree that one cannot take electricity charges in isolation, one cannot forget the fact that the amount spent on fuel is greater in UK than in Gibraltar, but it is also true that the amount spent on water in Gibraltar is infinitely greater than in UK. And this is why the exercise that needs to be done needs to include these elements, the question of the cost of electricity to the people of Gibraltar, the question of the cost of water to the people of Gibraltar, the tax structure, the average wages and so on. All the things are part of the same picture. The Honourable and Learned the Chief Minister has mentioned the impending visit of Professor Clayton, an economist who perhaps might succeed in impressing the Honourable Minister for Education that not all economists are totally worthless, and if he does succeed I hope that he will then be used effectively to look at the needs of Gibraltar in this overall context, and to do the sort of exercise that we feel is most important and that we have already committed ourselves, when Mr Amery visited Gibraltar, to doing an exercise of this nature ourselves if the Government refuses to undertake the responsibilities for such an exercise. But there seems to be some doubt, Mr Speaker, from what has come out in the House about whether the exercise is going to be done or not.



If it isn't done, we feel that even with our limited resources we should do it, and in that case, of course, Mr Speaker, we will have to come to the House quite frequently with detailed questions to obtain the sort of information that such an exercise requires. Because this is an exercise that should be done in public so that the public can be involved and see and judge for themselves how accurate the picture that comes out as regards the standard of living in Gibraltar is.

As regards another point, Mr Speaker, in the specific charges which the Honourable and Learned the Chief Minister invited comment on, I would point out that last year I stated my satisfaction at seeing an attempt being made to protect the smallest consumer of electricity, that I took to be normally the pensioner of household. I said our senior citizens should be protected as far as possible. Now, I think this year the increase has been of the same size throughout, that is .95p on the unit, both for the first unit consumed and for subsequent units. Now, the Honourable Financial and Development Secretary said that this follows established practice of seeing that each consumer pays in direct proportion to what the cost of his consumption is. I think if this is established practice, it must have been broken last year when the whole of the increase was put on the secondary and tertiary rates and not on the primary rate. There was a clear policy decision there not to load the charges on all consumers. And since last year's increases were not attributed specifically to fuel costs, I would put it to the Financial and Development Secretary that last year's increases were more relevant to the primary rates, because presumably they included increases in fixed costs rather than invariable costs. And, therefore, last year, I was glad to see the Government doing what it could to protect those on the smallest income, who would be those who would consume the smallest amount of electricity. I am sorry they have not carried on with the same policy this year, I think the arguments for doing so this year are stronger because of the many other indirect taxes that are being introduced., Mr Speaker, and because we are talking about an increase in variable costs. And the increase in variable costs is going to be more important the greater the volume of consumption. At least important for the very small consumer of electricity. And if the Government can do anything at this late stage to protect the persons who consume a very small amount of electricity, and spread the load over the much greater number who consume much more, I would support them. And I do this in context to what I suggested in the case of water, because, Mr Speaker, whereas with water we find that per capita consumption is an important factor, and the larger the household the more water will be consumed, the same is not true of electricity.



Obviously one can light a room equally well, whether there is a single senior citizen occupying that room or a family such as mine with four small children.

HON A P MONTEGRIFFO

Mr Speaker, regarding the last point raised by the Honourable Mr Bossano, I am not an expert on figures or on what is going to come out of the wash as a result of this huge increase. We are not hiding the fact, to hide the fact is to skirt the issue and would do no one any good, but we did have a policy decision which conforms to the principle enunciated by the Honourable Member opposite. And I have just checked, and I can only make myself responsible for this statement in so far as I am getting expert advice on this, but the way it has been done, is that those at the bottom will suffer a 20% increase which gradually rises to a maximum of about 65%. So in this respect, I am told, because of the different charges in the primary and secondary rates, it has been taken into account to a certain extent.

Now, Sir, the other point raised by the Honourable Member, which is that we should have a very close look at tax capacity of Gibraltar in various fields, both indirect and direct, is a very valid point, and it is a point that the Government has accepted and committed themselves to look at when Professor Clayton visits us, which will be quite soon.

On the third point of the question of Rates, the argument of the Honourable Members opposite commands a certain amount of sympathy from this side of the House too. But it is a question of approach and timing. I think, Sir, that it is not only in Gibraltar but it is the whole world that is suffering a staggering blow, and again, as I have said before, it is no use even as far as Gibraltar is concerned, to try to either cushion the blow or again hide it or skirt it without first having the impact. To have asked for £200,000/£300,000 would just have touched the tip of the iceberg without in any way or manner tackling the grave and serious situation that not only the world, but Gibraltar in particular, because of the arguments used by the other side, are going to be faced with. And it is therefore our attitude that it is much better to suffer the impact at this particular stage, to make people aware that whether it is 65% or whether it is 30% or 35% it is a blow and consequently the approach ought to be, in the judgment of this side of the House, to suffer the impact and then pose the problems at a more, I think, appropriate time than was a couple of months ago when

Britain was in total chaos politically and economically, and raise the whole problem in the context, in the spectrum, of the other points raised by the Honourable Major Peliza, that perhaps if we were not suffering from the Spanish blockade, we might have been able to cushion off the effect of this particular devastating blow in the price of oil and fuel. And, therefore, I feel that though there might be a difference of approach in this matter, I think there is some unity in the ultimate aim that we all want to achieve. And I do hope that though it may be demoralising, the more we mention this demoralising effect, the more demoralising it is going to be. And I feel that we should also take into account that this is a changing world, whether the electricity goes up by x or y we must face the fact in Gibraltar that we are not unique, however much help we get to cushion the effect. We are not unique in any way, and we are not going to be unique. This is a world fuel crisis pattern that we are facing and we mustn't on the other hand give too much hopeful expectation to people that this can be very easily solved because it will not. We ought to be thinking about it in terms as to whether, and I have mentioned this before, and I will carry on mentioning it because this is very vital and important, whether perhaps we can carry on accepting the pattern of society in which society has been governed up to now. As a result of the fuel crisis we must have a look as to whether we can perpetuate the erosion of the differentials. We must have a look as to whether people retiring on £5,000 should get a huge pension, while people at the other end of the spectrum get a lesser one. We must take a look at a lot of other things, and a lot of other attitudes and principles: the profit motives, as it has been accepted up to now, all these things must now be looked at as a result of the fuel crisis which has really shaken a lot of old fashioned ideas. And it is in this context that I would like Members to rally more in harnessing our thinking to find a solution that would best suit the new society that I am sure will emerge as a result of the fuel crisis.

HON J CARUANA

Mr Speaker, one mustn't allow this meeting to get extremely dull and boring. We have had the most unconvincing arguments from the other side of the House that it has been my experience to hear. Famous first words: I'll start with the Honourable Member for Labour & Social Security who made a reference the other day that the housewives in Gibraltar were thrifty because they were being used to carrying buckets of water, and that this brought the average water consumption in 85% of the households down. I

am sure that he took into account those families who have no water in their houses and those families who share water, those families who have no bath and those families possibly who don't even wash. But I have been able to confirm at greater length that the 85% is hay wire.

MR SPEAKER

Yes but we are not discussing water now, we are talking about electricity.

HON J CARUANA

I will come to electricity straight away. I am sure that by the same argument the Honourable the Minister for Labour and Social Security will now say that the housewife in Gibraltar is also thrifty with electricity because she has been used to the primus stove and to using a charcoal fire to make lunch. And I am sure that he will recall those days, because I recall them too, when my grandmother used to use the charcoal, and I am sure that he is going to use this argument of electricity for the question of cooking. And he will also use the argument that candles were used in Gibraltar and "mariposas". I beg your pardon, Mr Speaker, but I don't know what the translation for mariposas is. They were used in Gibraltar for lighting, so, therefore, the housewife in Gibraltar should economise because she was used to using candles and to using the primus stove in the good old days.

The Honourable and Learned the Chief Minister started by giving the impression, to anybody who might for a moment become unaware, that this side of the House has endorsed the tax measures generally of the Government by his attempt to make an analytical and quiet contribution today - not the other day, today - and preparing his very eloquent and prepared statement of why they haven't gone to the United Kingdom for some help. And he must have given this quite some serious thought over the weekend since the Honourable and Learned the Chief Minister made quite a lot of reference to his copious notes this morning. But, there has been no doubt whatsoever in anybody's mind that this side of the House had disagreed most strongly with the policy of the tax raising measures this year and last year. And to give the impression that we have accepted as inevitable the increase in this year's budget is absolutely wrong and misleading. We have argued every single point ad nauseum and it has fallen obviously on deaf ears. We do not agree that though one has to accept the fuel crisis as inevitable, this is not the case with the tax measures brought by the Government today in this session.



There are many ways in which this budget could have been construed without being so harsh to the people of Gibraltar. We have been told by members opposite that people have been consulted on several issues and one wonders how deep the consultation has gone. I have had an opportunity to consult some members of commerce in Main Street on various other aspects mentioned in this meeting, and they disagree most heartily with certain of the measures.

HON A J CANEPA:

We are discussing electricity.

HON J CARUANA:

Well, we might be discussing electricity but members of the Government have taken the opportunity to give a general outline of other spheres, but I shall contain myself to electricity, though, I am sure, Mr Speaker, that it is up to you to put me back on the tracks when I leave them and not for the school teacher, the Honourable Minister for Labour and Social Security.

MR SPEAKER:

You can continue to speak until I call you to order.

HON J CARUANA:

Thank you, Mr Speaker.

Electricity will have a severe effect on the tourists and consumers in Gibraltar. Hotels will no longer be able to keep their July rates, they are already saying: my God, we've got to re-adjust this. All our prices have gone haywire for this year. Or has the Minister for Tourism already consulted the hotels and found that they agree with these increases and that they have already agreed to change their rates, because I had occasion to speak also to hoteliers and found that they will already be working this out today as soon as they find out what their rates for electricity will be for the hotel. To say, Mr Speaker, that MOD land, the question of the discussion taking place at the moment on the release of MOD land, was one of the strong reasons why the Government did not ask for aid, I gather the Chief Minister made this a reason

for not going for aid to Great Britain, because he did not want anything to stand in the way of these talks, is a lot of sheer bunkum. The question of the Lands Memorandum and the question of the release of land has been going on for many years and has absolutely nothing to do whatsoever with the question either of electricity, water, or what have you. It is a matter of principle, and if the Chief Minister is going to link this with electricity and fuel, then, Mr Speaker, I am not surprised that we have such a mess in our hands today.

HON CHIEF MINISTER:

I did not stress at all this question. I did not stress it, and it was not the main thing. I said though not directly concerned with the question of aid there was another matter under serious negotiation of bigger and long term importance, which I wanted nothing to stand in the way. That is the way.

HON J CARUANA:

Mr Speaker, I am glad that the Honourable and Learned the Chief Minister has clarified my point even further. He also argued on the question of unemployment in Great Britain and the question of firms going out of business because of the adverse effect, Mr Speaker, I would like to remind the Honourable and Learned the Chief Minister that such an effect on business and on unemployment was a matter of direct government policy.

MR SPEAKER:

Well, we are now going to argue British politics.

HON J CARUANA:

No, I am not, Mr Speaker, I am just saying that that was a point of policy .....

MR SPEAKER:

It is a reference which we are not going to debate.

HON J CARUANA:

No.

MR SPEAKER:

You are entitled to refer to things but we mustn't take issue on them, because otherwise we will never progress.

HON J CARUANA:

I don't intend to make issue with it, Mr Speaker, I am just pointing out that these three things which affected unemployment and business was the policy of one particular Government with which another particular Government in power today does not agree. So what I am arguing is that for the Chief Minister to use this argument for not going to Great Britain, because this was the position in England, is completely and utterly mistaken. And the other thing that the Honourable and Learned the Chief Minister said was that before going to England to ask for some budgetary aid he had to make sure that it wouldn't fail, because it would have had adverse effect on Gibraltar. Well, Mr Speaker, we are all very much acquainted with the number of failures that the Chief Minister has had in the United Kingdom when he has gone over for aid, so I am not surprised that he is so pessimistic on this issue. But, let us agree on one thing, we don't agree with the Chief Minister's policy and what he has said on this, at all. Mr Speaker what better reason is there for going to Great Britain and telling Great Britain, without having to wait for Professor Clayton, that in two year's time the AACR Government has pumped out of the people of Gibraltar approximately £2,000,000.

MR SPEAKER:

Yes, but we are not going to talk about that. No, let us talk about electricity, please. We have had a long session, we have talked about everything that there was to talk about, I have warned the House to keep to the specific measure, we will keep to it, and I must be very strict now.

HON J CARUANA:

Mr Speaker, I do not wish for a moment to leave the other side of the



House or the people of Gibraltar in any doubt whatsoever as to the stand of our side concerning the revenue raising measures brought about by the present Government. And, in this respect I beg your indulgence and .....

MR SPEAKER:

Insofar as electricity is concerned, you've got it, but in nothing else.

HON J CARUANA:

On the question of electricity, Mr Speaker, the Government has taken an attitude for raising taxes in such a magnitude, and electricity in particular, in a very difficult year. Everybody accepts that this has been a difficult year, but nobody can argue .....

MR SPEAKER:

No, no, I am going to be very very strict. We are not arguing whether the rates should have been raised, what we are talking about is whether it should have been raised by the amount that it has been, and in the manner that it has been proposed by the motion. We have, as I've said before been discussing everything else ad nauseum on different occasions in this House up till now. We are discussing the particular manner in which the rises in electricity are being proposed. I think Members will agree with me that we have been tolerant but, we must speak now to the question.

HON J CARUANA:

Mr Speaker, I think I have already made my point, and I ask for forgiveness because my trend of thought has been broken and .....

MR SPEAKER:

May I say that I never like to inhibit speakers; that you are entitled to try your best, but it is my duty to see that you do not get away with things that you should not. But, I must make clear to all Members, that it is their right, inherent right, to speak and to say

what they feel they are entitled to say. So please do continue, I am not trying to cut you in any manner.

HON M D XIBERRAS:

Mr Speaker, the point, is I am sure, that the Honourable and Learned the Chief Minister replied in very general terms to the argument of the Opposition of this specific issue of electricity, and what my colleague has done, admirably I think, is to point out that the Chief Minister's arguments against obtaining UK aid are completely empty and we do not wish to have any responsibility for the revenue raising measures. This is the point.

MR SPEAKER:

It is accepted that the Chief Minister's statement needed a reply. I think three Members have replied already to the same thing and it is repetition if it goes on endlessly, because the rules say that it is not repetition of your own arguments but also of the arguments of other Members of the House.

HON J CARUANA:

Mr Speaker, the rates being increased today more than substantiate in my mind the arguments which I put before the House the other day concerning the overall presentation of taxes which the Honourable the Financial Secretary gave us. It indicates I think everything that has been said on this side of the House, and I am very sure that unless it is met with a substantial wage increase the people of Gibraltar will be worse off for the measures being taken in this House today.

MR SPEAKER:

Well, if there are no other contributors I will ask the Financial and Development Secretary to reply. Yes, Mr Isola?

HON W M ISOLA:

Mr Speaker, I was hoping that the Minister for Public Works and

Municipal Services was going to get up and say some words, as I would very much like to congratulate him on having achieved an increase on Rates, Brackish Water, Electricity and Water. A feat unparalleled certainly by this side of the House whilst we were in Government.

Now, I would like to make one particular point so that there won't be mishaprehension, or no mistake quoted in the newspapers, when the Minister for Tourism said that we were taxing the tourist, for instance, on the question of water.

MR SPEAKER:.

Electricity.

HON W M ISOLA:

I appreciate that we are in Electricity, Mr Speaker, but Mr Speaker will appreciate that the Minister for Tourism did state earlier on this morning that we were taxing the tourist on water and electricity.

MR SPEAKER:

I think he said that they were going into it not only in electricity, but also water, en passant. You can refer to it en passant, but lets not go into detail.

HON W M ISOLA:

En passant, that is exactly what I was going to do. Sir, he did say that, and I would like to correct him because the Government is subsidising the tourists in the question of water. The tourists are not being taxed on the question of water. Water costs us 34p and they are charging the hotel 35p.

HON A W SERFATY:

Mr Speaker, if you would allow me, I would like to clarify. What I really meant was that we have also increased the charges for water to the hotels to the same extent that we have increased it to



shipping. So they are also taking the brunt of the load.

HON W M ISOLA:

But they are not being taxed, which is my point, Sir. The Government is subsidising the hotels in water as well as shipping. Mr Speaker, as I said before, I really believe that with this increase in electricity the standard of living in Gibraltar is going to be brought down considerably. It seems to me that this Government is determined to do something which the Spaniards did not achieve to do in 1969. Mr Speaker, when we consider that we have increased the Rates by something like 10 to 20% and when we also consider that Brackish Water has also gone up, as well as water, do we feel that the people who use electricity should be taxed to cover the whole deficit of £416,000? Because if I remember from my days as a City Councilor in the Municipal Side, / we were/ allowed to play with our rates, electricity, and water accordingly. And sometimes if I remember rightly, when I was in the City Council, the Rates took the brunt so as not to increase electricity, which went down to the root and cost of living in Gibraltar.

Now, Mr Speaker, in the United Kingdom normal working class persons have different means by which they can cook and heat themselves in the winter months. In Gibraltar, we had something called the gas undertaking, but if I remember rightly, when I became a City Councilor in 1956, the AACR Council in those days had already taken a policy decision to get rid of gas. And from 1956 onwards gas was phased out because it was thought that the more people who use electricity the cheaper it would become. I remember that distinctly, but the fact remains that it has gone up and up and up. Now, Mr Speaker in the United Kingdom when they increased the charges of electricity it made the front page in most national newspaper. "Electricity up by 30%". And people were very horrified. But the majority of people in the United Kingdom, Mr Speaker, heat themselves with gas, they cook with gas, up in the North they can cook with coal and with coke, but in Gibraltar the only way in which any person can cook is by using electricity. If you are cold, it is electricity. If you want a washing machine, it is electricity, everything turns on electricity. And to jump up, Mr Speaker, by 60% is absolutely criminal. And for the Chief Minister to state that we can take this, and that in England they are having problems, ofcourse they've got problems in England, but surely, Mr Speaker, our problems are no less lighter. We have no natural resources.

To say in a debate that the shares have gone down in the United Kingdom and, therefore, we cannot ask budgetary aid is to me inconcievable, Mr Speaker. The fact remains that our standard of living is going to go down. And when you also consider, Mr Speaker, that we are also going to have a petrol increase which is going to increase the cost of transport, which in turn is going to increase the cost of household goods, and now we come along with a 60% increase in our electricity. And, Mr Speaker, whilst once upon a time it used to be used "more electricity", now the slogan of the Government, or of people in Gibraltar, is use less electricity, because we cannot afford to use electricity any more.

Does this mean, Mr Speaker, that certain households with large families will not be able to afford a second hot meal in winter? Because a 60% average on a couple with four children is quite an enormous increase. When you consider that by these revenue measures they are going to pay higher rates, higher brackish water, petrol and electricity, Mr Speaker, on something quite exceptional, beyond our control, as the fuel crises we all know, this is absolutely beyond Gibraltar's control. We should have asked Great Britain for budgetary aid to keep up our cost of living and our standard of living.

Thank you, Mr Speaker.

MR SPEAKER:

Right, I will now ask the Financial and Development Secretary to reply.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, Sir, there is not much that I think it necessary or appropriate to say. The proposed revised electricity charges which ar are discussing, derive of course from the budget gap which I brought to the House, and showed that it came to the total sum of £900,000. And by a decision policy we have chosen to raise a substantial amount of that requirement through the electricity charges. Now, there are other ways we could have gone about that, we could have gone to Income Tax, we could have taxed other ways, but it is a large sum of money, it is a large sum of money that is coming from this and if is spread over the community widely. I am very conscious that it will affect every consumer directly and indirectly, but I may say that the direct effect of these electricity

charge increases on the Index of Retail Prices will be 1.8 points. So if you say 2, now, this on an Index which is going up between three and four points. And for that of course we have made provision in our plans also, and in the expenditure for increased COLA award, which will take a certain amount of the sting out of these charges. I ought to make reference to the Notional Accounts but I will just say here that the budget requirement derives from the body of the estimate and not from the Notional Accounts, and it has been said more than once in this debate that these Notional Accounts, which no doubt in years past, in City Council days, served a good purpose, no longer appear to me to be, in their present form, very valuable and the Honourable Learned the Chief Minister said that we will certainly have a look at the form of these Accounts. I know other colleague Ministers are anxious that they should take on something more of the nature of true trading accounts, and I hope that when next they come to the House next year, they may be more valuable than they are just now. There are discrepancies, discrepancies can be found all the time between these Notional Accounts and what there is in the main body of the estimates and what comes out in the annual account, because of the way they are drawn up, I don't think that I need go further into that at the moment.

Now, the electricity charges of course a valid point: Could we not have spared the lower income group and especially those without families? Well, as I have already said we had a large requirement, but as was said in regard to the water tariff, the Government will look at the position of the families on lower incomes with a large number of children.

Sir, I commend the resolution.

Mr Speaker then put the question which was resolved in the affirmative.

The motion was accordingly carried.

HON M XIBERRAS:

Sir, if I may. The Honourable the Financial and Development Secretary spoke about Accounts. Was the Housing Account brought to the House or not?

HON CHIEF MINISTER:

Yes.



HON M D XIBERRAS:

We have had them .....

HON CHIEF MINISTER:

Yes, the appendix there had been omitted and was circulated to Honourable Members.

## BILLS

### FIRST AND SECOND READINGS

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, Sir, may I have the honour to move the suspension of standing orders No 28 and 29 in respect of the 1974/75 Appropriation Bill, 1974.

This was agreed to.

The 1974/75 APPROPRIATION BILL, 1974.

The Honourable the Financial and Development Secretary moved that a Bill for an ordinance to appropriate an amount not exceeding £6,968,270 to the service of the year ending 31 March 1975 be read a first time.

Mr Speaker put the question which was resolved in the affirmative and the Bill was read a first time.

### SECOND READING.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, Sir, I have the honour to move that this Bill be now read a

second time. Sir, the purpose of the Bill is of course to authorise the Accountant General on the warrant of the Financial and Development Secretary to pay out of the Consolidated Funds of Gibraltar the various amounts set out in the Schedule during course of the year 1974/75. The amount corresponds to the Estimates of Expenditure as already approved by the House, with an additional £100,000 as the sum to be appropriated from the Consolidated Fund in respect of the Contingencies Fund which we must set up in accordance with Section 67 of the Constitution, together with Section 9 of the Financial Procedure Ordinance.

The purpose of this Contingencies Fund is to enable the Financial and Development Secretary to meet urgent and unforeseen expenditure for which no provision exists in the estimates. Subsequently of course any such payments from the Fund will be brought to the House as a Supplementary Estimate, with an Appropriation Bill, for the purpose of replacing in the Contingencies Fund the amount spent.

Sir, I need only perhaps add that the amount to be appropriated in the Appropriation Bill does not of course include the Consolidated Fund Charges for which statutory authority already applies.

Sir, I commend the Bill to the House.

Mr Speaker then invited discussion on the general principles and merits of the Bill.

HON M D XIBERRAS:

Sir, I have just one very brief comment to make, since the matter has been discussed. I think it is an opportune moment to make it and it is one that has been made before, but it may be absolutely crystal clear now with the figure before us. Expenditure of £6,968,270, with a budget of very close on £7,000,000, the House has had taxation measures involving close on £1,000,000 in one particular year with no foreseeable respite for the following year, and it is in view of these figures that I simply cannot understand how Honourable Members opposite have approached this year's budget in the sense that they have. I am very sorry that this is the case and I have on a lot of occasions expressed the hope that Honourable Members opposite will be able to form part of a common Gibraltarian view on the state of our finances. And the

Honourable the Chief Minister, despite our consultation, appears day after day to be taking the line, as has the Minister for Labour and Social Security, and I believe the Minister for Medical & Health Services less so, has taken the line that we cannot think of a future which is linked economically with Britain, that we must fall back on our resources .....

MR SPEAKER:

Yes, but we mustn't start on that. We are appropriating an amount now, and not discussing the general .....

HON M D XIBERRAS:

It is a very large amount to be appropriating, Sir .....

MR SPEAKER:

I have no doubt, that is why we voted it.

HON M D XIBERRAS:

And this is what I am speaking of.

MR SPEAKER:

But we mustn't open the general debate again, and the approach as to how the budget has been dealt with.

HON M D XIBERRAS:

I honestly do not see how 25,000 people in Gibraltar, in the present circumstances which will go on for as long as we can see, are expected to vote year by year the sums of money .....

MR SPEAKER:

But we have voted the amount, this is what I am saying. We are only appropriating it now. You must be very careful.



HON J BOSSANO:

Mr Speaker, I think it would be useful for the House if the Financial Secretary were to take an opportunity, perhaps later on, to show the House how the statement as regards the reserves and so on, the financial statement now looks after the appropriation and after the revenue raising measures that the House has already considered. The figure for income, I think on page 2, will now rise to £8,180,000, since we are raising almost £1,000,000 in revenue, and we have recurrent expenditure of £6,800,000, plus a Contingencies Fund of £100,000. I take it from what the Financial Secretary has said that this £100,000 is not in fact related to the COLA estimate of £100,000 which is expected to arise in addition to the £300,000 already provided for.

Now, I think Members would welcome a few words from the Financial and Development Secretary on how the statement now looks and in fact what the estimated surplus for the year is after these changes.

MR SPEAKER:

Well, if there are no other contributors. I will ask the Financial and Development Secretary to reply.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think the Honourable Member opposite has asked how the financial statement will look in the light of revenue measures that we have taken. I will gladly, Sir, bring this information to the Honourable Member opposite at the earliest possible opportunity.

Mr Speaker then put the question which was resolved in the affirmative.

The Bill was read a second time.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, Sir, I beg to propose that the Committee Stage and Third Reading of the Bill be taken at a later stage in this meeting.

This was agreed to.

HON A J CANEPA:

Mr Speaker, I have the honour to move the suspension of Standing Orders No 28 and 29 in respect of the Family Allowances (Amendment) Ordinance, 1974.

This was agreed to.

THE FAMILY ALLOWANCES (AMENDMENT) BILL, 1974.

The Honourable the Minister for Labour and Social Security moved that a Bill for an Ordinance to amend the Family Allowances Ordinance, Chapter 58, be read a first time.

Mr Speaker put the question which was resolved in the affirmative.

The Bill was read a first time.

HON A J CANEPA:

Mr Speaker, I have the honour to move that the Bill be now read a second time. Sir, the purpose of this short Bill before the House is to increase Family Allowances. Family Allowances were last increased some two years ago and since that time there have been some erosions in the value, in the purchasing power, of the Family Allowance. The purpose of the Bill, Sir, therefore is twofold, not only to restore the purchasing power of Family Allowances, but also by increasing the allowances by some percentage over and above the increase in the COLA in the last two years, to provide some extra margin for the protection of the standards of larger families. And it is, Sir, in connection with this second point, that it is my intention at the Committee Stage of the Bill to move two amendments which will virtually bring about a new Bill.

The first amendment will bring forward the date of the coming into force of the Bill to the 3rd of June. That is the earliest, Sir, that we can do it in the department, in view of the fact that we have got a commitment at the beginning of May to increase Supplementary Benefits, and it is really the same people who will

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be undertaking that work who will then be required to re-assess and issue the new books of Family Allowances. Therefore, we do require some four weeks or so to get on with that particular job. And the second amendment, Sir, will take account of the sentiment which I echoed in discussion of the resolution on the potable water rate, a point which was made by the other side as well and which will therefore mean that large families, by that I mean families having more than two children, will benefit moreso from the proposed increases. The second amendment that I will move, Sir, will retain the increase in the original Bill, namely 70p for the first child in respect of whom Family Allowance is paid, but for the third and subsequent children, Sir, it is proposed to increase that by a further 10p to 80p. I shall move those two amendments later on, Sir.

I commend the Bill to the House.

Mr Speaker then invited discussions on the general principles and merits of the Bill.

HON J BOSSANO:

Well, Mr Speaker, the House has already referred to this Bill in previous debates, and the new matter that we have is the indication from the Honourable Minister for Labour and Social Security of the changes he proposes. Both changes are in the direction that we wanted, that is, there is going to be an increase for third and subsequent children, from which I personally shall benefit to the extent of 20p a week. Mr Speaker, I don't know whether I ought to abstain when the time comes to vote!! Mr Speaker, I think it is important that the House and the Government should recognize that there are areas of need in Gibraltar where we can help a number of people, and the number is sufficiently small not to make a very big impact on the overall level of Government expenditure. And this is one of the areas. If we look at the Census figures we find, Mr Speaker, that there are in fact very few families who have got four, five or six children, that the bulk of families are with one or two children and, therefore, help for the bigger family is one way where one can sort of combine the desire to help everybody with the need to keep the cost of social services within manageable proportion.

Now, I don't want to make a very strong case for any further help



for large families, Mr Speaker, because as I say I am personally affected, but a 10p increase isn't such a great step forward, as no doubt the Minister for Labour & Social Security himself feels. On the other point, the question of not being able to bring the date of payment closer, I think it may be possible, and I would like the Minister to consider, it may be possible to make the effective date earlier, even if it is not actually paid out in cash until say June, because it is physically impossible for the department to cope with the work. I think that if it is at all possible to make it effective from an earlier date, particularly the date when the bills are going to start coming in. Mr Speaker, this is a point we have made in respect of the COLA formula, we feel the COLA formula ought to come into operation at the same time as the charges. That is, if the charges for the services start as from today, then that should be reflected in the COLA payments which are going to be calculated on today's Index of Retail Prices. I now put the same arguments to the Minister for Labour and Social Security in respect of what he is doing with the Family Allowances to help large families who are going to be hit by this huge increase in the cost of Municipal Services. If he can do something to ensure that even if the money cannot be paid out physically until about June he makes the date of operation retrospective to the date when the bills are going to be felt by the families, we will support him all the way on this. We feel this shows a tangible concern for the families affected and he may well find that infact large families are going to fall into arrears with their bills unless something like this is done to help. Therefore, by helping them retrospectively it may very well be that they may be able to pay a bill that they have not been able to pay at the time that they received it, but they will be able to use the money from the Family Allowance to pay a bill that they have fallen behind on.

HON A J CANEPA:

Sir, I shall see during the lunch break, perhaps the Committee Stage need not be taken until after the lunch recess. I shall see whether it is possible to bring the date forward any further or make some arrangement for retrospection or some other arrangement. I was told that there were difficulties because the bulk of the books are changed at the end of April, but I will give it further consideration.

The other point, Sir, as regards the actual numbers that will further benefit, I should say, from the second amendment, that there are about 650 families currently in receipt of Family Allowances having three children or more, so they will cover, I hope, virtually the whole

spectrum of those that might be affected by the increased water charges.

Mr Speaker then put the question which was resolved in the affirmative.

The Bill was read a second time.

HON A J CANEPA:

Sir, I beg to propose that the Committee Stage and Third Reading of this Bill should be taken later on today.

This was agreed to.

HON CHIEF MINISTER:

Mr Speaker, I gave you notice that I wanted to make an important statement, which I will do now.

Sir, it is with considerable pleasure and satisfaction that I give the House details of the outcome of the discussions with the MOD for solving the difficult question of the principle governing the disposal of lands surplus to MOD requirements in Gibraltar, a conclusion, which I consider to be a positive and significant step forward in the evolving relationships between Her Majesty's Forces and local population. It can best be appreciated if considered in the context of what has happened in the past. It is interesting to recall that the early 18th Century maps of Gibraltar show a walled town nestling behind a line of sea fortifications consisting mainly of garrison buildings, and townspeople occupying the space left over by them. After the Great Siege of 1779 - 1783, which destroyed most of the buildings, the town and port were enlarged and fortifications added. The mixture, diluted by some addition of civilians, then continued as before and today we still find garrison buildings all over the City in the form of old barracks, quarters, the grand Casemates Bastions, workshops etc, the relics of a joint Naval and Military organisation capable of being contained in the town.

The growth of sea power in the 19th century turned the Rock itself into a Fortress, and about 1906 the present Dockyard was constructed

on land reclaimed which spoil secured by tunnelling, so that the town retired still further behind the fortification of the modern world. In 1893 the War Department and the Colonial Government entered into an agreement which formally established for the first time that War Department property no longer required for Military purposes could be made available to the Gibraltar Government without compensation, whilst Government/needed for Military purposes was similarly to be handed over to the War Department. It was also recognised that all lands outside the walls of the Fortress were vested in the War Department. This memorandum continued basically to form the modus vivendi between the two parties until 1954, save for minor amendments in 1903 and 1927.

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In 1948, General Anderson, then Governor of Gibraltar, proposed that approximate 16 acres of land at North Front should be made available for civilian use. This proposal in due course gave rise to the drafting of a new Lands Memorandum more suitable to the post-war era, and was considered concurrently with recommendations that the War Department should evacuate certain sites within the City and rebuild the accommodation thus given up in the South district. These proposals received favourable reaction from the local Government, but the War Department was unable to meet the substantial cost involved. The Gibraltar Government, therefore, agreed in principle to make a financial contribution to facilitate the transfer and this they proposed to do by amending the 1893 Memorandum to enable the War Department to sell surplus build-up land and the proceeds from which would go towards the construction cost.

It was against this background that the 1954 Lands Memorandum was finally agreed. The new arrangement offered advantages to both sides in that whilst it gave Military Authorities the right to sell, with Government's consent, built up properties not required for a public purpose, it nevertheless imposed for the first time a positive obligation on the War Department to relinquish land no longer required for defence purposes. For its part, Government had a pre-emptive right to claim any such built-up properties upon payment to the MOD of the value of the building itself only if the site was required for a public purpose. Land itself attracted no compensation, and if not built upon could not be alienated by the MOD. It was further agreed that the position with regards to reclaimed land, which for purposes of the Memorandum was not considered natural Crown Lands, would be regularised having regard to the local Government's contention that this should vest in the party creating the reclamation and not belong automatically to the War Department as had been the case under the 1893 Memorandum. The matter did not, however, rest there and further negotiations were



carried out subsequently leading to a new understanding in draft form in what became to be known as the 1968 revised. This again endorsed the intention of the Ministry of Defence to give up as quickly as possible the sites which were not required for defence use. It provided amongst other things that before disposing of built up land the MOD would offer the same to the Gibraltar Government. If the Government accepted the offer compensation became payable, calculated as follows:

1. If the property was certified to be required for a public purpose the payment would reflect the value of the building on the land only; and
2. If any other case, payment would be on the basis of the value of the built-up land.

The point at issue, however, which had held up ratification of the new Memorandum has been whether any properties sold by the MOD should be a free-hold basis, as had been agreed in 1954, or on leasehold terms, as the Government urged, in the light of experience, to be necessary for the proper development of the site. The Government in addition has been pressing for acceptance that reclamation should not be treated differently for purposes of the agreed compensation formula.

Thus, what has been taking place since 1948, as a result of pressure of events and changed circumstances, has been the regrouping of Service installations with the view to their better and more economical functioning. Prominent in this has been the gradual transfer of army personnel to land at Europa, involving the vacation and sale of ancient properties in the City together with a good deal of land associated with methods of defence that no longer apply.

The bulk of the Royal Airforce personnel and equipment is now situated near the airstrip, whilst the Navy, with its fine Dockyard installation, seeks ways and means of contracting within itself all these activities which have traditionally carried out outside the confines of the Dockyard area. As can, therefore, be seen from this very brief summary of a very complicated and emotive subject, there has been an evolutionary process adapting itself to changed circumstances with a tendency since 1893 for lands for the civilian population to expand at the expense of the Defence holding.

Inevitably financial considerations are always very much involved and any proposals that emanate from Gibraltar is subject to the same control and constraints as applied to defence expenditure in the United Kingdom and elsewhere. It is unfortunate that events associated with the Frontier closure and financial stringencies have slowed down the process since 1964, but we look forward to better progress when the rebuilding programme at Europa Point by MOD has been completed.

We are naturally grateful for all that the UK Government has done and continue to do for us even though at times we have felt that the speed with which the MOD relinquish surplus sites has not kept pace with Gibraltar's needs for expansion in the housing, tourism, recreational commercial and other spheres of activity.

When this Government took office, therefore, the question of land was taken up with Her Majesty's Government as a matter of priority, and I am now pleased to inform the House that agreement has been reached in a manner, that will go a long way towards meeting our aspirations. The arrangement now proposed for the disposal of Crown Lands held by the MOD which they declare to be surplus to their requirements, not land reclaimed from the sea, are as follows:

Such lands will be transferred free of charge to the Gibraltar Government whether or not it is required for a public purpose.

Buildings on such lands will be paid for if they have a long term development use and would not need to be replaced as the sites were redeveloped. If they do not have such a long term development use and will not be replaced they will not be charged for.

Although it has not been possible to reach agreement on the general principle governing the disposal of surplus reclaimed land, the MOD was willing to transfer the Montagu Bastion site, which is the only site which can be released at present, free of charge to the Gibraltar Government, except for the small areas on which certain defence facilities are situated. These small areas can also be released if the reprovisioning cost of transferring the installations elsewhere are borne by the Gibraltar Government. I trust that the decision on Montagu Bastion will serve as a precedent to be followed in future when other reclamations can be handed over.

As the House is aware the question of land is one which was stressed in my party's electoral campaign and constitutes a basic principle in our political philosophy. I am sure that this feeling is shared

by the vast majority of the people of Gibraltar. We are, therefore, on the one hand, very glad that substantial progress has been made and very anxious on the other hand to continue to keep this important matter under constant review and to press for such other improvements as may be possible.

Thank you, Sir.

HON M D XIBERRAS:

Mr Speaker, I think all Members of the House must have been aware of the switch in the subject under discussion, and the Chief Minister has chosen to bring out this subject of Land right in the middle of very serious subjects involving the standard of living of the people of Gibraltar, which is of course his entitlement to do. The historical introduction which occupied most of the Chief Minister's statement has distracted our attention from , I believe it is, the last two paragraphs, which are the ones which are of any interest to the people of Gibraltar. And so far as I can gather, trying to adapt my mind to this new subject and away from taxation, electricity rates and so on: Family Allowances was the last statement before the House.

MR SPEAKER:

May I say that this is a statement made by the Chief Minister on which questions for clarification can be asked.

HON M D XIBERRAS:

This is what I am about to do, Sir.

MR SPEAKER:

Yes.

HON M D XIBERRAS:

May I ask the Honourable and Learned the Chief Minister. I am going through the Great Siege now! Ah, yes. There is a sentence here:



"Arrangements are now proposed for the disposal of Crown Lands held by MOD which they declare to be surplus to their requirements". Now, in that phrase is there an insinuation that the Gibraltar Government had set out a rather more ambitious programme than what has actually been achieved today?

HON CHIEF MINISTER:

I don't follow the question at all. The point here, of course, is that this is agreement of negotiations in principle. They would have to be incorporated into a revised Lands Memorandum, and I would have thought that the main criteria there is that the requirement, or rather that the statement that the property is to be continued to be required for defence purposes. If there were to be any question of dispute it would have to be under the hand of the Secretary of State for Defence.

HON M D XIBERRAS:

Yes, but am I right in saying that whatever agreement is reached is going to be in respect of certain lands which MOD have declared to be surplus to their requirements, and did the Gibraltar Government have the same view as to what land might be released by MOD?

HON CHIEF MINISTER:

This is a continuing agreement, and this I think is what has been sought for a long time, and that is, that all lands which are not required for defence purposes, not just the lands that are in the list that was anticipated some time ago and no progress was made because of the method of handing over or because some of it was not going to be used for public purpose, but all lands which are not required for defence purposes must come to the Crown in a civil capacity. That is, the Government of Gibraltar.

HON M D XIBERRAS:

Yes, but I think the Honourable Chief Minister does not get the point of my question. This agreement will apply to certain lands which the MOD have said are surplus to their requirements. Am I right in saying that? And if I am right in saying that, did the Gibraltar Government have a more extensive or a lesser list of areas which would be affected by this agreement?

HON CHIEF MINISTER:

The answer to the first part of the question is: yes, of course, it deals with all the cases that were pending and which have not been transferred because now agreement has been reached on the terms of transfer. That is the first one.

The second one is, whatever is not required for defence purposes, now or in 10, 20 or 30 years time. Occupation of land can only be on the basis of requirement for the Services, and then we would have to go very strictly, as far as we are concerned, in the interpretation of the agreement, of what is a defence requirement. But, this of course, finally, the last words must be with the Defence Department.

HON M D XIBERRAS:

Am I to understand that there is machinery to determine what is a defence requirement? Or is it to be understood by the House that the MOD will from time to time state what land is surplus for defence requirement?

HON CHIEF MINISTER:

When I say agreement, it is in principle. I have said before the agreement, this end of the negotiations will have to be incorporated into the Lands Memorandum that has been lying there unsigned, the Draft Lands Memorandum 1968, with this new criteria.

With regards to what land is required for defence purposes, of course, in strict terms of defence, the last word would have to be with the cabinet in the United Kingdom, and naturally the Secretary of State for Defence. But this of course entitles us to pursue obvious cases of land which does not appear to be required for defence purposes lying idle, or in our consideration not properly occupied, having regard to our requirements. We would not be arguing about whether we get it or how much we would have to pay, but rather when can we get it.

HON M D XIBERRAS:

I appreciate that we would not in that case, as in the case of the Viaduct site, have to go through a book transaction, whereby Her Majesty's Government paid for its own land in the end, I appreciate that point, but I think we should be absolutely clear, as I think I

heard the point now, that what actual land is released is still, as before, a matter for the MOD, or the Minister in charge of MOD, or the cabinet, as before. What land is actually released is still a matter for the MOD. This is not an agreement whereby all the land in Gibraltar is declared to belong to the Gibraltar Government.

HON CHIEF MINISTER:

Not yet, no.

HON M D XIBERRAS:

I see. We have had a number of statements which look into the future, and I wanted to keep my two feet on the ground.

Now, may I ask the Honourable and Learned the Chief Minister about the question of freehold. I think I am zeroing into the two relevant paragraphs. Does the statement say, or does it imply that the land will be made available to the Gibraltar Government, freehold, or does it imply that the Gibraltar Government can pass it on, sell it, pass it on to particular individuals, freehold, without reference to MOD.

HON CHIEF MINISTER:

I don't know whether the Honourable the Leader of the Opposition doesn't want to see the great stride made in this statement and is trying to find fault here and there. The land will become the property of the Gibraltar Government in perpetuity. How the Gibraltar Government gives out that part which is going to be used by the private sector will be a matter of policy, but I do not think that we think any differently to what, I know, was the view of my predecessor, and that which I also hold, and that is that it should be on long lease in order that we can control the manner of development and eventually it goes back to the Crown again. No question about that. I did not want to mention anything, but I would not accept the statement of the Leader of the Opposition that it would not happen again like the reclamation when one part of the money of the Government was passed to the other. But I must deal with that because it has been mentioned. It was not in the way. That was paid for by monies allotted to Gibraltar for Gibraltar Development and it was that less money that Gibraltar had by paying for the Reclamation site.



HON M D XIBERRAS:

I have another question Sir - but still a considerable amount of money more than we have at this present moment for the Improvement and Development Fund. May I ask the Honourable and Learned the Chief Minister, whether the Gibraltar Government did not get land freehold from the MOD. Was this the case.

HON CHIEF MINISTER:

If it was taken over for the public purpose, it was taken over by the Government in its entirety, without restriction, which is freehold.

HON M D XIBERRAS:

I thank the Honourable and Learned Member, Now, my last question at this stage, Sir, is, has the Government given consideration, as no doubt it has, to the use to which this land which will be coming from the MOD.

MR SPEAKER:

That is out of order.

HON M D XIBERRAS:

Whether that is going to be used mostly for one .....

MR SPEAKER:

That is a debateable matter which I am sure the House will want to debate sooner or later, but that is not .....

HON M D XIBERRAS:

Well, I would like to know, Sir, what strides have been made, and are trying to measure then, .....

MR SPEAKER:

But the implication of the statement can be debated, I accept that, but

not now. That is what you are going to do now. You are going to .....

HON M D XIBERRAS:

I would like to know whether also consideration has been given in respect of what use it is going to be put.

MR SPEAKER:

Precisely. That is something which will have to be debated at a later date.

HON CHIEF MINISTER:

I would like just to clear one point because the questions may raise suspicions. The land will be used for the best benefit of Gibraltar. The development and Planning Commission, which have met in the time that it has been in existence, 24 times, have got the land used to plan, part of which was done before by the Town Planning Consultant, the Chief Planning Officer, and there is the Town Planning Ordinance to guide us that land will be used for the best interests of everybody in Gibraltar.

HON MAJOR R J PELIZA:

Mr Speaker, I would like to clear a point if you will allow me, because, if I may say, one of the things that I am sorry not to see included in this statement is that reclaimed land would also be handed over to Gibraltar on the same basis as any other land. I am sorry to see that this agreement in fact has not been possible and I do hope that the Chief Minister will carry on pressing for that. I certainly would. But I would like to clear the point on reclaimed land as it affected Viaduct.

MR SPEAKER:

No, no. With due respect, a remark has been made by the Leader of the Opposition, and answer has been given. All that they are doing here is asking questions for clarification on matters contained in the statement. There is no reference to the Varyl Begg Estate in that statement and we must not open matters which will escalate and will then

make it difficult for me to draw the attention of either one side or the other.

It is out of order.

HON MAJOR R J PELIZA:

I just wanted, Mr Speaker, if you would allow me, to correct an incorrect statement, that's all. All I am saying is that we didn't get the money for the building of the houses, we got a commitment to 'x' number of houses, and therefore the money that went into reclamation for the payment of the land would not have affected the number of houses at all.

MR SPEAKER:

Well, that is a matter of conjecture, that is a matter of opinion.

HON MAJOR R J PELIZA:

That is what I wanted to clear up. That did not affect the programme.

MR SPEAKER:

No, precisely that's a matter .....

HON L DEVINCENZI:

One question only. Is there any provision in the present Lands Memorandum, or even with this agreement, whereby the MOD reserve the right, perhaps in exceptional cases, to hand over land to any other party but the Gibraltar Government.

HON CHIEF MINISTER:

The land will be handed only to the Gibraltar Government.

HON J CARUANA:

Will the Honourable and Learned the Chief Minister say which exactly are the



innovations in the statement here, because as far as I can see - and I have been concerned with at least seven pieces of land which have been handed over to the Government of Gibraltar - the only new thing is the question that the land will come free to the Gibraltar Government, whether or not it is for a public purpose. But there is very little. The question of transferring land which is not used for MOD purposes has been the principle which has applied since the 1968 revised.

There is very new little here, and we don't want to get the impression that we have got something new, except that it is free, which is most welcome. But there is nothing here. The question of paying for re-installation existed in our time as well. So nothing has been done in that field either. I don't see what the great statement is except that we are getting it free.

HON MAJOR R J PELIZA:

No doubt, an advantage is that land given for private development will not have to be paid for, or perhaps paid for to the Gibraltar Government. But, what I would like to clear is this: it says that we would have to pay for the buildings on the land with a long term development, if it is of course for a private purpose. Not for a public purpose. Could the Chief Minister explain how one could arrive at whether it is long term, or whether in fact there is no value there.

HON CHIEF MINISTER:

The point is whether a piece of land is being used for development and any part of the building is going to remain where it is. This is in the case of private development. If there is an area of land whether there is a building there which can be used for the purposes of the development, that has got a value to the owner of the land, but the land would be ours to give on freehold. There would have to be payment of the value of that property which can have any value to the private developer, because the building is there, otherwise he would be getting something free.

HON MAJOR R J PELIZA:

Is the Chief Minister saying then that in the case of the developer proposing to demolish the building then there is no payment for it?

HON CHIEF MINISTER:

/that/

No payment, and that is the very great difference. Another great difference, apart from the fact, is/land used for private development will not have to be paid for to the MOD but to us. Before, if it was for private development you had to pay the value of the structure, whether you intended to pull it down or not. Now that is not the case.

MR SPEAKER:

Right, yes.

HON P J ISOLA:

I would like to ask whether in this agreement, apart from the Montagu Basin site, whether any Schedule of Land or building that can be made initially available to the Gibraltar Government has been agreed.

HON CHIEF MINISTER:

We have a big list which has been pending this matter, which of course will come immediately to us whether it is for private or public purpose.

HON P J ISOLA:

The other point I would like to ask is, whether there has been any machinery, or whether any agreement has been reached on setting up machinery to determine whether land is surplus to requirements or not.

HON CHIEF MINISTER:

I stated before that this is the agreement in principle. This will now have to be incorporated into a new Lands Memorandum. The approval of this only came a few days ago and now we will pursue the machinery. I have said before that we will be particularly careful to make sure that any requirement of land is certified by a Secretary of State and not by anybody of lesser standing, and we hope to have guidelines to be able to have concilliatory machinery to be able to get on with getting all the land with which we consider is not being used for defence purposes.

HON J BOSSANO:

I was going to raise this question but I think the Chief Minister has now covered it, Mr Speaker, the question of the statement itself saying that they declare to be surplus to their requirements, and of course their requirements can be requirements for recreation and that sort of thing. I think the Chief Minister has now made it clear that there is going to be at some stage an attempt to produce some precise definition of what is a legitimate requirement and what is not.

HON CHIEF MINISTER:

I hope that it will be a satisfactory one.

HON J BOSSANO:

And another thing that puzzles me, Mr Speaker, if Members will excuse my ignorance, is this Montague Basin Site. Is this related to the Montague Bathing Pavilion, which I was always under the impression was ours.

HON CHIEF MINISTER:

That is so. That is a site which was out for development but the development was stopped because a quarter of a million pounds was being asked for by the Ministry of Defence for that part. It is no longer required for defence purposes. It was going to be on the basis of being passed on to a developer for this consideration to be given to the Ministry of Defence. Now it is coming to us and we will use it for development. The idea of any development there would in no way curtail the facilities, not the exact facilities, but the facilities now being offered to the people of Gibraltar at Montague would have to be preserved in one form or another. Re-provided.

MR SPEAKER:

Right we will now recess until 3.15 this afternoon.

The House recessed at 1.05 pm.



The House resumed at 3.25 pm.

MR SPEAKER:

We still have one more Bill to go through first and second reading. Perhaps we should do that one and then proceed with the other business of the House.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, Sir, I have the honour to move the suspension of Standing Orders No 29 and 30 in respect of a Bill to amend the Imports and Exports Ordinance.

This was agreed to.

THE IMPORTS AND EXPORTS (AMENDMENT) BILL, 1974.

The Honourable the Financial and Development Secretary moved that a Bill for an Ordinance to amend the Imports and Exports Ordinance be read a first time.

Mr Speaker put the question which was resolved in the affirmative.

The Bill was read a first time.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, Sir, I have the Honour to move that this Bill be now read a second time.

Sir, the purpose of this Bill is to alter the procedure and conditions by which certain duty free goods may be sold to tourists or others departing from Gibraltar. Departing tourists have hitherto been granted the concession to buy wines, spirit and tobacco from Bond, but only in packs comprising three bottles of the same liquor, or in the case of cigarettes, in quantities not less than 2000. It is proposed now to change the requirement in providing instead that the concession will apply to the purchase of single bottles of wines and

spirits and of cigarettes in cartons of 200. It is also proposed to set up within the Departure Lounge at the Airport - that is beyond the Customs examination point and sealed off from the rest of the building - a Duty Free Shop to be run by a new company formed of exporters, for the purpose of sale to departing passengers of wine, spirituous liquors and cigarettes.

Sir, while goods sold in this shop and also goods delivered to passengers departing by ship from Gibraltar will not be subject to import duty, they will nevertheless attract a transit fee payable to Government in the form of wayleave on each bottle or carton. In addition these goods sold at the Duty Free Shop will attract a further levy payable to Government in respect of rent for the shop. This is to be expressed as a unit charge of 20p per bottle or carton of 200 cigarettes.

Sir, the amount of additional revenue which Government will derive from these arrangements is difficult at this stage to estimate, and I would not like to offer a figure, but it will be a useful buttress, as I said earlier, to the unforeseen commitments that may be ahead of us.

Sir, I commend the Bill to the House.

Mr Speaker then invited discussion on the general principles and merits of the Bill.

HON W M ISOLA:

Mr Speaker, of course this side of the House has not yet really had time to see the implications except that there was going to be a Bill to come before this House. There is one thing here, which I note, in which the Financial and Development Secretary was very careful, that was that there was a reference to any tourist leaving Gibraltar for the United Kingdom. I would like to know whether this actually applies to a tourist who comes to Gibraltar alone and not to anybody from Gibraltar leaving Gibraltar for the United Kingdom. Now I understand that in practically every country - Gibraltar is about the only exception - which has a Duty Free Shop, once you pass Customs any person, a tourist or a resident, is entitled to take out their bottles. Now I see from the Financial and Development Secretary's introduction to this Bill that he talks about tourists. Does the term 'tourists' also mean residents of Gibraltar going away on a holiday? In other words, is it applicable to everybody.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes.

HON W M ISOLA:

Well, I am very glad to hear that, Mr Speaker, but you, Mr Speaker will appreciate that at the time that the Financial and Development Secretary said tourist he did say that this would normally cover a resident. At this particular moment of time a local resident leaving Gibraltar is not entitled to the three bottles of liquor, it only applies to tourists. Now I take it that difference will be for everybody.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, Sir, if the Honourable Member will give way I could reassure on this. Yes, certainly.

Sir, in the past there have been a different arrangement in regard to the export of duty free liquor in Gibraltar to other countries for very good reasons. When there was an open land frontier, for example, and a population moving across the border but now, in present day conditions, we see no reason why this concession should not - concession to let me say, to travellers, and it will be of benefit to the Government Revenue - why this arrangement should not apply to all persons departing from Gibraltar.

HON W M ISOLA:

I am glad, Mr Speaker, that the Financial and Development Secretary has made this point clear.

The other point is that this is a sweetener for both residents and for tourists after the savage increases which have been imposed in this House both to residents and to others alike - en passant - but there are two other points. I note that in this Bill, and one hasn't the time to read it, this firm which will run the Duty Free Shop, do I take it - again this point has not been made clear - is this going to be a consortium of the three main importers, or four main importers of liquor to Gibraltar? Is it going to be run by the Government as a company? I will tell you why, Mr Speaker, because we have all been in London, and we all hear about duty free liquor, and you go through



customs and you buy your bottle of whisky and it's £1.50. That is supposed to be duty free. Of course it is not duty free at all. Are we really going to have duty free? Is the Government going to control the prices at which drinks are going to be sold? Is it going to be a real Duty Free Shop? Or is it going to be one of these things which we see - en passant - Mr Speaker, in the Gibraltar Tourist Brochures, that Gibraltar's practically duty free, which nowadays is by no means duty free. It is very difficult, and I appreciate that the Financial and Development Secretary, at this particular stage, should say that it is difficult to estimate what revenue we may get out of this. Has he considered enormous revenue which we are going to lose in Gibraltar from people buying drinks outside and thus hitting against the local trade? Is this Duty Free Shop going to be to the detriment of the three main importers to the benefit of one? Is this going to be a consortium of the four main importers of liquor? Or is this going to be run by the Government at controlled prices?

Again, we don't know about that, Mr Speaker, and I would like some clarification on that. Surely there must be some way of finding out what we are going to lose in Gibraltar, through revenue, by making it easier for people to buy one bottle, because it seems to me now completely obvious that anybody leaving Gibraltar, may he be a tourist or a resident, is not going to be stupid enough to buy the bottle of liquor or the cigarettes in town, which of course is going to be to the detriment again of traders in Gibraltar as a whole. And if it is going to be to the detriment of the traders as a whole, it is difficult to appreciate why this Bill should have been brought to the House when the Financial and Development Secretary finds, and I have much sympathy with him, finds it difficult to estimate what revenue is going to be brought by this, if any. And what revenue we are going to lose, and the traders at large is going to lose, as a result of this particular shop.

Now, we all know, that at present there is also going to be a shop at Waterport for duty free for ships. I thought I heard him say that there was going to be another shop at Waterport for ships. Did I hear wrongly?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, Sir, just one shop at the Airport. There have always been facilities for the supply of duty free liquor for visiting ships, but there won't be a shop of the same nature.

HON W M ISOLA:

So, do I take it then, that cruise liners which come to Gibraltar will still have to buy their three bottles at the ....  
I am sorry, I stand to be corrected again, perhaps you could explain this particular point.

MR SPEAKER:

We are now talking about the general principles and perhaps this should be discussed at Committee Stage.

HON W M ISOLA:

Mr Speaker, I am sorry I am talking to the general principle, because as far as I see it there are only two exists . . . . .

MR SPEAKER.

You are entitled to talk about the general principles. What I am objecting to is that we should have a to and fro as if it were question time. We mustn't do that.

HON W M ISOLA:

No, I appreciate that, Sir, but perhaps Mr Speaker will bear with us. This has just been read to us for the first time, and ofcourse it is difficult to follow, and I don't want to talk on a matter which subsequently .....

MR SPEAKER:

May I correct that, we've had occasion during this meeting to discuss the Duty Free goods and the fact that they were going to establish a Duty Free Shop. It is the actual principles of the Bill now. Now we are talking about the Bill to impliment the policy of the Government.

HON W M ISOLA:

Mr Speaker, before I can actually talk about the policy of the Government, I

must have a pretty good picture of what is going to happen, because, as I see it at present, the person leaving Gibraltar for Tangier on the Mons Calpe can buy one bottle duty free or as many bottles as they like .....

MR SPEAKER:

If I remember rightly Mr Isola, all that was explained before. I remember listening to the explanation being given, and I can say that the system of selling three bottles is going to be done away with; that there are going to be facilities at Waterport for Cruise Liners; and that local residents could benefit themselves from that. All that has been dealt with in this House during the Budget Speech.

HON W M ISOLA:

Very well, Mr Speaker, I am much obliged for your lucid explanation. Do I understand, therefore, again on the principles of this Bill, when the Government talks about facilities at Waterport, does that mean that the facilities will be given to a particular firm, to the exclusion of the other three firms, or again, the same principle will apply as applies in the Airport? If it's going to be the Government running it? Does that again mean, exactly the same as the Airport, that the trade in Gibraltar will be taken away? Because as I see it at present, Mr Speaker, the majority of tourist who come to Gibraltar and buy their three bottles and their cigarettes have a choice of different firms. Is what the Government now proposing by these new facilities at Waterport going to deprive three of the main firms, or, again, is it going to be a consortium of firms?

This, Mr Speaker, has not been made clear in this Bill and of course it can have certain repercussions. And again, what I cannot appreciate is that it is difficult to estimate what the revenue is going to be, when surely, Mr Speaker, the Government must have some idea by the amount of liners that call at Gibraltar, and by the amount of drink that is sold at present in packs of three bottles, what that revenue is. But we have been told that it is difficult to estimate it at this stage, and I, Mr Speaker, would have thought that to bring in a Bill like this, which can have quite a lot of consequences to our revenue now, that one would have treaded on it very lightly and have had some idea of what is estimated it might get in revenue, if any, and the effects to the local trade in Gibraltar - because I am not just talking, Mr Speaker, now of the three or four main importers there are many taverns in Gibraltar which have a wholesale retail licence and they are allowed to



sell bottles of li quor. If I am going to the United Kingdom, I can go to one of the four main wholesalers and buy my bottles duty free, or I can go to a retail shop, I can go to a tavern which has retail licence, I can go to all sorts of various places in Gibraltar who pay a li quor licence, and hope to sell these drinks. Now, all these are all going to be wiped out at one stroke in order to allow a shop to be set up at the Airport so that they can buy their bottle.

/are Mr Speaker, the Financial and Development Secretary again said that the tourist could go along to the Duty Free Shop and buy their bottle. Now, I assume that that again is basically wrong, because if I remember, if you go to a Duty Free Shop anywhere in the world, you can buy as many bottles as you like. Can I assume that in Gibraltar things/going to be run in exactly the same pattern as in other places and that they can buy as many bottles as they like: they can buy three bottles, four bottles or five bottles? That is is up to them whether they declare it or not when they get to their destination?

Well, Mr Speaker, again it is difficult to say at this particular stage what the consequence are going to be. All I am saying at this particular moment is that if it is a good thing for Gibraltar then I shall be delighted, but on the other hand I do feel that not enough consideration has been given as to what is going to happen to the traders who pay their li quor license to sell these bottles in Gibraltar, and to the main wholesalers, I don't know at all.

HON H J ZAMMITT:

Mr Speaker, Sir, this is a matter which I briefly touched upon earlier on during these proceedings. And it does really surprise me all the more now that Mr William Isola apparently fails to see the progresiveness of this system. It is true that the minimum amount of bottles that was hitherto allowed to be taken away duty free was three. Now, we are not going to go back into the question of people taking three bottles away and having to pay duty at London Airport again, I think we have gone over that ground pretty well. The facts are now that a person can buy 1, 2, 3 or 100 bottles, but before you had to buy three bottles of the same brand of li quor, ie three whiskys, three gins or three bacardis as minimum. Now, Sir, I sympathise with the Honourable Mr Isola's concern about retailers and those paying off-licence, but the price of whisky in Gibraltar at the moment, I think, and I stand to be corrected, is £1.75. BEA are selling half bottles, I think at 80p, which makes it £1.60 bottle. Therefore, they were selling cheaper than we could sell

the bottle in Gibraltar by retail.

As regards, Mr Isola's contention about the choice of firms, well, of course, Sir, there are only I think two firms that deal with duty free as regards li quor. I could be corrected here, I could be wrong, Sir, I think there are two, possibly three. Then of course we all know that the different brands are represented by those three companies. So if one feels very hot about a particular brand, I think one can virtually guarantee that that brand would be available at the Duty Free Shop. Mr Isola was also concerned about the possible loss to Government. Well, of course there can be no loss at all, Sir, because we do find, from investigation, that an enormous amount of people that come to Gibraltar do not take advantage of the three bottles system at the moment, and they are not taking it away. And few Gibraltarians, as I said a few days ago, take bottles from the retail shops. They would much rather buy them on the plane. It's much cheaper.

Well, of course, I suppose you can do it Sir, you can of course spend more money if you so desire, but I know that anybody with a bit of common sense would certainly save a few pence or shillings by buying it on the plane. So we can't possibly lose revenue on that side. If anything we can increase our revenue because now everybody would know that they wouldn't have to buy from BEA. And I must reiterate once again, Sir, and this is from very reliable sources, Sir, that an enormous amount of tourists coming to Gibraltar actually buy their whisky at London Airport, bring it all the way to Gibraltar, and then take it back to Britain under their allowance. Now, with this system, I think we can be more competitive than London Airport and you'll save probably the inconvenience of having to convey the bottle of whisky or gin or tobacco to and fro. Well, of course I cannot see any possible fear of loss of revenue which I am sure we are all very concerned about, but I think we can say that this will be, if anything, very beneficial to the revenue side of Gibraltar and in addition, I think, providing a very good service, not only to tourists, but to the people of Gibraltar who have previously been unable to take advantage of the tax free li quor. That is all, Sir, it is very brief, but I still maintain that I cannot see any argument with fear of possible revenue to the Government at all.

/loss of

HON J BOSSANO:

Mr Speaker, I am afraid that there is a danger of loss of revenue and it all depends, Mr Speaker, on the relative sales at present being made to tourists as compared to the potential sales with the existence

of a Duty Free Shop. And the only way one could be sure that there would be a net gain as a result of the bringing into effect of a Duty Free Shop, such as the Government is considering, would be by, for example, considering any statistics there may be available. For example, if the Statistics Department has been carrying out any survey of tourist coming to Gibraltar. I believe the Statistics Department are carrying out the interviews, and if they have included in that questionnaire questions about whether tourists buy cigarettes or spirits in Gibraltar, then it would be possible to produce some figures to indicate for example the proportion of tourists who on average buy in Gibraltar before they go back and what are the sort of things that they buy. And I think this sort of information is an essential element in long term planning for the Government that is committed to a promotion of tourism, and perhaps they do have that sort of information, but the House does not have that information. And in the absence of that information the one thing that the House does have is figures, for example, about the duty on cigarettes for local consumption and the duty of cigarettes as they are going to be sold in the Duty Free Shop. I don't have the Bill to hand, but I believe the one for the Duty Free Shop I believe is going to be 25p for 200 cigarettes. Now this in fact compares with the other Bill where there was a duty 513p per thousand, which makes it 100p for 200 cigarettes. Am I right?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, if I could say, that included in the price of cigarettes at the Duty Free Shop, there will be a way leave to Government of 25p and a transit payment in respect of rent of 20p. So 45p are accruing to Government on a carton of 200 cigarettes.

HON J BOSSANO:

Well Mr Speaker, 45p would be then the maximum, and this is 45% or possibly less, I am just making some overall comparison to show that one needs to sell much more in the duty free shop to obtain the same amount of revenue, this is why there is a danger of getting less revenue, because if for example the duty in the Duty Free Shop is going to be half or a quarter of what it is in town, then we need to have people buying four times as much just to get the same revenue and we need more people buying four times as much to show a net gain. And we do not know whether people are buying anything at all or not because we do not have the figures available at the moment in the House. Now on the face of the figures there seems to be quite a large disparity.



Obviously there has to be to make these goods attractive in the Duty Free Shop and it is important to be aware that there is an element of danger in the system, although in principle I think the idea of a Duty Free Shop is a desirable one. There is this question of the marginal net gain to the revenue. If there is going to be a net loss in respect of a drop in sales in town we have to know, we have to be aware of the fact that the volume of sale in the Duty Free Shop would need to be several times that of the present volume in town. And that for 100 packets less sold in town either 100 bottles of whisky less sold in town, the Duty Free Shop would need to sell 300/400 just to produce the same revenue. I think this is the sort of consideration that makes us see an element of danger, in the Duty Free Shop not producing as much excess revenue as one would have hoped. And if we are not going to get a huge increase in revenue, or at least a substantial gain in revenue, then the hardship we may cause to a certain sector of the community has got to be held in balance. This is the point my Honourable friend, Mr William Isola, has been making. If in fact the community is going to gain like, for example, a sudden increase in revenue of £100,000, then we may well say, well, perhaps we are going to hurt certain shops in Main Street, but, you know, it is regrettable, but we have got £100,000 to show for it. Now, if we are going to have £5,000 to show for it, and in the process we are going to cause hardship to a number of traders with small shops in Main Street who are selling spirits and tobacco, then the £5,000 gain may not be worth it. This is why a balance must be struck. I appreciate the point the Financial and Development Secretary has put about not being able to quantify the thing, and I think it is a very valid argument, but nevertheless quantification enables us to assess the legitimacy of the step in a way that one cannot do in the absence of it, I don't normally stand up to defend the interest of small traders, either in Main Street or anywhere else, Mr Speaker, but I can see, you know, I am not a statistic man, I do not like to deprive people of their livelihood just for the sake of doing it. If the community is going to benefit greatly that is something that has got to be put on one side, and if few people are going to be hurt in the process, then, one wishes to do things without hurting anybody, but the welfare of the whole must be predominant in any democratic institution, in any democratic community, and here we cannot weigh adequately one thing against the other.

Now, in respect of the running of the shop itself, this seems to me an ideal opportunity for the Gibraltar Labour Party to commence nationalisation. I am surprised they haven't gone wholeheartedly for it, Mr Speaker. Now, if we are going to have the importers themselves running the shop, then I think the Government must make sure that the margin of profit inside that shop is adequately controlled, because we do not want the tourists buying the things just slightly cheaper than they would outside and a lot of small businessmen having their income cut down substantially, the revenue

being marginally improved, and the four main importers having their bank accounts doubled. That, I am sure, would not be the purpose of the House.

HON M K FEATHERSTONE:

Sir, I am not going to say very much on this. We have had the economist from the other side - and I would say at this juncture, if I may digress for a moment, say that I have nothing against, I do not wish to denigrate economists. All I have said, Sir, is that they never agree. I didn't say I held him in very low esteem, as was challenged this morning.

Sir, the position before this Budget was that on British European Airways you could purchase 200 cigarettes for about £1.40, £1.50, and in town, Sir, you can purchase the same cigarettes for £1.90. So that before this Budget it was already uneconomical, and it was becoming fairly well known amongst tourists, and amongst those tourists are the crew of the aircraft who do buy cigarettes etc, that you were already 40 or 50p on the wrong side. Now, after this Budget, Sir, if you were to buy your cigarettes in town you would be paying £2.20 or £2.30 - 40p more than it used to be. We are now going to get 45p out of selling it duty free, and a pretty good certainty of being able to sell it in pretty large quantities because it is economic and is surely good business. The same thing, Sir, also happens with alcohol. Nobody was going to buy the three bottles unless they happened to form part of a large party, or were going to end up in London Airport in such a state of inebriation that they wouldn't know if they had got one bottle, or three bottles having drunk the other two. Therefore, Sir, the majority of people to my knowledge were not able to avail themselves of the opportunity.

This, Sir, is not a new venture, as such, it is a new venture for Gibraltar but every Airport in the world is doing very large business in duty free. I am sure it is going to be successful here, Sir. At least I think that even better than statistics to work on, an experiment is far better, and I am sure that by the time we come to next year's Budget this will prove itself 100% to our advantage.

HON J CARUANA:

Mr Speaker, on the general principles of the Bill. I have already spoken about this, before now, and I have made it known in no way uncertain how repugnant such a thing has been to my mind. And this has

been confirmed to me by several Main Street traders before, and even this morning and at lunch time. They have stated how detrimental such a Duty Free Shop will be to their business if this goes through. This Duty Free Shop will benefit the Government and according to the information which we have from the Government, three of the wholesalers in Gibraltar, but very little account has been taken, as has been said before, of the many retail outlets in Gibraltar who, I have been assured this morning, do a very vast amount of trade from the forgetful casual buyer, the tourist, the Gibraltarian, the visitor and friend of Gibraltar, who comes and buys his 200 cigarettes, packets of cigars, the bottle or 1½ bottles of spirit and wine in the local shops. I have been assured of this only this morning, it has been represented to me by these retailers this morning, and it has been represented to me that at least two or three of these members of retail outlets in Gibraltar have made representations to members of the Government. I have been told this this morning in no uncertain way, and yet we were assured by the Minister for Tourism/Trade the other day that he had consulted them. But I believe he only consulted the three or four wholesalers and not the retail outlets. But I have it today from their evidence that it has been represented to them that this will be a killer to Main Street in Gibraltar. This has already been represented to Government that there are other ways in which dutiable goods can be attracted to tourists in Gibraltar and yet be of benefit to everybody concerned. The fact that Government is going to gain from this is not in dispute, the fact that the wholesaler in Gibraltar is going to gain in this is not in dispute, what is in dispute is the effect this will have to the livelihood of the retailers along Main Street, and perhaps also that of the Government because the Honourable the Financial and Development Secretary has said that it is difficult to estimate the revenue from this. We hope that he has been underestimating and that his figures at least for the Government of Gibraltar will be better than the ones he has given. The future of the retailers and the business in Main Street is certainly very greatly in doubt today.

/and/

The Honourable the Minister for Education has educated us today of the availability of cigarettes in Gibraltar at £1.90. In many cases it is £2 for 200, and they will be £2.30p after this increase. It has been represented to me that it has been made clear to the Government that cigarettes could be sold at the same price as in the Airport without setting up any Duty Free Shop at all in the airport whatsoever and giving the Government a tremendous benefit in duty in any event.

So I think, Mr Speaker, that the arguments presented; the goldmine, yes, we would rather have this kind of goldmine than have one or two families lose



their businesses as of tradition. It would be a sad day for Gibraltar if the little man were to be put out of business as a consequence of making just a few more pennies here or there for the wholesaler. It is a very sad state of affairs.

The other thing which has to be taken into account is whether in fact all the measures which we are taking today will bring Gibraltar at a par with the allowances given to EEC countries for Gibraltar, because in recent days in fact, Mr Speaker, it has been my sad experience to have been with a couple coming in from a ship on cruise. And this couple having been made to go through the embarrassing situation of having to pay £2.40 in duty on a couple of bottles of whisky in my presence, after having been detained for an hour and a quarter at Waterport, when in fact they were in transit to the United Kingdom. Where in fact they had the full allowance allowable in the United Kingdom but not allowable in Gibraltar. I only hope that the measures piously announced today will put us at a par with the EEC allowances for tourists and travellers, but I must reiterate the sad warning that the important issues in question today is in fact the future of the retailers who sell spirits and tobacco in our shops today. This is what is at stake today, and nothing else.

HON A W SERFATY:

Mr Speaker, as the promoter of this idea of an Airport Shop, because it is my responsibility in Government to think about these things, I can say that there I have been for months discussing this with the importers, with the administration, and I have come to the conclusion that there is, whatever members opposite may say and I am always willing to learn from better men, no better way of doing this than the way we have proposed in this legislation. First of all I would like to say that the Government is not getting a penny out of the whisky that is sold in the three bottles packs at present. So there is no question of how much - talking now of export, forget Main Street for a moment, I will come back to that in a moment - there is no question of how much more the Government is going to get out of this export to tourists and others leaving Gibraltar. It is all a new income. Of course it is very easy, and has been very easy up to the present, for the importers to sell three bottles of whisky at 75p each. Very easy. And the Government and the people of Gibraltar have not seen a penny of it! They were not, several months ago, at all about these measures that we are taking now. Not at all. And I have practically imposed myself on them, that they must try and make this scheme work for the benefit of the people of Gibraltar.

And this is the first time that the people of Gibraltar, the Gibraltarians and residents alike, will now be able to buy these, call it duty free, I am going to call it duty free let me tell you, and I will tell you why, tobacco and liquors when they leave Gibraltar. I think that for too long Gibraltarians leaving Gibraltar have had to buy their tobacco and whisky in Main Street.

Coming to the statistics of the Honourable Mr Bossano: of course, as I said before, the Government has not seen a penny and I am not in a position to say how much the Government is making, because it is making nothing, but we have an idea of the amount of stuff that has been exported to be able to calculate more or less how much this means to the Government. My guess, and it is my responsibility to make intelligent guesses, is that it will bring more than the £15-20,000 as the administration has told me. And I am prepared to take that risk because I consider it a duty to open a shop in the Airport and to give facilities to cruise visitors. For too long now Gibraltar has had an image of increased prices and this is going to help promotion of tourism because we are going to promote it well and properly in brochures and by all means at our disposal. Let me say this: I was asked, I think, by my Honourable Shadow, whether this was going to be run by Government. I was pondering over this question of Government having a shop of its own. I have, because I do not, and this Government, does not believe in monopoly. But we finally came to the conclusion that it was better to get the importers to do this. There were four at the initial stages, one has dropped out as I have said before in this House, and three are going to do their best, it is not going to be an easy matter, to run a joint company to operate this Airport Shop. And let me tell this House this: at all times I have told the importers that if other importers want to join this consortium, if you want to call it that, importers of different makes of whisky and tobacco, they will be free to join that business at the Airport Shop.

I think it was the Honourable Mr William Isola who asked whether this facility was only available only on leaving Gibraltar. Of course it will only be on leaving. Tourists coming to Gibraltar, if they haven't bought any from Hills Shop at Heathrow, or the other at Gatwick, will have to buy their liquor and tobacco in Gibraltar. This, I insist, is opening up the market here to potential buyers of liquor and tobacco.

Now, Waterport is a different kettle of fish. We could not have had a shop at Waterport. I suppose we could, but it would be far more difficult to control than the one at the departure lounge at the Airport. I am sure the Opposition will agree with me there. So what we are going to do with the Seaport is that in the same way as people now

pay for three bottles and get them on departure, they will pay for one or two or three, if they want to, and any amount of tobacco they wish to buy, and they will be given this when they leave Gibraltar. I have hopes that one day, but this is not possible now, we shall have a shop in the Seaport. I am convinced that the administration is right when they say that that could be very dangerous and could give rise to all sorts of hanky panky. We have not forgotten the Main Street traders. I personally don't believe that this is going to affect Main Street trade to any appreciable extent. I do not. I do not know whether the House has realised that the import duty that we have imposed on cigarettes works out at £1.45 per 1000 cigarettes. Maybe the House will ask: why not impose £1.50? Well, the difference of 5p, because tobacco is going up by 3p which is £1.60 will go to the retailers. I don't think the retailers have had a reasonable return for their investments and for the work of selling ten packets of twenty cigarettes at a profit of  $\frac{1}{2}$ p each. So we are slightly increasing their profit. I haven't consulted Mr Canepa on this, I must say. Their profit of 55p on 1000 cigarettes has been increased to 60p, the importers are not going to make 1p more. The retailers in the shops will now be able to make 60p per 1000 cigarettes, which is not too much at that. So I hope the House will accept this innovation. I wouldn't call it an experiment. If it doesn't work well, we can always go back, mind you. Laws are made by men and can be changed by men, but I am positive, I am positive, that this is going to work and will benefit the people of Gibraltar considerably.

HON M D XIBERRAS:

Mr Speaker, may I make a brief contribution to this debate. Not because I am as well up on these matters as the Honourable Member opposite, but because I am just thinking in general terms and perhaps, Honourable Members opposite might have an argument, might have another consideration to bear in mind. This sort of thing is always a risk, I imagine, when you take it, and it is bound to rub some people the wrong way. And I imagine the people who would be rubbed up the wrong way at this particular stage are going to be the trader in Main Street, who, by the way, the Honourable Member was very anxious to protect when he was in Opposition. But before I do, Sir, may I just, as an aside, say that the information which the Honourable Minister for Tourism has brought to the House at this very late stage, that retailers will get 5p more per 1000 cigarettes, was, as far as I recall, not made available to the House when it was considering the question of the increase in duty on cigarettes. And if Government has made an allowance, as I believe it has, of 5p more for the retailers per 1000 cigarettes, this is the sort of information which



I feel Honourable Members on this side are entitled to have at the appropriate stage and not have it dragged in an argument which is not directly to do with this matter.

HON ATTORNEY-GENERAL:

It is in the resolution: By increasing the duty per 1000 cigarettes by £1.45p. There are in a 1000 cigarettes 50 packets. It was stated that the price would go up by 3p per packet. In other words, the retailer would collect £1.50 duty, and they would be paying to Government £1.45 duty. That was, I think, with respect to the Leader of the Opposition clear from the figures given by the Financial and Development Secretary and the resolution.

HON M D XIBERRAS:

Sir, it is amasing how many things the Government allows the Opposition to work out for itself when they are not very popular and the Government is not willing to face the brunt of things, including the Honourable and Learned the Attorney-General, and come out as clearly as he has done now, and I am very grateful for his calculations and for reminding me that this was in the resolution, but perhaps he might have made that contribution when we were discussing other matters and not this.

But nonetheless, I am not for a moment suggesting that this has got through this House under false pretences - not at all - I am just saying that Honourable Members opposite were not as explicit then as they have been now. And it is a pity that this has been so.

Sir, apart from that, my big fear is that I believe that one of the things the Honourable the Financial and Development Secretary said in talking about this measure in general terms at an earlier stage in the meeting was that this was an experiment with li quor and tobacco which might very well be extended to other things. I believe he said that. On li quor and tobacco it is a pretty important step to take, bearing in mind the imponderables which my Honourable Friend Mr Bossano has referred to and my Honourable friends generally. There are a number of imponderables, especially in a situation where the increase in turnover is not always dependent on how attractive you can made the things you are going to sell now in this Duty Free Shop. It also depends of course in the number of tourist coming to Gibraltar, and the cake is not going to increase to my mind all that much and will have to be shared between people in Main Street, small retailers and

this Duty Free Shop. I don't know whether the play will be worth the candle in the end but this is obviously a matter which the Government has had time to consider and which we are bound to take their view or make judgements of our own which will not be based, as my Honourable Friend Mr Bossano has said, on the proper information.

But, let us for a moment consider what the psychological effect is going to be on trade in Gibraltar and on visitors to Gibraltar when they learn that there is a Duty Free Shop at the Airport. Let us imagine that such a visitor has been to some other holiday place, I don't know whether they have them in Spain, I haven't been there lately, but let us imagine that somewhere else there is a Duty Free Shop which sells all sorts of things, which sells dresses, and which sells cameras, which sells pens, transistors, which sells all manner of goods, which are of course revenue producing when they are bought here in town, let us say, this is the integrated part of the town; the islands which we are creating is the freely associated part of the town, where one does not need to think about raising revenue, one just sells and sells and sells. Now, let us imagine what impression this would-be tourist this beneficiary of this Duty Free Shop, is going to have in his mind and how he is going to react to the proposition that there is a duty free shop in Gibraltar. And let us imagine that he starts by saying: well, I can buy my li quor here and I can buy my cigarettes, but also, would it not be tremendously attractive to the tourist to have other things here. And let us imagine a Government, in the present straits in which the present Government finds itself in saying: "ofcourse, we should make tourism attractive. Let us put more things into this Duty Free Shop. If we are going to have now li quor and cigarettes, let us put in one by one the items which are sold along Main Street in Gibraltar which tourists buy". It is obviously fraught with the possibility of dire consequences for traders in Main Street, this idea of the Government. It may very well be that the Duty Free Shop will have to be developed and we shall have traders in Main Street moving out to the Airport and fighting there for a place in this consortium, which, incidently, Sir, reminds me of the pool for the importation of vegetables, which was not very popular a little while back. We are going to talk about pooling arrangement, we are going to talk about getting together powerful firms in the importation and distribution of li quor, and we are going to give them a pre-eminent place in Gibraltar, exempt of laws that apply to a good number of people. And we are going to become increasingly dependent on them. Of course Honourable Members on this side of the House are not supposed to have the interest of Main Street at heart, nor am I defending this primarily out of interest of Main Street, but I am talking about the possibility that a good part

of our import duties on items on which we have relied in the past, both for revenue raising and also to advance the case for tourism in Gibraltar, that part of this revenue, I say, may very well be lost to Gibraltar unless we can guarantee a larger turnover which Honourable Members opposite have given us very little indication that it will be the case. Honourable Members opposite have infact said: we are not going to loose too much out of it because it is not much good as it is at present, the present arrangement. But Honourable Members opposite have said nothing at all which will lead this side of the House to believe that we are on the verge of selling many more things than we have done up to the present moment.

HON A W SERFATY:

Mr Speaker, if you would grant leave, I would like to say two things. I fully appreciate the fears of this House that if we extend the facilities at the Airport too much we are maybe treading on dangerous grounds. But there is one thing that I would like to bring to the notice of the House, and that is, that whereas in tobacco and li quors the import duties are high and, therefore, that this facility perforce had to be given to make Gibraltar competitive, if we are able to keep our import duties on all these luxury goods at a level of about 12½% and 17½% on jewellery, then the case is not so great for the sale of these goods duty free at an Airport Shop. So there is a distinction. It is only really perfumery that is now .....

MR SPEAKER:

I am sure that this matter must have been seriously discussed when legislation has been brought to this House to amend the law. I am trying to tell both of you that you are out of order.

HON M D XIBERRAS:

Sir, I am very glad that the Honourable Member made that contribution because I feel that the Bill which gives the power in respect of li quor and cigarettes is broaching a very important principle, or breaking new ground, in the sense that we are creating a duty free area in Gibraltar, and that this duty free area in Gibraltar must have been resisted in different quarters for quite a number of years. I can for instance imagine what the position would be if the frontier was open, and our not so Honourable Friend across the way - I am referring to their Government not the people of course - complained all the time



that we were some sort of nest of smugglers, and the whole of Gibraltar was a depressed area as regards duties were concerned, and that this allowed goods to be taken into Spain, smuggled into Spain. I don't regard that as a very strong argument against the Duty Free Shop, but I do think it is a reflection on the thinking of Honourable Members opposite, who at one time advocated the whole of Gibraltar as a duty free area, and are now reduced to having one area of Gibraltar duty free. And it is the psychological effect of this that I am talking about. I think the Tourist will have it in his mind too when he comes to Gibraltar, when the Honourable Mr Serfaty put it in his brochures, I am sure that the tourist coming to Gibraltar will have it in his mind that Gibraltar is very expensive in itself, but that the Duty Free Shop is good value for money. In other words he will be psychologically pre-disposed to buying in the Duty Free Shop, and I do not think that this is going to lead to booming condition in Main Street. Nor is it, given the present state of tourism, nor do I think it is going to result in itself, or because of this particular fact or, in an increase in the number of visitors to Gibraltar. It may be a marginal selling point for Gibraltar, I have no doubt of that, but I think we should be careful, the House should be careful, in considering this that the main principle behind this Bill is one which could be full of consequences for Gibraltar as we have known it up to now.

I am sure Honourable Members, and especially the Financial and Development Secretary, who is very concerned with revenue, will be able to give the House assurances that there is not going to be this big dislocation in trade, which might very well take place, if not in the immediate future, perhaps in the medium term, and, secondly, that there are some positive arguments which recommend the proposition of the House.

MR SPEAKER:

I will then invite the Mover to reply.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, Sir, a lot has been said in this debate about our measure, which I don't regard as a very big or important earth shaking measure, but one which quite rightly deserves watching from the point of view of principle: if there were any principles we were establishing, dangers we were running into, then we thought about this a long time. Infact, I have thought about this for the two years that I have been in Gibraltar

because I have been repeatedly questioned why it is that we only let our tourist have bottles of whisky when they go by the three's and cigarettes are by the thousand, and I found it very difficult to find any explanation. The explanations I found were, as I said earlier, the special circumstances in Gibraltar where we are not like other places when we had a joint land frontier and so on. But, Sir, the reasons for this. I have travelled a great deal in my lifetime out of the United Kingdom, and I know that for thirty years past it has been the habit of most travellers out of the UK to take advantage of the concessions to bring back into the UK the cheap bottle of liquor, a cheap carton of cigarettes, and there is one other thing which the Honourable Minister for Tourism has mentioned, perfume. Those who go to Paris like this because traditionally, the duty on perfume in the UK has been very high. We are doing nothing at the moment about perfumery but my first reason for this was that it is something that I have always believed British tourists look for abroad, and we propose to give it to them in this form. As regards the traders in Main Street, well, I very much question, in view of what another speaker has said earlier on, whether they would go on getting the business of the sale of a carton of cigarettes to a British tourist, recognising what the carton of cigarettes is now going to cost in Main Street, and recognising what has already been said, that the British tourist knows what the price of a carton of cigarette is going to be on the plane he is going to fly back on, and the same applies to duty. So I wonder whether the Main Street trader is going to go on getting that business.

I think, Sir, that Main Street will continue to get the sale to departing tourists of a box of cigars. That they may do, whether there will be the variety. Anyway, as regards the Main Street traders the Minister for Trade had this very much in his mind, as has been said, when he fixed the increased duty on cigarettes, and decided that rather than take 150 pence additional on 1,000 cigarettes we should take 145, and let that other 5 pence go into the margin of the retail trader selling cigarettes who we realised wasn't getting very much of a return on his counter sales.

HON M D XIBERRAS:

Sir, if the Honourable Member will give way. There are several questions which have been asked by Honourable Members on this side of the House and we have not had adequate clarification so far of them. Perhaps the Honourable Member will be kind enough to take it into account in making his reply. One of the matters is the question of who is going to get the facilities there. Four wholesalers have been mentioned, apparently three are willing to go in, one is not willing to go in.

Are there not more wholesalers, and are they going to be given a chance or not?

The second thing is, for my part anyway, bearing in mind the principles of this Bill, has Government any plans at the moment for the extension of the facilities, and has it borne in mind, you know, what the future might be here.

HON A W SERFATY:

Mr Speaker, I believe the Leader of the Opposition has asked whether we have plans to extend these facilities. Well I have already said that it was simple in the question of whisky and tobacco.....

MR SPEAKER:

I am afraid that the Minister cannot reply. The position now is that the debate is finished. The Financial and Development Secretary has given way to the Leader of the Opposition, and the only person who can speak is the Financial and Development Secretary.

HON FINANCIAL & DEVELOPMENT SECRETARY:

Well, Sir, my Honourable Friend, the Minister for Trade, has already given the assurance that the negotiations, if I may call them that, for the setting up of the Shop were carried on with the main importers but the others are aware of this and there will be the opportunity given to them for then to participate in this consortium which is getting together to provide this Shop at the Airport.

Now as regards the scale of the thing, just let us remember that we were fortunately able to take advantage of a small area within the Departure Lounge at the Airport which was there, which had been previously a bar, had been out of commission as a bar for quite a long time. So long as the airport is this size we are not going to be able to have one great duty free emporium of goods.

Have we thought of principles; yes, indeed we have. I didn't give a figure for the revenue because there are these factors. I will tell you one reason why: I think there is a considerable change maybe, I have said people like to take back cigarettes and liquor. There is an increasing number of people, I think, who do not smoke and whose family at home do not smoke, and who are therefore, not so interested in that



carton of cigarettes as I was for the last 20 years. One doesn't know, but a figure was given, and my Honourable Friend the Minister for Trade put it at £15,000 or £20,000. Now, I would have agreed with him at £15,000 or £20,000, but quite frankly I didn't give a figure because I thought that if I had given my estimate of £15,000 or £20,000 my Honourable Friend might have said, no, it was £25,000 or £30,000. We do not know. But it is of that order. Now, this is useful, it is a tourist measure and it is a revenue measure on no very great scale. We shall look after the traders in Main Street or elsewhere.

Sir I think I have answered the questions and I commend the Bill to the House.

Mr Speaker then put the question which was resolved in the affirmative.

The Bill was read a second time.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I beg to propose that the Committee Stage and Third Reading of this Bill be taken later today.

This was agreed to.

HON M D XIBERRAS:

Sir, I wonder what the urgency of this matter is. Is there an immediate urgency. It is a measure which in debate has brought up ....

MR SPEAKER:

I wouldn't know what the urgency is. I am just carrying out my duties.

HON M D XIBERRAS:

I wouldn't like to be unnecessarily obstructive, but is there great urgency in this particular measure? I take it they would like to start this straight away, I mean, or is a month a fair period for the setting up of this shop and carrying out the various arrangements.

HON A W SERFATY:

We want to start straight away. We do not want to lose any revenue we can afford to get. It is something that could start very quickly, in a matter of days.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

We are in April, and we have thought and discussed this for a long time with considerable care. We have decided and thought we ought to go ahead.

MR SPEAKER:

Right. I think the Chief Minister has a motion to move now.

HON CHIEF MINISTER:

Mr Speaker, Sir, there could be an appropriate break for another intervention which has nothing directly to do with what we have been dealing with.

You will remember that I drew the attention of the House in fact on Friday to a certain article in the Gibraltar Chronicle on which you found that there was a prima facie case of contempt. I said that I would like to have time to consider the matter, to look at the matter carefully without undue haste, particularly because there has not been in the twentyfour years that I have been a member of this House, to my recollection, any such case of the prima facie finding of contempt.

I think perhaps I ought also to draw attention to a fact which may not be appreciated outside, and that is that the House is supreme in deciding on its own whether a statement is contempt or not, without having to hear anything else but on the merits of the publication itself. I think this should be borne in mind because this is a privilege which the House of Commons has enjoyed for many years and is reflected, not only in our Standing Orders which apply the practice of the House of Commons since there is no specific provision here, but to show the importance of it in the House of Assembly (Rights and Privileges) Ordinance there is provision also for making contempt of the House a criminal offence. That, therefore, shows the gravity with which these matters are looked at by the House.

However, because there has been no case before, and because it would be a good opportunity to give the media the chance of considering the matter to avoid a repetition, rather than have to go very severely into the matter now, I am proposing the following motion, of which I have given you notice, and which has been drawn up in consultation with the Leader of the Opposition. It reads:

"this House resolves that the article under the title "Grumblings in the House" published in the Gibraltar Chronicle on Friday the 29th of March, 1974, constitutes a contempt of the House of Assembly and further resolves that the Editor of the said newspaper be so informed in writing".

I feel that this would meet the circumstances in this first case and would serve to draw attention that this House requires to be dealt with with respect. I will say no more about it. I will just move the motion in the terms of which I have already given you notice, Mr Speaker, and hope there will be support from the other side.

Mr Speaker then proposed the question.

HON M D XIBERRAS:

Mr Speaker, as the Honourable Chief Minister has explained, this motion was drawn up in consultation with me, and I have no doubt in my mind that the article "Grumblings in the House" did constitute prima facie contempt. The Chief Minister has said that in these cases the House decides whether it is contempt or not without anybody else having to add anything to it. But I think there is a word of explanation which should be added.

The House does this, I understand, because debate in the House must be free from all outside constraints. Most questions of privileges, Parliamentary privilege, have as their object free debate, and any kind of coercion, interference, or attacks, unjustified attacks on the House, in however mild a form, must be resisted if the House is to remain free to discuss all matters of public concern according to the Standing Rules of this House. It is not just a question of calling the attention of the Editor or of a particular newspaper but also to establish and reinforce the principle that the House must be free of constraint, especially unjustified constraints, on the part of press or public if we are to arrive at the best decision according to our lights in this House. And, therefore, I would ask people generally to understand the reason for this motion, which is one



of protecting the rights of the House in the interests of the public who elect us. To protect the right to free speech.

I shall add, Sir, that in supporting this motion this particular article has been somewhat out of character with the particular newspaper concerned, from which we have had very good and accurate reports in the past couple of months or so, very full reports, if I may say so. And this particular article was not one reporting the proceedings in the House, it was one by way of commentary, and perhaps that is why it stuck out as a bit of a sore thumb. I am sure that editorial responsibility for the publication of this particular edition is what is at fault, and it is one of these things where the House must defend itself in the interest of the public. I hope that in doing this, the support of both sides of the House, we will advance this cause rather than create any acrimony between the House and the press generally.

MR SPEAKER:

Do any other member wish to contribute to the debate?

HON P J ISOLA:

Mr Speaker, I would just like to add a few words to what has been said by the speakers so far.

It may be a matter of some surprise, I think, to Honourable Members of the House that for the last 25 years there hasn't been such a similar motion before the House in respect of other sections of the news media, but this, I think, says a lot for the marked restraint of Members on this side of the House. This particular motion, Sir, I think is unfortunate in coming. I think it was inevitable in view of the article in question. It is unfortunate because there is no doubt about it that the newspaper in question, the Gibraltar Chronicle, does genuinely seek to give impartial and clear reports of proceedings of the House. And I think in that sense it does a great service to the public of Gibraltar. I think possibly the article itself of "Grumblings in the House", and the sort of attitude that was depicted in that column, is an attitude that is general, or not general, that is shared in Gibraltar, and I think it is brought about as a result of a certain amount of unfair reporting of the proceedings of the House that there is going on all the time. I think it is necessary to say. Strangely enough the newspaper in question that we are today finding guilty of contempt of the House, or the privileges of the House, is one that has by and large, certainly in the

last two or three years, sought to give an impartial account of events. I said, last two or three, perhaps I should have gone a bit further, I hear grumblings on the other side of the House. I would probably extend that to a number of years. It is perhaps unfortunate that we have to be considering this particular motion today, and I think it is right that whatever our own feelings might be about the impartiality or otherwise of a newspaper, if it transcends the restraint that it should have or should exercise in relation to the proceedings of the House, then, whatever, our own personal attitude to the particular news media, we must all, in fairness to the House, in recognition of the dignity of the House, uphold, we must support a motion of this nature.

There is no doubt on my mind at all that the article in question, as you ruled, Mr Speaker, was prima facie in contempt of the House, there was no doubt about it, and accordingly it is not difficult for Honourable Members to associate themselves with this particular motion, and I so do, but I think it is only right and fair that we should put it in its proper perspective.

MR SPEAKER:

Are there any other contributors?

HON J BOSSANO:

Mr Speaker, my contribution in support of this motion, I wish to limit simply to bring to the attention, not so much to Members of this House, because I think Members of the House are aware of what I have to say, but to members of the public. The fact that whatever our differences of policy and ideology might be on the two sides of the House, the Members who are here give a lot of their time and a lot of their energy to what they consider to be the welfare of the community. Now, there are different views as to what that welfare should be, and some times, all of us, each and everyone of us, at one time or another, tends to find it difficult to control himself and perhaps goes further than is called for by the highest standard of parliamentary debate. But that does not in any way mean that our work here in the House, and our commitment to parliamentary democracy, is in any way debased by a desire simply to spend time in a slanging match calling each other names. If some times we depart perhaps from the highest standard of debate, it is because as human beings we cannot control our tempers always. And I think members outside this House, members of the public, whose welfare were

most concerned to protect, I think, for most of the time, find it all too easy to criticise individual Members, both in the Government and in the Opposition, and I think this is not the first instance. In that article there was a reference to a wider sort of feeling of disapproval of Members generally, and I think there has been a marked exponent of this disapproval - I don't think I need to mention the individual members who, I think, are well aware of whom I am thinking. I think Mr Speaker that the fact that the House itself is capable of expressing disapproval is a very desirable innovation and it is perhaps something that the House itself ought to consider using a little bit more often than once in a lifetime.

MR SPEAKER:

I will now invite the mover to reply.

HON CHIEF MINISTER:

Mr Speaker, there isn't very much I would like to say. First of all I am grateful to the Leader of the Opposition for highlighting what I thought I had made clear, but which obviously I had not made sufficiently clear, and that is, that the whole purpose of the House maintaining its privileges on the question of contempt is precisely in order to ensue free debate, and to be free from constraint from outside, or from a press that is not only critical, which is right and proper that it should be, but leaves the standard of criticism into the area in which the motive of the remarks bring the House into contempt, or in the eyes of the people brings the Members of the House into contempt. I think the points made by the Honourable Mr Bossano are very, very true, and this is why the House of Commons over the years and centuries has been so concerned about upholding its right to exclude members of the press if this was necessary, because the essence of Parliamentary democracy is to argue freely and without constraint.

Now, I would like to make one point, that this was a matter of comment which we found objectionable. Now, accuracy in reporting is another matter, and of course there can be inaccuracies in reporting. But they do not amount to contempt unless there are deliberate faults in it in such a way that they are not fair contemporaneous reports and do not give a reasonably balanced view of what is happening. Inaccuracy in reporting in itself may be for many reasons, lack of space, lack of ability to report properly, lack



to take the essential point, or bias, there are many ways in which this is reflected, and, naturally, this is essentially a matter of responsibility for the paper, for its standing, for its dignity, and so on, and nothing that I have said in my opening remarks in any way takes the matter outside that small column, and in no way reflects anything else but that. That is all that we are interested in.

The press will continue to report, sometimes to the satisfaction of one, sometimes to the satisfaction of the other. That is the essence of the free democracy. What we are concerned with here is to make sure that whatever reports are made of what happens in this House, the comments do not bring us into contempt with the people who, as Mr Bossano has rightly said, in one form or another we all try to serve in the best interests of Gibraltar.

MR SPEAKER;

May I congratulate the House for the dignified way in which this matter has been dealt with. I think I am entitled to do that.

Mr Speaker then put the question, which was resolved in the affirmative.

The motion was accordingly carried.

Committee Stage and Third Reading.

HON ATTORNEY-GENERAL:

Mr Speaker, I have the honour to move that this Honourable House do now resolve itself into committee to consider the following Bills clause by clause.

The Appropriation (1974-75) Bill, 1974;

The Family Allowances (Amendment) Bill, 1974; and

The Imports and Exports (Amendment) Bill, 1974.

The House in Committee.

## THE APPROPRIATION (1974/75) BILL, 1974

Clauses 1 to 3 were agreed to and stood part of the Bill

Clause 2

The Schedule was agreed to and stood part of the Bill

The Long Title was agreed to and stood part of the Bill

## THE FAMILY ALLOWANCES (AMENDMENT) BILL, 1974

Clause 1

HON A J CANEPA:

Mr Speaker, as I mentioned when I introduced the Bill earlier in these proceedings, I have circulated amendments that I propose to move to the Bill in respect of Clause 1.

Sir, I beg to move that Clause 1 of the Bill be amended by deleting the words and figures "1st day of July" and substituting therefore the words and figures "1st day of April".

Mr Speaker proposed the question.

HON A J CANEPA:

Sir, in moving this amendment, I am meeting as far as I can the wishes of Members generally that payment of the increased allowances should be effective from the earliest possible date, which is with effect from today. It will mean, Sir, that there could be some minor delay in issuing the new Family Allowances Books, which are generally issued throughout the month of April. The bulk of them come in at the end of April, and it could happen, therefore, that when the new books are issued, because there would have to be an element of payment of arrears in respect of the order to be cashed, there could be some

delay for the public in receiving the new books. I think that in fact happened on a similar occasion two years ago. But I think the public should be aware of the fact that in any case, no matter what delay there is, the increase of Family Allowances comes into effect today and they will be getting retrospection.

HON J BOSSANO:

Mr Speaker, in support of the amendment the Honourable Minister for Labour and Social Security has brought to the House, I can only say that the Opposition is very glad that he has been able to follow the advice which was based on the sound and logical argument that if what we are seeking to do with this Bill is to provide protection for a sector of the community in respect of items that are going to affect their cost of living as from today, logically we should do whatever we can, as far as it is within our power to do so, to give that protection as near as possible to the date when the increased charges are going to affect them. And although I myself did not suggest to the Minister that he should attempt to do it as from today, I just left it to his discretion to do it as near to today as possible. We are glad on this side of the House that he has been able to make it today, and I am glad to associate ourselves fully with the amendment.

Mr Speaker then put the question which was resolved in the affirmative.

Clause 1 as amended, stood part of the Bill

Clause 2

HON A J CANEPA:

Mr Chairman, again I beg to move that Clause 2 of the Bill be deleted and substituted by a new clause as follows:

"2. Section 3 of the Family Allowances Ordinance is repealed and replaced by a new section as follows -

3. Subject to the provisions of this Ordinance, there shall be paid by the Director, out of the Consolidated Fund,



for every family which includes two or more children, and for the benefit of the family as a whole, an allowance in respect of each child in the family other than the elder or eldest at the rate of 70 pence a week in respect of the first child other than the elder or eldest and 80 pence a week in respect of each other such child".

Mr Speaker then proposed the question.

HON M D XIBERRAS:

Mr Speaker, I think enough was said in the debate on the general principles of the Bill to show that the Opposition is not at all satisfied with the amounts which are being given now, and I wonder whether the Minister for Labour took note of the feelings expressed at the time. I think, Sir, that this is, apart from the arrangement on the clawback which was introduced last year by the Government, this is the first increase as such which Honourable Members have introduced in Family Allowances in their time in Government, and it takes place at a time of very great inflation, something in the region of 15% to 20%, and this particular arrangement is going to affect families with three children and over. I wonder whether the Government, in their hearts of hearts, feel that this is a sufficient increase or as much as Gibraltar can afford, bearing in mind all the measures that have been taken at this and the last Budget, and the tremendous rate of inflation that there has been up to now and that there is going to be in the future. I wonder if the Honourable Minister for Labour has any views on that.

HON A J CANEPA:

My views, Sir, are that notwithstanding the degree of inflation, ~~and which~~ certainly hasn't been running since April, 1972, when Family Allowances were last increased, ~~the increase was 15 to 20% a year.~~ I deny that most categorically. What it has increased since April, 1972, in two years, is something in the region of 22 or 23%. In respect of the first child, Sir, we have already given ~~40%~~ 40% increase; in respect of subsequent children we are giving an increase of 60%. So, I think, Sir, that we have definitely taken very close account of that. One should also perhaps say that these increases in family allowances should not be seen in splendid isolation. They are not intended to cover the whole range, the whole gamut of increases in the Budget. One should also take into account the fact that the great majority of working class families will

have at least one payment of increased Cost of Living Allowances coming in as from the 1st of April. So these things together, Sir, do I think go a very considerable way towards protecting and maintaining standards of living at certainly what they were two years ago. So, I have taken into account the comments that were made earlier in these proceedings, and I have improved these allowances to the extent that we are able to.

HON P J ISOLA:

Mr Chairman, the Minister has said that he has taken into account the comments that we made earlier on, which were directed at a question of the larger families. He told us, I think, that there were about 650 families who would be affected by these extra 10p which the Government has now agreed to give in respect of a third and subsequent child. I have just done a little sum while the Minister was speaking: that is about another £3,300 on Family Allowances. Well, when one considers the magnitude of the increases there have been in electricity and water, against which this was meant to be a cushion, looked at it that way, Mr Chairman, I do not think that the amount being given is likely to produce or provide much cushioning, but rather just pay almost lip service to the Government desire to help the larger families. One would have thought that in a case like this, when we are talking of a mere £3,000 relief in a £900,000 Budget, or taxation, but in terms of the larger family we are talking of the area of electricity and water, which of course were the areas where the largest increase were put in, one would have thought that the Government could have been a little more generous. Doesn't the Minister feel he could go further and make it 20p instead of 10p in respect of the third and subsequent child, bearing in mind the cost which from what I see is not great.

HON A J CANEPA:

Sir, the two amendments together entail an increase of some £10,000 over and above what I had already brought to the House when the Estimates of my Department were being considered last week. And let me say, Sir, that it was my intention all along to increase Family Allowances at this Budget session. It didn't have to be dragged out of me as happened two years ago. At the time that administration didn't bring any ~~amendments~~ <sup>proposals</sup> to increase Family Allowances and it was the events of the Budget that led to those increases. It was always my intention, and I have gone as far as I have been able, to improve on the increase that I had already had in mind.

One point, Sir, that I forget in my earlier intervention to reply<sup>to</sup> was that raised by the Honourable Mr Xiberras, when he referred to clawback. The clawback mechanism that was introduced by this Government last year, Sir, was something new in the sense of legislation, but it wasn't something new in what it set out to do, namely, to collect back from families who perhaps because of their income level could not be considered to depend on Family Allowances, part or the whole of those allowances. The only thing is that under the previous legislation it was done by reducing the allowances allowed to families under the Income Tax Ordinance in respect of children, but the object there was exactly the same. With a clawback mechanism it is just done in a different way, but it is not something that we introduced entirely out of the blue.

HON M XIBERRAS:

I am sorry the Honourable Mr Canepa misinterpreted what I said. I was actually giving him as an advantage to the public generally, the clawback arrangements. In other words, I am saying that apart from that not much else had been done. Now that is what I intended to say.

On the cost of increasing Family Allowances further I do not know whether the Honourable Mr Canepa's figures are correct or not, but I would imagine that they are. I know that this can develop into a bit of a bargaining session, and we do not intend of course to press the point further, but we have been successful with these tactics in the past in increasing the benefits to the public at large and particularly in this area, this section of the community. I do not think the £10,000 figure is correct, on the retrospection, clerical errors are expensive these days, no doubt, and if the Government feels that they cannot do it then of course it is up to them. They are responsible for this, as for a great part of the rate of inflation, and they will have to face the music of this. I do not think that the Family Allowances at the present level are enough, considering the rate of inflation. And big families are at a disadvantage COLA or no COLA.

I will just end, Sir, on the point that Family Allowances did not have to be dragged out of the previous Government. The record of the previous Government on Family Allowances was not a bad one. Of course this present Government may go further if the rate of inflation continues unabated. They will have to raise it by about 300% but no doubt prices will have gone up by 400% by then.



Mr Speaker then put the question which was resolved in the affirmative.

Clause 2, as amended, was agreed to.

The Long Title was agreed to and stood part of the Bill.

THE IMPORTS AND EXPORTS (AMENDMENT) BILL, 1974.

Clause 1 was agreed to and stood part of the Bill

Clause 2

HON P J ISOLA:

May I have clarification on Clause 2. Because of the desire to push this through all its stages today, of course, we haven't been able to have a look at the original Imports and Exports Ordinance. Do I understand from this new amended clause that it will not be possible for anybody to sell spirituous liquors, wines, tobacco, cigars or cigarettes ex-bond from now on. Is that the position?

HON A W SERFATY:

Mr Speaker, there are certain facilities being given for bulk sales to ships. This will continue, this doesn't affect bulk sales to Her Majesty's ships and buyers of that category. This is exclusively an innovation for the sale of these goods to travellers.

HON P J ISOLA:

Yes, that may be the intention, but what I really want to know is if that is what the law is saying.

HON ATTORNEY-GENERAL:

At the moment the proviso to Section 31(1) is as follows -

"Provided that where the Financial and Development Secretary so directs no duty shall be due or payable upon any dutiable goods specified in the first part of the First Schedule from a Warehouse, Government store, private store, which are removed for exportation, and immediately upon such removal are loaded upon a ship, vehicle or aircraft, leaving Gibraltar in such a manner as to satisfy the proper officer that such goods will not be interfered with before the ship, vehicle, or aircraft leaves Gibraltar."

That is of course the case provided for ships' stores. And we carry on that specific provision in the first part of the existing proviso. Then we go on in the second part of the proviso to deal with removal for other purposes, that is, either to the Duty Free Shop, or for supply to a passenger about to embark on a ship. In fact we are taking away nothing which exists at the moment, we are merely adding. We are taking away no privilege which exists at the moment.

HON P J ISOLA:

Yes, I just wonder whether that is absolutely correct, because the first paragraph now deals with goods generally, does it not? And then the second paragraph makes special provisions in respect of particular kind of goods. I am not worried about the legal interpretation and so forth, but I just wonder whether the effect of that is not to make, in the case of spirituous liquors wines, tobacco etc., to apply the provisions of sub-paragraph (2) only.

HON ATTORNEY-GENERAL:

No, because if you look at the first word of the proviso: "Provided that where the Financial and Development Secretary so directs, no duty shall be due or payable upon any dutiable goods specified in the First Schedule". Any dutiable goods. Then you come to the alternative.

HON P J ISOLA:

That may be so, you know. I will not argue the toss on that one. What I would like to know from the Financial and Development Secretary then, is, if a wholesaler wishes to sell a crate of whisky, if a wholesaler who holds goods in the Government store, whisky and cigarettes for example, and wants to sell a crate of whisky to somebody, will he now be able to do it, or will he be stopped.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

He will be able to do it, but at that stage, when a case of whisky leaves the Bonded Stores for any other purposes than is here stated, then it becomes dutiable.

HON P J ISOLA:

I don't think the Financial and Development Secretary has got me right. If I were a wholesaler or retailer in Main Street and I hold goods in a Bonded Store, in a Government Warehouse, can somebody come to me at that shop, buy a crate of whisky for delivery on board such a ship. Would that be stopped now, or would people still be able to do that.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

That would continue. The same facilities that at present operate under the supervision of the Revenue Officers at Waterport.

HON P J ISOLA:

Does that mean that people who are at the moment selling in Main Street, and offering three bottles duty free on board a ship, would be able to continue to do this. Those are existing facilities, let us be clear.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, these are existing facilities, that is another matter. I should perhaps have said that the existing facilities which are permitted administratively will cease immediately. That is the permission that has been granted to export these bottles duty free to departing passengers.

HON M D XIBERRAS:

There is a general point which I mentioned earlier and I got yesses from the other side, but no explanation as to why Honourable Members wanted to take this Bill through all its stages today. What I am saying is that the normal period between the Second Reading and Committee



Stage has not been observed, and Honourable Members have asked for the suspension of Standing Orders. I wonder what the .....

MR SPEAKER:

No, no, Standing Orders have not been suspended.

HON M D XIBERRAS:

Honourable members have been asked to agree .....

MR SPEAKER:

Standing Orders allow for the Third Reading to be taken on the same day, unless Members disagree, when it should be taken on a subsequent date. But Standing Orders have not been suspended.

HON M D XIBERRAS:

I am grateful for that correction.

Now, could we have the reason as to why there is such great haste over this. Is it to end the existing facilities? Is it to start this Duty Free Shop? What is the point of Honourable Members being asked to take all these measures in one day?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

There is no ulterior motive for this, I can assure you. The old arrangements have been going on for a long time, but we think we have got a good plan worked out, and we would like to get on ahead with it, and collect this revenue. No more than that.

HON M D XIBERRAS:

Sir, there is no doubt **at all** that Honourable Members seem keen on the idea, I am not disputing that for one moment. What I am saying is: why is time so essential? Is it that the Government is going to publicise this? They didn't say the next month. What is the hurry? I honestly cannot see what the rush is. I hope Honourable Members

opposite will forgive me for sounding suspicious.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, Sir, I will repeat, I described this as a tourist measure and a revenue measure. We are on the 1st of April and we are coming up to the tourist season now. If we defer this to a subsequent meeting of the House then we are losing time. We would like to be in with this at the beginning of the season.

HON M D XIBERRAS:

The Honourable Member knows that this is something which several Members have said might very well affect different interests and I would have said that this sort of thing is precisely the type of legislation for which the waiting period is designed in the House. In the normal way First Reading, Second Reading, and Committee Stage, enable people to make representations. I mean, there are several people who make their living out of this who might very well have points to make, and I haven't heard up to now that everybody who has an interest in this has been consulted. I don't think people have had time to react.

Now, if time is essential, then we would agree, we would see the sense of our own agreement in taking it through all its stages today.

MR SPEAKER:

It is too late to do anything about it.

HON M D XIBERRAS:

That is why I qualify what I said, Sir. I would see the sense of our own agreement for this.

But perhaps Honourable Members, in the interest of maintaining uniformity of practice in this House, would give the reason as to why it is essential to carry this through all its stages today. I still do not see the reason. Does the Government expect a rush of tourists all of a sudden tomorrow morning, or what is the point about it.

HON CHIEF MINISTER:

Mr Speaker, Sir, reasons have been given and it may well be that they do not convince the Leader of the Opposition or Honourable Members opposite. But reasons have been given, it is not going to be put into effect tomorrow, but if it isn't passed it is going to take even longer because there are a number of details to be arranged in the meantime. The Minister has made a very important statement in his intervention in this matter. He said that everybody who is in the trade will be given the opportunity to participate. This shop is not going to be opened tomorrow, but if the law is not passed now - even if the law is passed now it can only be put into effect in a fortnight's time or three weeks' time but if we pass it in the May meeting it would probably take another few weeks after that. So really, having decided on the fact that it is a desirable measure, it is the Government's desire and responsibility to see it is implemented as soon as possible.

If it does all the harm that has been suggested on the opposite side, which we do not believe for one moment otherwise we wouldn't be indulging in it, then of course we would look at the matter. The Minister has made this very clear, that he would come back. There is no question about it, except that we consider this one of the revenue raising measures connected with the Budget generally.

HON M D XIBERRAS:

So was Income Tax at another time.

MR SPEAKER:

May I say something. I did say there was nothing we could do about it. Perhaps that is not completely and utterly correct. I am referring particularly to Rule 35 of the Standing Orders which says:

"If the consideration of a Bill in Committee is not completed it may, on motion made, be adjourned until the next or subsequent sitting of the council".

So it could be adjourned by motion.

I am saying this not because it should be but because I had said before that nothing could be done about it. I always like to be completely correct.



HON M D XIBERRAS:

When I said income tax, the thing furthest from my mind was to discuss income tax. I was referring to income tax last year when the Government took away a Bill and then brought it back on income tax. You have now said, Sir, that there is a procedure whereby this could be brought back.

I cannot see why Honourable Members are in such a rush. For instance we would find it much easier to give our wholehearted support to passing this through all its stages if the Minister said that all interests had been consulted. The Minister is so keen in consultation, he consults everybody in the formation in his committee, and so on, and now he is telling us that he has consulted the four main importers but not the wholesalers, not the retail trade: am I right in saying this? Chamber of Commerce for instance.

HON CHIEF MINISTER:

reference

In the case of the income tax, to which/has been made, I should make it clear that it is not in any way similar to this. It was agreed that we would leave the Committee Stage for a subsequent meeting on the clear understanding that it would not be considered as retrospective because we had started consideration of it at the right time and Members opposite agreed. Unfortunately you cannot do that with this one. Either you start it or you do not start it. In the case of the Income Tax Bill, the date of operation was going to be the same, and it was the same.

HON M D XIBERRAS:

I am not saying that we are not going ahead with it, Sir. Perhaps the Minister will answer my question and tell the House whether he has consulted the various interests: Chamber of Commerce, wholesalers, retailers, and so on.

HON A W SERFATY:

I do not know whether the Leader of the Opposition is suggesting that the Board of Directors of the Chamber of Commerce should govern Gibraltar.

HON J CARUANA:

That has been suggested before.

HON A W SERFATY:

That is what the President wants, but of course he is fully aware, being an importer himself, and the Secretary too happens to be another importer.

It is utterly hopeless to try and expect me to consult the dozens if not hundreds of retailers. This is not the point, this is not something that can be discussed with retailers. It is not. As I have not discussed with them the increase of 5p per 1,000 cigarettes that they are now going to get. We must try and govern to the best of our ability, in the interests of all concerned, and I would like this to be voted today, Mr Speaker, because it is going to take several weeks for this scheme to really get off the ground. If we leave it for another few weeks then the summer will be on top of us and we will be completely disorganised. And the one thing I really want is for Gibraltar to give the impression that it can work efficiently in an organised manner.

MR SPEAKER:

Let us come back to Clause 2, because that is what we are considering. We are in Committee Stage, we are considering the Bill clause by clause. It is Clause 2 and we have had very little yet on Clause 2 as a matter of fact.  
Is this liable to take a little time still?

HON M D XIBERRAS:

Yes, Sir.

MR SPEAKER:

Then we will recess for approximately twenty minutes.

The Committee recessed at 5.30 pm.

The Committee resumed at 5.55 pm.

HON M D XIBERRAS:

Mr Speaker, I think it is quite clear from what the Honourable the Minister for Trade had to say that consultations have not taken place with the trade, and that this measure, which could have been susceptible to the normal process of consultation, which is publication of the Bill and delayed to a subsequent meeting, has been discarded by the Government, and the Government wanted to press ahead with this without consultation with the interests of trade, which I gather are represented still, in the Government's view, by the Chamber of Commerce since they have representations on various Government Committees, as representatives of Trade. I would like to make clear that I in no way support what Mr Stagnetto has had to say about democracy in Gibraltar, in answer to what the Minister for Tourism has said, and that I inadvertently perhaps, for what he proposes is vertical syndicates of the sort which one has in Spain, and which are .....

MR SPEAKER:

You are now departing from Clause 2 of the Bill.

HON M D XIBERRAS:

However, Mr Speaker, there is another point which I think I might raise here for clarification. I do gather that an amendment to this Bill would be necessary for any extension of the articles to be sold in Duty Free Shops, which in no way invalidate, to my mind, the arguments which were put to the House earlier, and that is, that if this is successful for the importers concerned, that is they sell more whisky or whatever it is they are going to sell here, then importers of other articles, for instance, I quoted cameras and so on, are equally going to press that they should be allowed.

MR SPEAKER:

Yes, but we are now talking again on the general principles. We have touched on that one.



HON W M ISOLA:

What rather worries me, and I would like to seek clarification on this particular point from the Minister for Tourism. We have been talking about a consortium .....

MR SPEAKER:

No, no, I am not allowing any more of this. It is Clause 2. Anything which is relevant to Clause 2 I will allow, but nothing else. We have spoken about the general principles of the Bill before ad nauseam. We are now debating the clauses one by one.

HON W M ISOLA:

Mr Speaker, I am just speaking about something new, and I think it is quite relevant. If you will just allow me for one minute. I will just take literally one minute on this.

MR SPEAKER:

Yes, but the terrible thing is that we will start a new debate on anything new you have to say. I must not allow that.

HON W M ISOLA:

Mr Speaker, I can assure you it is not going to be a debate. It is just a question on clarification that is rather worrying me at this particular moment and we have heard quite a lot about this. All I wanted to ask the Minister is, will any member of the public be allowed to bid for this concession at the Airport, or has this been cut and dried and given to the consortium of the three main importers.

MR SPEAKER:

No, we will not touch on that. We have talked about the concession and it has been explained who is going to do it. They should have asked before, otherwise we will never finish.

HON M D XIBERRAS:

Mr Chairman, "provided that where the Financial and Development Secretary so directs", That is in Clause 2, the proviso. Is that "where" referring to a place?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Clause 2, as the Honourable and Learned the Attorney-General said earlier, I think that is a repetition of what stands in the Ordinance at present, from the proviso down to the point of (ii) in brackets on page 2. What goes before that is lifted literally from the present Ordinance. As the Honourable and Learned the Attorney-General says, that relates to the supplying of ships. Then we come on to (ii) to the proviso, that where as duty is paid on everything in all circumstances, except at (i), then we introduced that it is not payable in the circumstances of (ii), the purpose of the Duty Free Shop.

HON J BOSSANO:

I would like to take up again the point that was made by my Honourable and Learned Friend, Mr Isola, in respect of Clause 2 which I think - I don't know whether the Financial Secretary understood him to be saying what I understood him to be saying - but what worries me about this, not at the level of policy, but at the level of implementation of the Bill, assuming that the Bill is desirable as it stands, one wishes Gibraltar's laws to work well once they pass. It seems to me, Mr Speaker, that the introduction of the new subclause (2) does create a problem when it comes to be implemented. My reaction to this as a layman is that if somebody buys an article that is mentioned in the first part of the First Schedule then the Financial Secretary can make that article duty free if it is taken from a warehouse, from a Government Store, for exportation. However, if the article happens to be spirituous liquor, wines, tobacco, cigars or cigarettes, then subclause (2) comes into operation. This is my reading of the thing. If that is the case, it would seem to me that the law requires the Government to make the fees payable for bulk sales, or sales by cases, if these are delivered to persons who are living on a ship that is about to leave Gibraltar, if one takes Section 31(b) in conjunction with Clause 2 and subclause (2) of the same.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, Sir, if I understood the question right, it is that the introduction of (ii) on page 2 to the proviso would somehow affect the

original proviso which is carried forward, and which is numbered (i), running from the bottom of page 1 and page 2, I cannot see why it should, and I am assured by my Honourable and Learned Friend, the Attorney-General, that the introduction of (ii) does not in any way affect the existing proviso (i).

Clause 2 was agreed to and stood part of the Bill

HON P J ISOLA:

As far as Clause 3 is concerned, we know the premises that are going to be used for the Duty Free Shop is a rather small existing area in the Departure Lounge, and there are dangers in having such a small area from the point of view of what is going to be offered to the tourists. If what we are interested in is a service to the tourists and people leaving Gibraltar, I would like to know whether the Government intends, under Section 31A(3) to impose conditions that will ensure that there are available to the public a wide variety of drinks. Because I have found in my experience, where such conditions are not put, that the sort of stuff offered in these places are offered from the point of view that they cannot be sold elsewhere. They are put there knowing that the tourist has no option but to buy there. So first of all can I ask, will such a licence have condition as to the classes of spirits that much be supplied? As far as tobacco is concerned, equally, because one make of tobacco that immediately comes to mind, for example, which an importer is not involved, but which imports its own cigarettees are Rothmans King Size, for example, which is a popular brand, but is not imported by the three importers that Mr Serfaty intends to create into a monopoly.

The monopoly that he is going to permit in the Airport, he has decided, has got to be these three importers. Fair enough. We do not agree, but this is policy. What we would like to know is that even if it is a monopoly granted to three people, then they will be required to stock cigarettes not necessarily imported by them, and that they will be required to have a whole range of drinks. The excuse will obviously be the size of the place, but can we be assured that that will be implemented.

Now, the other thing we would like to be assured about again is that one of the conditions which the Financial Secretary will impose in the licence is the price at which these goods can be sold. Obviously the people selling there are going to be at a very great advantage to



everybody else, and we would like to be told whether the conditions will actually lay a whole set of prices so that we do not have the Duty Free Shop selling at just below the prices at which the plane sells. If it is going to be effective we would like to be assured that in the monopoly situation that is obviously now going to exist, to the detriment of others whether we like it or not, that the tourist and the public will be fully protected by ensuring a range of goods and a range of prices under the control of the Financial and Development Secretary.

HON A W SERFATY:

To begin with I am not prepared to accept that this is going to be a monopoly situation, because there will be an opportunity for the sale of every make of whisky, tobacco, gin, brandy, etc there, whoever imports it. That is why I say that it is not a monopoly of three, because if another importer, the representative of another make, wants to join, as far as the Government is concerned, and I will impose myself on this, and I have already made it quite clear, this will be done.

As to prices, of course, I have already taken it upon myself to agree on the actual prices there. We are not imposing an import duty or rent or levy or whatever you want to call it of 35p, and we are going to leave it to the importers to sell at the price they like. I already know that a bottle of whisky is going to be sold at £1.25, and a carton of cigarettes at £1.30, and that to cruise visitors and other ships, whisky will be sold at £1 and tobacco at £1.10p. I have gone through all this before, and I know the prices from memory. I really have.

As to the size of the shop, because the bar is not that small but not that big, there are two offices adjoining which are not being used at the Airport, and it is the intention of the Government to use these two offices as a store adjoining the bar.

We have gone through all this before, Mr Speaker, and I can give assurances to this House in respect of varieties, size of shop and retail prices.

HON J BOSSANO:

Mr Chairman, the Honourable Minister has explained to the House the

great pains he has taken in preparing the ground for this Duty Free Shop. Will the Minister say whether he has in fact informed the lesses of the three shops at present at the Airport that this is going to take place within the next few weeks, in view of the haste of the Government to put this Bill through, and what has been the reaction of these three shops .....

MR SPEAKER:

No, no. I will allow an answer of, yes or no, but we are not going to debate whether he should or he should not.

HON J CARUANA:

Or will the Minister say what is the fate of these three shops going to be when this new Duty Free Shop opens at the Airport.

HON A W SERFATY:

Is the Honourable Member referring to the shops which are now open.

HON J CARUANA:

The three shops which are now operating exclusively on the arrival and departure of aircraft at the Airport.

HON A W SERFATY:

I must declare an interest here because I am the owner of one of them, though I must say I don't sell liquor or tobacco in that shop, but there may be a small reduction in the sales of these two other shops.

MR SPEAKER:

But we are not going into that.

HON A W SERFATY:

I am fully aware, and so are the shops, fully aware of the situation.

I am fully aware of what might happen in a small way, and that has not convinced me that we shouldn't go along with the project, by any means.

MR SPEAKER:

We are not going to start a debate as to whether the project is a good one, or whether we should go on with it. We are dealing with Clause 3 of the Bill, and that is all I am going to allow.

HON P J ISOLA:

Mr Speaker, under clause 3 Section 31A(2), "Where an order has been made under subsection (1) the Financial and Development Secretary....." Well on the principle of that, Mr Speaker, I have just heard from the Minister that it is going to be a consortium of the three importers to which the licence is going to be given, and though this side does not entirely agree with the method in which it is being carried, because normally it is the policy of a Government to put sites out to tender to anybody to sell duty free, like in England. Can I ask the Minister: this granting of a licence to this consortium, will it be for six months, for one year, for two years, for five years, or what. And what conditions is he making to remove that licence from these people if the services is not good. Would they come under the Landlord & Tenant (Miscellaneous Provisions) Ordinance?

HON A W SERFATY:

If this shop doesn't work properly and efficiently, I think the Government - I mean, we shall give them at least three months to give them a chance to get going, but if after two or three months this doesn't work, or we see - I don't think we will - but if we see that this is going to affect Main Street Traders to such an extent as the Opposition fears, and I don't share those fears, then of course we shall look at it again. I have said so here before, Mr Speaker.

HON W M ISOLA:

What I am trying to get at is this, that the Minister has no intention, or the Government has no intention at this particular moment to grant this consortium a licence for three or four years, it is going to be for a limited period of three months,



HON A W SERFATY:

There is no commitment as to time.

HON W M ISOLA:

And the Government can terminate this licence without its coming under the Landlord and Tenant (Miscellaneous Provisions) Ordinance.

HON A W SERFATY:

Yes, Sir.

HON M D XIBERRAS:

There is another point in Clause 3 - 31(A). Sale of duty free goods. Does this mean in bottles, in the case of liquor, and cartons in the case of cigarettes, or does it mean that drinks will also be served in this area.

HON A W SERFATY:

There is no question of drinks being served in that Duty Free Shop. You cannot have a drink at the Hills Shop at Heathrow!

HON J BOSSANO:

Mr Chairman, if you will allow me, in respect of Clause 3 - 31(B). I would like the Honourable and Learned the Attorney-General to give an explanation about the point raised earlier, which I hoped would be explained. Taking Clause 2, which we have already passed, in conjunction with Clause 3, it seems to me that 31(b) would apply, for example, in the case where a quantity of bottles of drink are bought duty free for taking on a ship. Page 4, 31(b) (1), where we have: "that in respect of all duty free goods which have been received in premises or which have been delivered to a person who is about to leave Gibraltar by ship". Say 15p for each bottle of spirituous liquor, or 5p for a bottle of wine, or 25p in the case of cigarettes. Now, surely this means that whereas before we had the first part of Clause 2, providing duty free facilities for persons buying in quantity to take on a ship, the application of 31p means, that

although the goods are still duty free, there is a fee payable. I cannot see whether there is any exemption here for bulk purchases.

HON ATTORNEY-GENERAL:

31(b) deals with the case of the passenger. It doesn't of course deal with Ships Stores, and it is the case where the liquor is actually delivered to the passenger before he boards a ship.

Now, if he chooses to buy a case of whisky and staggers up the gangway with this case of whisky, then of course he would pay 15p a bottle. If of course he makes arrangements beforehand for the case to be delivered to the ship, then it would be as it is at the moment, where it is delivered in bulk, it is not broken before the ship leaves Gibraltar, and nothing is paid.

HON J BOSSANO:

Mr Speaker, I am often accused of being the expert on economics that nobody can argue with and I do not want to set myself as an expert of law as well but it seems to me that there is no indication here about where delivery has to be taken. It says: "which has been delivered to a person who is about to leave Gibraltar by ship", and I would say that if you deliver the case on the deck of the ship you are surely delivering it to a person who is about to leave Gibraltar.

MR SPEAKER:

It is a question of interpretation.

HON ATTORNEY-GENERAL:

If you go back to the proviso to Section 31(1), which is in Clause 2, "No duty shall be due or payable upon any dutiable goods set out in the first part of the First Schedule and warehoused in a Government store which (i) are removed for exportation and immediately upon removal are loaded upon a ship, vehicle, or aircraft" where they are loaded on, nothing at all. Then you come to (ii) "taken and delivered to a person who is about to leave Gibraltar by ship". It is in that case, when you come on to section 31(b), that the fee becomes payable.

HON CHIEF MINISTER:

Mr Chairman, the Minister has just discovered something that might do us a lot of harm if we don't correct it, and that is, 15p payable for each bottle of spirituous liquor. He has just discovered, or just thought, that there is now the tendency to have, not the 26 oz bottles of liquor, but there are now 40 oz bottles, and that is not the intention. So he is going to move the addition of the word - subject to the Attorney-General's advise - "26 ozs" after the word 'liquor' in that line, unless it can be done by regulation.

HON ATTORNEY-GENERAL:

I had in fact considered this particular matter and I think the way to deal with this would be to put a condition in the licence as to the size of liquor bottle which should be sold.

Clause 3 was agreed to and stood part of the Bill.

Clause 4 was agreed to and stood part of the Bill.

The Long Title was agreed to and stood part of the Bill.

Resumption.

HON ATTORNEY-GENERAL:

Mr Speaker I have the honour to report that the 1974/75 Appropriation Bill, 1974; the Family Allowances (Amendment) Bill, 1974; and the Imports and Exports (Amendment) Bill, 1974; have been considered in committee and agreed to. In the case of the Family Allowances (Amendment) Bill, 1974, with amendments, and I now move that they be read a third time and passed.



Mr Speaker then put the question which was resolved in the affirmative.

The Bills were read a Third Time and passed.

MR SPEAKER;

I understand that the Minister for Public Works and Municipal Services would like to make a statement on a matter of personal explanation of something which transpired the other day.

HON LT COL J L HOARE:

Mr Speaker, earlier in the proceedings of this meeting, the Honourable J Caruana stated in effect, and without any qualification whatever, that the Government had stopped the importation of water from nearby sources. That statement I categorically refuted at the time, and stated that the importation had ceased because of the sale of the tanker which had been used to convey the water. I was, and have always been, most meticulous when dealing with this subject not to lay any blame for the cessation of this service on any party.

With your permission I would like to read a letter from the principal of the firm concerned, dated the 25th August, 1973, a Saturday, and date-stamped as received in the PWD on Tuesday the 28th August. It was shown to me on that latter date. It will be noted from the letter that the tanker left Gibraltar on the 25th August 1973. And the letter which is addressed to the Director of Public Works reads as follows:

"Dear Sir,

SUPPLY OF POTABLE WATER TO THE GOVERNMENT OF GIBRALTAR

Negotiations for the sale of the Ramagua were well advanced in March last when we were asked by your department to recommission here for service between Gibraltar and Tangier with water.

2. An initial order for 10,000 tons was placed with us for delivery in March, and then a second and later a third for 10,000 each for delivery in April and May respectively.

3. By this time the Greeks on whom I had been delaying the transaction, were putting such pressure on me that I confronted the Minister with the fact and I was then asked to deliver a further 30,000 tons by the 31st of July and thus I cancelled the negotiations with Greeks.

4. Later I tried for new buyers after July, and found the purchasers interested in England.

5. I proceeded to Tangier on 29th of June on holiday and was called abruptly to Tangier with the news that Tangier had stopped our water supplies as they were very low on stocks themselves, and in fact the Ramagua sailed with only 100 tons on what I believe to be the last trip but insistent urgent representations caused the Director on the Port of Tangier to radio the vessel to return from sea and was that day filled to capacity as usual with the promise of reduced supplies the weeks in future if supplies were available.

6. Without consultation with us a further order for 20,000 tons to be delivered during August was received in my office. As an aside, here that order was placed in writing on the 6th of July. "In the circumstances explained above I could not have accepted this order in that form, although I would have done my best to deliver as much as possible within the month. The figures of 20,000 had not been reached even when Tangier could supply water freely.

7. I was informed that the distiller would operate on the 30th of July, and I did not fancy, because of the water shortage in Tangier, to find myself unable to supply water and with the second cancellation of the Ramagua sale on my hands.

So I wrote to the buyers on the 29th of July as follows:-

"After several phone contacts with your Captain Williams, I am now prepared to accept your offer for the vessel. I can now terminate the present contract as our distiller in Gibraltar will operate tomorrow and there would not be any hardship caused by ending your supplies".

8. The sale was conducted on the 3rd of August for delivery in UK on the 11th, but the distiller had failed and I could not bring myself to allow the vessel to go to UK and leave

Gibraltar without supplying, which however could have been cut off by Tangier at any time as restrictions upon themselves were very drastic then.

9. I have stretched supplies as far as possible and the vessel had to sail today "that is the 25th of August" under threat of cancellation, having delivered 11,500 of the 20,000 requested. Had Tangier remained normal I presume only 75,000 at the utmost could have been supplied by the 31st of August, but there is no more water available to us in Tangier, as evidenced by the attached letter from the RAPT to this effect".

And attached to it is a letter dated the 23rd of August from the Port Authorities in Tangier.

"10. Section 10 of our contract provides for such a situation, and it is with regret that I cannot be useful to you in this connection. I find satisfaction in having reached the stage when the distiller is operative and the community will not suffer because of the departure of the Ramagua, which I feel has served Gibraltar well".

Mr Speaker, whether or not the Honourable Mr Camuana would care to retract his statement, is his own affair. But I thought that what actually happened should be made clear.

HON J CARUANA:

Mr Speaker, I beg your guidance on this. Would you please inform me what is the procedure in a case like this as to my rights of reply.

MR SPEAKER:

This is no debate. There has been a statement made by you which could not be answered at the time because the relevant correspondence and evidence was not available. He has corrected your statement and in the light of what has happened it is for you to say whether you want to stand by what you said or not. You are entitled to do so.

HON J CARUANA:

Mr Speaker, I stand entirely by what I said because what the Minister has



read this moment is completely immaterial and irrelevant. The instance to which I was referring as to the ability and the unwillingness of the Government to continue the contract referred to the latter part of 1972 when the Ramagua was standing idle in the dock in Gibraltar between September, October, November, December, January and February of 1973. And it was that period of idleness of the Ramagua at our docks that forced the importer to .....

MR SPEAKER:

No, no, no. You are referring to that period.

HON J CARUANA:

/it I was referring to that part. By that time the importer I am sure considered selling the Ramagua rather than having/lying idle in the dock. The other thing, Mr Speaker, is that obviously from the correspondence that the Honourable and Gallant Minister for Public Works has read, he had ample warning from the .....

MR SPEAKER:

No, no. We are not going to discuss the merits. All that has happened is that you have been asked to retract something. You have given a reply by saying that you were not referring to the same period of time, which is fair enough, we must not go into the merits of the matter of the sale.

HON J CARUANA:

I hope that I have put the record right and that the Minister has in fact seen the picture in its proper perspective.

HON M D XIBERRASE

Mr Speaker, there are other matters which I raised with the Minister concerning the same subject, which he has not dealt with in the statement. May I ask your guidance as to what is the procedure in this case.

MR SPEAKER:

No, no. All that has happened is that the Minister felt that the Honourable Mr Caruana has made an incorrect statement as to facts. He has brought evidence to substantiate that belief. Mr Caruana has given an explanation why he doesn't feel that he has to withdraw, because he was referring to a different period of time, but we must not discuss the merits of the case.

HON M D XIBERRAS:

It was not my purpose to discuss the merits. The Minister also said something about - I address these comments exclusively to you Mr Speaker. The Minister also said that no notice had been given by the Operators. In this case I was responsible for correcting the Minister on that statement and I believe he did not withdraw. Would it be in order for me to make a personal statement, basing myself on the letter which the Minister has read out?

MR SPEAKER:...

A personal statement which you could have made then, no, but if you are going to bring new evidence now.

Well start and I will stop you if I consider it necessary.

HON M D XIBERRAS:

I am most grateful, Mr Speaker.

I think the record will show that the Minister said that no notice had been given by the operator for the cancellation of the contract, and the letter which he has just read out from the operators shows conclusively that for a long period of time the operators were in fact warning the Public Works Department that they intended to sell the ship unless more business was available. I believe the record will show that this was the case. I wonder whether the Minister remembers what he said on that occasion, and I think it is fair on the operators that the whole story should be made clear, in a personal statement, rather than just a part of it.

HON LT COL J L HOARE:

Mr Speaker, I have read the whole of the letter from the principals here

when the vessel was sold and left Gibraltar. That he had been in negotiations previously and that he came to see me in March is not disputed, and it is in fact here. And it is because I then offered .....

MR SPEAKER:

No, we are not going to discuss that. You can say that irrespective of what that letter says you still believe that Mr Ramagge did not give you the required notice. We are not going to debate this. If it is important enough then it can be raised on a motion at another meeting. We must not use a statement of personal explanation to re-open a subject which has been debated previously.

HON J CARUANA:

I do not know whether we shall debate this, but can I introduce a fact which is well known to the House.

MR SPEAKER:

No, we are going to leave the subject as it stands now.

#### Private Members Motion

HON J BOSSANO:

Mr Speaker, I beg to move the motion standing in my name of which I have given notice namely: "That this House is most concerned that the Government should have entrusted the carrying out of an enquiry into the Bread Industry exclusively to persons representative of the producers' side of the Industry, and by a number of the recommendations in the Report of the said enquiry laid on the table of the House on the 12th, March, 1974; and calls on the Government not to use the same method of selection on members of an enquiry team to meet future claims for price increases in other industries".

Mr Speaker, the House will recall, I think it was some time last year,



in the November meeting of the House, I had a question concerning the matter of increases in the price of bread and the enquiry, and a statement was made in the House concerning the appointment of two individuals who were to carry out this enquiry. I myself made quite clear at the time that I looked with great reservations at the handing of an enquiry of this nature to a representative of the Bakery Industry, an International Bakery Consultant, and a firm of Management Consultants, again representative of business and the profit motives. And perhaps the Honourable Minister for Medical Services, who had to say at an earlier stage in this meeting that the oil crisis might well have forced us to revise our ideas about the legitimacy of the profit motives might have something to contribute in this debate on the question of the enquiry into the Bread Industry, which reflects quite clearly the approach to the problem which one could but expect from the composition of that enquiry team. I think Mr Speaker if members have given thought to the report that was laid on the table of the House at the beginning of this meeting they will see quite clearly by the way the report is printed that there had been a consistent consideration throughout the report

of an approach to the Bread Industry purely and simply as a money making concern, and not with any concern of the wider issues, of the wider social issues which the Government must take into consideration. And it is no good saying, Mr Speaker, that the Government is here to govern and they will decide what to accept and what to reject of the Report, because the sort of Report they get is bound to reflect the approach to the problem. And I can assure the Honourable and Learned the Chief Minister that if he had put the Report in my hands I would have produced quite a different result. Then they could still have used their prerogative of being the Government to do with the Report what they liked. I remember the Honourable and Learned the Chief Minister saying to me once when he was very reluctant to change the question with regards to the eligibility of a vast sector of our population to stand for the House, he reminded me at that time that I was supposed to be a very good baker and I could work in a bakery. And it was around the time when the House was debating the increases in the price of bread which seemed to me most naive on the part of the Honourable and Learned the Chief Minister to think that any baker in Gibraltar would give me a job, Mr Speaker.

Now, my approach of course, as a Baker, because I have been the sort of bakers that works with his hands, Mr Speaker, would not be the same as that of a Bakery Consultant, who has been employed by Management to exploit people like me who produce the bread. So clearly I would have a different approach to the matter and would come

to different conclusion. Now, I think it is important that the House should look very closely at the wording of this Report, because the wording of the Report reflects the way in which these two gentlemen have looked at the problem. I disagree with their approach to the problem because I have got a different way of looking at things from them. I am not saying that they could have done it any other way. It is almost an implicit matter as regards their profession that they should look at the Bread Industry in the way they have done. We can see that this is reflected in, for example, Mr Speaker, the way they consider the problem of the cheapest type of bread that we had before the Government accepted the recommendation to do away with the cheapest type of bread. The 4<sup>1</sup>/<sub>2</sub>p standard loaf.

The enquiry team, if Members will look at the Report, they will see on page 2, they first of all make point 5, they say that they have not carried out an audit of the accounts of the Bakery Industry, they have taken on trust the information that has been provided for them. And it is based on the information of people who have been making a case for a long time about the lack of profitability in the Industry that the whole of the Report is based. So the Report follows logically from a series of premises which have not in themselves been questioned, and the reason why they have not been questioned is because of the type of persons who were involved in making the enquiry and the fact that there wasn't a single representative of the consumers as part of that team. If we had had one he would have still been in a position where the others could carry the day, because the others would have been in the majority, but at least he would have ensured that a little bit of fresh air would have got into the Report somewhere along the line, Mr Speaker.

Now, we see first of all that the profit figures are taken on trust, they have not been examined, the accounts have not been audited, they are based on evidence that the Bakeries themselves have put before the Committee. The evidence is considered to be of a confidential nature and, therefore, the general public is not aware what this evidence is. The opposition is not aware of it because it is so confidential that it has been kept exclusively to the Government. Even the Opposition has not had an opportunity to look at this evidence. Starting from this premise about the possibility, there is then a consideration of the nature of the Bakery Industry, the range of products that are offered, and the efficiency, and the Honourable Minister for Labour and Social Security has said that the Government is most concerned about this criticism here about the level of efficiency, the statement in paragraph 7 that the ovens are inefficient, the implicit criticism about the efficiency of the labour force there is in item 8. I think, Mr Speaker, this is all very well,

because we would want the Bakery Industry, as indeed every other facet of our economic life, to become efficient, to become more productive. But it is when the representations of consumer interests are looked at, that we find that the only thing that has been looked at apparently is whether there should be even greater variety of bread, and this is dismissed on the grounds that there is already sufficient variety.

Now as regards the application of price control, which is the essential function that the enquiry team was going to carry out for the Government, we find that the approach that I have already shown to exist initially, a dismissing of consumer interest in a couple of paragraphs that simply considers the variety of bread, and acceptance of the profit figures produced by the industry itself, the blame put/ inefficient equipment and inefficient labour, and then a look at the price control machinery. And there we find, Mr Speaker, quite extraordinary statements being made by the team and totally unjustified conclusions being drawn from the statements. We learn for example that the controlled breads are showing losses or inadequate margin, but we are not told what are inadequate margins and what the margins are in any case, so that other people can judge whether they consider them inadequate or not.

Are these margins inadequate in the view of the two gentlemen who carried out the inquiry, inadequate in the view of the Government, inadequate in the view of the Bakers, or inadequate in the view of the consumers? This is what is important. I cannot judge whether the margins are inadequate or not in my view because I do not know what the margins are. It doesn't state what they are. But I know one thing, that on the uncontrolled breads, even the inquiry team that I am so unhappy about considers the profit margins to be satisfactory and apparently sufficiently satisfactory to overcome the disability of the limited margins on the controlled breads, because the Report goes on to say that the overall position is sound. So the position is that we have limited profits on controlled breads and sufficiently big profit on the uncontrolled bread to produce an overall satisfactory position when the inquiry is being done, in spite of the fact that the ovens are grossly inefficient and that the labour is not very well trained.

Then Mr Speaker, we learn that there has been an increase in the price of flour of £1.86 a bag, and from this increase the argument is produced about the need to increase the price of bread. Well I think the most important thing in this paragraph, in



paragraph 13, is that the increase in the price of flour represents, according to the gentlemen who carried out the enquiry, an increase of 1p on controlled loaves. Now, the Government has said here on a number of other issues in respect of price control that they are allowing only increases at source to be passed on to the consumer. Well, clearly in the case of the standard loaf they have allowed considerably more than the increase at source to be passed on to the consumer, and this is something for which the Government must accept responsibility. The line they have taken in respect of other commodities, they have not kept faith with respect of the controlled bread because the enquiry team says quite clearly that the increase in flour represented a penny increase per loaf, and that means that anything in excess of 1p increase is not justified by the increase in flour, Mr Speaker.

Now, as regards the controlled loaves that was 4½p before, the Government has in fact done away with something which to my mind was perhaps unique to Gibraltar, but was most important. And it was most important in giving protection to the sort of people that we have tried in other respects to protect, that is people with the lowest income. By having a standard loaf of 4½p, which represented a mere 2% of the total production, it was possible for a person with a limited income a person on supplementary benefits, a person on an old age pension, to buy that bread because it was very cheap. We had that as a safeguard. It was very cheap at 4½p. The enquiry team suggested an increase of 100% on this type of bread without giving the slightest thought, Mr Speaker, to this consideration, to the consideration of the effect it would have on the sort of people who bought the loaf that used to be 4½p. That is not one of the matters that is considered at all by the enquiry team, and this is because the enquiry team was not a balanced one. And the Government has failed in its obligation to the people of Gibraltar, not only by appointing the team, but by accepting this. If it was something that the team didn't look at perhaps one couldn't expect anything better from the team, but I would have expected something better from the Honourable Minister for Labour and Social Security, who is the man who is directly involved with the income of senior citizens through the pensions scheme, the income of people on supplementary benefits. He should have seen the immediate danger of allowing such an increase in the price of the cheapest type of bread.

Mr Speaker, in section 17 of the Report we have the arguments put forward by the team for the increase in the controlled bread.

And it is purely an argument for Management. There is absolutely no concern there about the people who eat the bread. It says that it tends to reduce the production of non profitable loaves; it penalises the bakers; it raises a retail price of the other breads; it has a psychological consequence. But what about the psychological consequence on the pensioner who is now paying 55% more for his bread. That didn't enter into the equation at all, Mr Speaker, but it should have entered into the mind of the Minister for Labour and Social Security.

Now, Mr Speaker, what happened with the controlled bread is totally unjustified, because I have put to the Government consistently in this House on this occasion, and on other occasions, the argument that there is a group of needy people in our community which is sufficiently small to be afforded protection at little cost to the rest of us. We can help people in need if they are small in number in proportion to the rest of the community. We can help them in a big way by spreading that help amongst the shoulders of the rest of us. And this argument can be applied quite clearly to this. All the arguments that were put forward by the enquiry team for raising the price of the standard 14 oz loaf, the Corona, all those arguments could have been answered by one simple and effective action. The Government could have spent £1,000 a year, Mr Speaker, a mere £1,000 - and in this House we have just voted expenditure for 74/75 of £7m - well, by £1,000 Mr Speaker the Government could have retained the price of bread of the standard loaf at 4½p because we are told in paragraph 19 that only ten bags of flour a week are used to produce the Corona, and that the cost of the flour has gone up by £1.86. Now, the Government had said to the Bakers: "you keep on selling the standard loaf at 4½p price, and we will give you the £1.86 a week it is costing you extra for each of those ten bags." The position of the Bakers would have been exactly the same as before, the increase in the price of flour, the Government would have had to disburse £1,000 a year, and the old age pensioner would have had the standard loaf for 4½p. Now, this I am sure is something that the rest of the community would have been willing to share, this burden, Mr Speaker. After all if the rest of the community is being asked to share the burden of £900,000 in increased charges in this Budget, I am sure an extra £1,000 to help the people who cannot afford more than 4½p a loaf, would not have been an intolerable additional burden.

In fact, Mr Speaker, instead of doing that, what the Government did, was that the enquiry team said that the standard loaf should be decreased in weight and increased in price. And they

proposed a formula: a 10 oz loaf for 7p, which would have meant 100% increase. Instead of that, the Government went some way towards meeting this recommendation by allowing a 55% increase, but, nevertheless, a 55% increase, which is an enormous increase in the price of bread for the household that used to buy this bread. And the fact that only 2% of the total consumption of bread was of this type, clearly indicated that it isn't the most popular type of bread there is. It clearly indicates that people used to take into account its cheapness when buying the bread, and I have often asked in the House about shortages of the "Corona" and I have been assured by the Minister for Consumer Protection, or the Minister for Trade as he was then, that there were no shortages that his inspectors have reported that there were no shortages. So if only 2% of production went into this type of bread, it was clearly because the people who were buying it were buying it because of the price.

Now, I myself feel, Mr Speaker, that the arguments here are totally unjustified, I myself feel that the Bakery Industry could afford to subsidise a mere 2% by their profits on the other 98%. But if they were so reluctant to do it, I think the Government could have done it, and they could have done it with the support of the House and I am sure with the support of the public at large. Now that to my mind, Mr Speaker, is the most glaring example of the lack of the wider social and political issues that should be reflected in a Report of this nature, instead of a purely technical approach to the problem of: I am a baker, I am in the business to make money and not for the joy of it, what do I need to do to make as much money as I would make elsewhere. And this is the way the Report has been conducted. And for this reason, Mr Speaker, the Report included recommendations on the assumption that a 24% return on invested capital was a reasonable or desirable amount to aim for.

I do not know as I say I haven't seen the part of the Report that has not been made available for publication, and I don't know whether it is the Revenue Department who have collared it, or another section of the Government, but it is not for the young and innocent such as me, Mr Speaker, so I do not know what justification there is for this 24% return of capital. Nor do I know what is the normal return on capital that business in Gibraltar expects to earn, but I would say that even in this inflationary age 24% return is quite handsome Mr Speaker. I don't think that anybody has got anything to complain about, if we are talking about investing money, to produce 24% per annum, and still talking about an industry that can increase or improve on that return by improving its efficiency. I would say that in the



capitalist world, such as it is, the whole theory of the system is that you penalise the inefficient. If you are going to guarantee a 24% return for the inefficient, as this Report does, you are not providing any incentive for them to become efficient. I would say, Mr Speaker, that even a Government that is not committed to great social reform, even a Government that accepts the free enterprise system, would say: "well, if you want to make 24% on your capital you must be efficient and, therefore, we will allow you a price structure based on the technical expertise of the people who have done the investigation, a price structure that would give you 24% if you were efficient. But which might well give you 5% return on your capital because of your inefficiency, and then it is up to you to become efficient, because the more efficient you are the greater your profit will be." But to ask the consumer to pay for the inefficiency of the industry is simply to give them absolutely no incentive to become efficient, Mr Speaker. And I know the Minister for Labour and Social Security says that this is the side of the Report that he intends to concentrate on in the future, but he has made a very poor start concentrating on that because he has already allowed a very substantial increase. And he has done it in a way that has got the social priority as regards consumers all wrong, in my estimation, Mr Speaker.

So I hope, Mr Speaker that the Government will appreciate, even if they do not want to admit it in public, that there are valid grounds, valid arguments, based on the nature of the Report, for the criticism in the notion that I bring to the House about the way the study has been done. And even if they do not want to admit this they will have second thoughts about having an enquiry of this nature in respect of any other basic foods, because, Mr Speaker, I think quite frankly that they are leading themselves into a situation where they can only create trouble for themselves with a report such as this. And I think that this is particularly so when one looks at the formula, a formula which Government has said it is still studying. No doubt the Bakery Industry will be putting a lot of pressure on Government not just to study but to accept it. I myself think the formula as it stands is divided in such a way that it requires a tremendous machinery to ensure that there are no abuses in the operation of the formula. We know that we do not have the machinery, we know from the difficulties in the implementation of price control in Gibraltar that even if we pass laws about price control it is difficult to have the manpower to keep a check on prices, and a consumer Protection Unit that is on top of the situation all the time. If Government is going to give a formula such as this to the Bakery Industry, then it will not be able morally to withstand pressure from any other business pressure group in Gibraltar

for a similar formula. I cannot see how the Government can say to the Bread Baking Industry that they are entitled to ask for price increases regularly, that they are entitled to put in for an

increase using for justification the fact that their interest rates has gone up, that the depreciation rates are high, that they are putting in new equipment, that their labour costs has gone up or that their raw materials have gone up. A whole range of factors which can be used to justify price increases are included in this formula. And I think Mr Speaker, that with this formula we would be in for automatic and substantial increases in prices every six months.

I think that if the Government accepted this, and the people who carried out the Report themselves made no bones about the importance about the formula: they say quite categorically in the Report, Mr Speaker, that the formula is, as far as they are concerned, the essential feature of the Report, Because clearly they see that Report, not as something that is going to be required at periodic intervals, but a once and for all affair which will enable Government to tackle the problem of the price structure of the industry for the future. And for this reason, for this reason, they lay great emphasis in sections 35 to 40, on the formula. And clearly they think the formula is a fair one. And they think the formula is a fair one because of the way they have approached the problem. So the whole thing is tied up logically Mr Speaker.

Now, the formula would give the Bakery Industry a sure inflation proof device, so that they could pass on all inflationary increases automatically to the bread consumers. And having granted this to the Bread Industry, the Government would be under great pressure to give the same facilities to other sectors of the community; to the butchers, to the people who sell vegetables, to the people who sell groceries, to every other sector, because every other sector has got a case of a similar nature, in our view. Now, the problem here would be, Mr Speaker, that there would be on the one hand the difficulty of controlling the elements and on the other hand the volume of claims coming in from all sectors would be more than the Government machinery can cope with. And the Financial and Development Secretary has already warned the House about how overburdened the administration is with existing work without adding to their load, the operation of a formula such as this. And in fact by including in a formula automatic increases such as this, we are doing something here that even the Tory Government would not contemplate doing in UK. Because even the Tory Government in UK, Mr Speaker, with their price legislation, would not allow the full increases, for example, in wage costs to be passed on to the consumer.



/who/ There is no problem for an employer to give in to a wage claim if all he has to do is to raise the price of the commodity. And the workers/are getting their wage claim are the workers/are going to be buying the commodity and paying for their own wage claim. The only thing that changes is that in money terms they are earning a higher wage and they pay more for what they consume. In real terms they are not better off. The reason for wage claims is to obtain a real improvement in the standard of living. And it is because this is recognised that the Tory Government in the UK said: "no, you can only pass on to the consumer a proportion of increases in wages, but not the entire increase."

Now, in a situation where the whole of the variable costs, as no doubt the Financial and Development Secretary can confirm, the whole of the variable cost are passed on to the consumer, and these variable costs are increased by inflation, the return on capital, which is a fixed cost, increases quite dramatically. And it is most important that this should not be allowed to happen, Mr Speaker, because I think we ought to have a system which gives incentive to people to resist inflation. And as long as people see themselves benefitting from inflation they will do nothing to curtail it. They will just add fuel to the fire. And I am sure that the Government does not want that to result from this Report.

HON A J CANEPA:

As the Honourable Mr Bossano has dealt at great length with the question of the formula for adjusting price increases, particularly in the latter part of his speech, I propose to deal with this particular matter immediately, and then deal with the other aspects that have been raised, both in the motion and in his speech.

He asked me a question, Sir - was it earlier in this meeting? Question 41, was it at this meeting or the previous one? I think it was actually in this meeting. It now ~~appears~~ <sup>ARISE</sup> so long ago - he asked me to make a statement about the Government's attitude to the Report, and in that statement I outlined the attitude of the Government to the various recommendations, twelve or thirteen in all, and with regard to the formula I said that the Government had not accepted the introduction of the formula for adjusting prices. He then put to me a supplementary Mr Speaker; will Government be giving the House an opportunity to look into the matter, particularly of the formula suggested in the Report, before it is accepted? And I replied: "Sir, the introduction of the formula has not been accepted and we are, therefore open to suggestions



from the other side of the House, and in particular from the Honourable questioner, who I know takes an interest in this matter. I would certainly welcome any views that he may have on the introduction of the formula." So let me state quite categorically, Mr Speaker, right at the outset, that the Government has not accepted the introduction of the formula for adjusting the price of bread at six monthly or at regular intervals of that nature.

Sir, the motion really divides itself into three parts, the latter of which the Hon Mr Bossaño has not gone into in very great detail, which deals with what the Government ought to do with respect to other claims that may come up for price increases. I certainly intend in my intervention to deal with that particular part of the motion at somewhat greater lengths than he has done. But let me say that insofar as the composition of the team that conducted the enquiry is concerned, I must stress that the two gentlemen were completely independent consultants, and, as was said earlier, both, I think, by the Chief Minister and myself, they are often employed by Her Majesty's Government. I don't know whether the Labour Government will employ them now, I don't know whether they did in 1970. Anyhow they have been employed by HMG on assignments of this kind. That one of them is an accountant Sir I don't think is necessarily an indication that he came out to advise on the profit motive only, and that he didn't come out to advise on the terms of reference. But I would seriously ask the House how anybody can be expected to carry out an enquiry into a particular Trade, or Industry, unless the ~~people~~ <sup>people</sup> carrying out the enquiry have acquired some experience, and have learned the tricks of the trade, as it were, by either having worked within the industry or having been closely involved in the working of such an industry.

I think the House will accept that it was desirable that the Bread Industry should have been investigated, and that it was desirable that we should have yardsticks and standards against which we could judge future claims of price increases. We have discovered Sir, in this Report that there are inefficiencies in the Bread Industry. And I think we can ensure that because there are those inefficiencies, bread is not going to be dearer as a result of inefficiency. It might be dearer for other reasons, but not because of the inefficiency. The price structure that has been set out in the Report, Sir, only takes into account, is only based, on the most efficient aspects of the various Bakeries that we have in Gibraltar, and, therefore, unless they come up to scratch, Sir, unless they all become more efficient, they will not be able to attain the profit margins recommended in the Report. A profit margin of 5%, or I think it was Sir, the Honourable Member who said, a 24% return on invested capital. To reach that

they must all be working at the most efficient level, and because they are not doing that, I think, Sir, therein lies the incentive for them to become more efficient. But let me make it quite clear, Sir, inefficiency is not going to be passed on to the consumer. Inefficiency is being penalised, because it is only on the basis of efficiency that the recommended a marginal profit, which the Government has not accepted, ~~as we say~~, can be attained. And even the margin of profit accepted implicitly by the Government as a result of the price increases that were allowed, can only be attained if the Industry works efficiently. And one thing obviously that we are concerned to do as, I have already told the House, is to help the Industry to become efficient, to help the level of productivity within the Industry by Industrial training for the labour force, or by any other means which the Government can make available.

Now, Sir, what representation of consumer interests could we have had in this enquiry team? Could we for instance have had local representation? I very much doubt it, Mr Speaker. I am reliably informed that in the days of the Price Control Committee, the consumer side of this committee were not prepared to carry out any investigation or to examine the books of Traders, because they did not feel that they knew enough about the matter. They did not feel that they were qualified to do so. And if we could not have representation of local consumers interest, could we have had representation of the consumer interest of say, the United Kingdom? Could we have brought someone out like we did with

Dame Elizabeth Ackroyd as part of the team. Perhaps, but I wonder, Sir, if that had been done what the attitude of the Opposition would have been. We saw, Sir, with the Ackroyd Report, a very wide investigation into price control and so on, into consumer protection in Gibraltar, conducted by someone who for very many years, throughout a lifetime has been very closely involved with the interests of consumers in UK. ~~We saw Sir~~, that that particular Report wasn't at all well received by the Opposition. In fact I think that the Leader of the Opposition described it as affording as much protection as a paper hat in the rain. So I wonder, Sir, really what their attitude would have been.

Turning to the recommendations, Sir, as I said in answer to this question from the Honourable Mr Bossano, I told the House that the Government had only accepted in full four out of the twelve or so recommendations. The ones that had been accepted, Sir, in all cases were favourable to consumer interest. For instance, the extension of price control to French sticks; they were brought within the ambit of price control. We accepted that because it was in the interest of the consumer that we should. I also said that



the Government had not accepted the introduction of a formula. Here is a recommendation which we did not accept and which is fully in the interest of the consumer that we should not accept ~~it~~. There were one or two recommendations, Sir, that we had only accepted in part. For instance, the extent to which we would allow the increases in the price of bread. The enquiring team worked, as I have said already, on a profit of 5% I think that the actual increases that have been allowed will work out at a profit of about 3.8%, which as a return on capital invested may be somewhere in the region of 17/18%. So it is well short of the 24% recommended in the Report.

What about, Sir, the very emotive "standard loaf" ? I do not think that it can be said that the Government deviated with respect to the standard loaf from the policy that it has undertaken generally with price control items: namely, to only allow increases in the price at source to be passed on to the consumer. I will say, because of this, Sir, that it must be borne in mind that when dealing with price controlled items, the profit margins may be small, and over a period of time they have been made even smaller because as the prices have gone up it is only the cash increase that has been allowed, the percentage return has been decreasing. /the case/ But that is generally with price controlled items where there may or may not be a loss. I would hope there wouldn't be a loss, I would hope that they would still be able to make a small profit. But with the standard loaf I do not think anyone will quarrel with the fact that it has been heavily subsidised, very heavily subsidised. An increase was recommended of 100%, 9 pence, and this the Government again did not accept. The Hon Mr Bossano, has said that it would only have required a disbursement by Government of £1,000 for the price to have been maintained at 4½p. I haven't done any calculations, Sir, but perhaps he is right. But how were we to ensure that after we had subsidised the Industry, and, therefore, subsidised the standard loaf and continued to subsidise it, it would only be sold to old age pensioners. How could we ensure that other people, better off, would not in fact had purchased a loaf as well? The demand probably would have been bigger for it. And on the question of demand, which brought up referring to my Honourable Friend, /was/ Mr Serfaty, let me say that I get weekly reports from the Consumer Protection Inspector. And every week they include in their report the question of the standard loaf and they do find as they go round the bakeries, that it is on display and available. I have told the Industry, nevertheless, that I am not satisfied with the numbers that are being produced. The 2% that the Honourable Mr Bossano mentioned is I think, only 2,000 loaves a week, and the Government has told them that they are expected to produce more,



double that in fact, <sup>they are</sup> expected to produce about 4,000 standard loaves. It should be even more available.

Sir, what about the question of any future claims that there may be from other quarters to have increases in respect of other industries. I do not think Sir, there will be.

MR SPEAKER:

Mr Canepa, was that touched upon? The motion says: "The selection of members of an enquiry team to future claims."

HON A J CANEPA:

Yes Sir, I am going to refer to the composition.

MR SPEAKER:

I see,

HON A J CANEPA:

I do not think there can be any doubt that the Government will approach such claims definitely with the paramount interest of the consumer at heart. I had explained that in the present inflationary situation the Government is only allowing cash increases at source. And there is a limit to the extent to which this can be done, and already the Government is very unpopular I know with the traders. They are up in arms about this. Perhaps there is a limit to the extent to which we can continue to squeeze the trade, but one is by and large, Sir, requiring them to show restraint and.....

MR SPEAKER:

No, no, that is what I am talking about. I thought you were going to refer to that. We are not talking about what steps can be taken to restrain traders from raising their prices. We are talking about the composition of teams to meet future claims.

HON A J CANEPA:

Well, Sir, I have had two claims since last summer with respect to other industries. One of them has been the meat trade, about which I am sure the House is aware there has been quite a lot to do. The butchers wanted an enquiry to be carried out, an investigation to be carried out into the working of their industry or of their trade. In fact I believe that they have been after

a  
this since 1971. I think there was a little bit of/hallabaloo at the time and they have always been very ready to state that the Government should send somebody round to the market there to see how much meat goes to waste and so on, and what considerable losses they have. And they were concerned that such an inquiry should be carried out. They were also concerned to restore their profit margin to what it had previously been.

MR SPEAKER:

I must insist that this is not to be discussed.

HON A J CANEPA:

I said to then, Sir, that I would consider spending - in fact I undertook to send the Consumer Protection Officer to conduct such an enquiry when he comes to Gibraltar next month I thought that I was dealing with gentlemen, I do not want to elaborate on that, but having seen the attitude that they have taken, I am not sure that I am prepared to honour the undertaking that I gave then. But I think it is indicative that I was concerned to send an officer.....

MR SPEAKER:

No, no. I am afraid I am going to stop you. We are not going to have that as otherwise we are going to start a debate within a debate. We are not going to talk about the attitude of any other trade. We are going to talk about the composition of the teams, to investigate claims for price increases. The latter part of the resolution reads: "to use the same methods of selection of members of an enquiry team to meet future claims". In other words it is the selection of the team that we are discussing.

HON A J CANEPA:

Perhaps in respect of meat I may just leave it at that, by saying that in respect of whatever enquiry I would expect to carry out I intended to ~~have~~ <sup>ask</sup> the Consumer Protection Officer ~~in these enquiries.~~ <sup>to undertake them.</sup>

I turn now, Sir, to the question of fruit and vegetables. I wonder, Sir, what kind of team or what person the gentlemen in the Opposition consider that I should select to carry out the enquiry into fruit and vegetables. For instance, should one select somebody with some background knowledge of this industry? Should he be a representative of

consumer interest? I do not know, Sir. I wonder whether perhaps I should select a certain gentleman called D W Ravenhill? I wonder if the Opposition have heard of him, Ravenhill. I wonder if the Hon Major Peliza recalls such a gentleman, or I wonder, perhaps Major Gache might have been able to tell me since I think he had the responsibility for Trade. This was a gentleman who was brought to Gibraltar by the previous administration to carry out an enquiry into the importation of fruit and vegetables from Morocco, D W Ravenhill. He is a gentleman employed - in fact I think he is one of the leading lights - of a firm T J Peppard Ltd of Covent Garden. This is a company, Sir, which receives the bulk of the produce imported into the United Kingdom through the OCE from Morocco.

Now, Sir, that was a marvellous choice indeed. No consumer interest there. What did it matter to the previous Government? Their attitude is: "what we did in our time when in office is one matter, that is one story, but what we do not want you to do now that you are in the Government ~~of course, that~~ is quite another matter." But let then not think that just because it is the Hon Mr Bossano who is moving the motion and not one of the members of the previous administration, that this hypocritical attitude can be allowed to go by without one commenting upon it and drawing the notice of the House to this matter.

So, I do appreciate that there are difficulties, and they should appreciate that there are difficulties in the selection of an appropriate team to carry out an enquiry. Enquiries cannot necessarily be carried out by those who are at the receiving end, any more than a doctor needs to have suffered from a particular illness before he can diagnose and prescribe treatment. Or any more than if an enquiry were carried out into conditions in a prison ~~you~~ would have a prisoner in the enquiry team to carry it out. There are difficulties. They have had these difficulties and we have had them. They had it with fruit and vegetables, we have had it with respect to bread, particularly when not all who ought to be forthcoming on this matter are that forthcoming. People expect protection from the Government but people are not necessarily always willing to cooperate to the extent that they should.

But, as I said in answer to the question from Mr Bossano earlier in these proceedings, ultimately whatever the composition of any enquiry team may be, whatever may be its recommendations, and which the Government is not necessarily bound by, it is for the Government of the day to exercise its judgement, and it is for the Government of the day to take on the responsibility for whatever necessary decisions have got to be taken, always bearing



in mind that such decision should be taken in the best interest of all, but in particular with the overriding interest of the consumer in mind. That is what the Government has done in respect of the Bread Industry. That is the attitude which we have adopted, and that is what we will continue to do.

HON M XIBERRAS:

Mr Speaker, just on Mr Ravenhill. Mr Ravenhill was not brought here by the previous administration to advise on prices, he was brought here to look for alternative sources of supply of fruits and vegetables. I think he had something to do with Covent Gardens, wasn't it? He was brought here to advise on alternative sources of supply, on the quality of the fruit and vegetables coming from Morocco, and I think there was also time to discuss the possible direct Gibraltar Government importation of fruits and vegetables from Morocco. So as far as the information that Mr Canepa has, he is somewhat misinformed. I don't think that any of those three things; alternative sources of supply, Government importation, or quality control of the fruits and vegetables from Morocco, could in any sense have been detrimental to the consumer. And the issue before the House now is one about prices mostly. This is quite absolutely clear. I am assured by the Chief Minister of the day that he had absolutely nothing to do with price control, and I hope the Hon Mr Canepa accepts this before he starts talking about hypocrisy and one thing and another. There are other stories of course, but let's for a moment look at what Mr Canepa has had to say. He has said that this Report was carried out by an unbiased team, that....

HON A J CANEPA:

I am sorry, I didn't use the word "unbiased".

HON M XIBERRAS:

Well, independent. Perhaps they were not unbiased. Is the Minister suggesting they were biased?

MR SPEAKER:

No, no, let us not have a debate on what the Minister suggested.

HON M XIBERRAS:

In that case I can just say that the Hon Mr Canepa has called on an independent team, that the team obviously knew all the tricks of the trade, that it is necessary to have people of this kind to carry out an investigation of this nature, that in fact you could not have had other people representative of consumers, and in fact, my impression is that Mr Canepa thought that this was a very good team to investigate this particular problem. I would imagine that a very good team to investigate this particular problem would have produced a fair report, but we find that the Minister for Consumer Protection then sets out to say that a number of the very important recommendations of this report are not acceptable to the Government. So are we to surmise, from what the Minister has said, that the report was not fair to the consumers? Was it not fair to traders? And if it was fair to the trader and was fair to the consumer, why is the Honourable Mr Canepa intent in not accepting some recommendation and changing others. The truth of the matter is that the report was not done by people who are representatives of all walks of life in the community, in the sense of representing consumers and the people producing the bread, and it is because of this that that Government has obviously been embarrassed by the report. Now we find the Government trying to make up their minds what recommendations are acceptable to it politically, and which are not. They might have saved themselves the trouble had they got a more balanced, and I will say, unbiased team to look at the Bread Industry, bread being a very essential commodity.

My Honourable Friend has dealt at length with all the points in the report: I would just like to stress the question of the figures. I would have imagined that whether they had looked at the figures of the producers or not, it is a bit much to state in the report - I see no reason for it - that in fact/did not check the figures of the people producing the bread. That is stated in the report. Whether you have done it or haven't done it, at least do not say/because it is an insult to the intelligence of any consumer to be told that there have been investigations on the basis of figures produced by the producers of bread, and that this has not been checked by this independent group of persons. I would have imagined that they would have said we have checked these - I am wondering/they were checked infact.

whether

HON FINANCIAL AND DEVELOPMENT SECRETARY:

These men understand figures. The Chartered Accountant Mr Gilbertson; he would understand these things very quickly indeed. But now, to have undertaken a complete audit of the books, that would have been a longer task and certainly the traders books are audited. These people knew what they were talking about.

HON M XIBERRAS:

I am glad to hear this. I am glad to see that they checked the figures - I am trying to find the paragraph. " We have not carried out an audit of the accounts of the bakeries and, except to the extent stated in this report, have relied upon figures provided by the individual bakeries and by the Secretary of the Gibraltar Master Bakers Association." Now, if this gentleman to which the Hon the Financial and Development Secretary has referred, who was an accountant and did check the figures, with all due respect to him, he should learn to express himself rather better than this. Because it does give the impression that he simply received a delegation of people from the Master Bakers Association and took their figures. Certainly no exhaustive enquiry into the figures, first hand enquiry, could be deduced from that paragraph. I am sure the Hon the Financial and Development Secretary will agree with me.

Therefore, Sir, what is the position of the Government on this Report. Obviously it does not agree with the Report. It agrees with some parts of the Report, disagrees with other parts of the Report, and we think, on this side of the House, that it is simply because the wrong people, perhaps the wrong emphasis was given by the Government to this problem. One more thing I cannot understand is the representations made to these gentlemen on behalf of consumers and workers. We have here a list of people who made representations - somewhere - and I find various bodies, representatives of worker interests, and various bodies, at least one body representative of workers interest, and another one of consumer interest, and they don't seem to be very satisfied with the Report. I was referring to a section, I think, whoever spoke on behalf of the Transport and General Workers Union, whoever spoke on behalf of the Consumers Association. An opportunity was allowed to them to make representations and I don't know whether they are satisfied or were not satisfied with this Report. Certainly, as far as the Opposition is concerned, we cannot be satisfied either with the method the Government adopted to look into this question of prices or with the result of this Report. Therefore, I support the motion.

HON CHIEF MINISTER:

Sir, I would just like to say a few words on two matters which are of general importance. First of all, that when the Government appoints a team to carry out an enquiry, the purpose of the team is obviously to advise the Government on any particular aspect of either consumer interest or on any other aspect of Government



activity. And of course the Government is not bound to accept the recommendations. The Government cannot delegate to any enquiry team its responsibility for the community and to its consumers. Therefore, it is no use saying: Well, because you are critical of the report you did not get the right people. Well, on any aspect of any recommendation of any report that one did not agree, one could always say that. And if you don't want to have that criticism, then you must agree with what they say, so it is impossible. The Government did their best in getting the matter enquired into. They have the relevant information and the Government will act in the interest of the consumers, and in the interest of all the community, including of course the interests of the trade, which is not a major interest but an important interest, because they want to be competitive, and we want them to be able to produce bread at a rate which is competitive to the Industry and which will supply a service to the public, if the public is not going to undertake the making of bread as well.

There is only one other point that my Hon Friend was going to make but omitted at the end, and I would like to make it quite clear. We do not accept the terms of the motion because it does criticise the Government for having done what the Government thinks is right. But on the other hand we would like to say that this in no way means that we are not concerned about some of the recommendations. It would have been time wasting, I think, at the end of this exhaustive session, to have proposed a motion deleting part of the words and proposing an amendment to the effect that we welcomed the report, but that we were concerned at this recommendation. So what I would like to say quite clearly is, that whilst voting against the terms of the motion, we do not mean that we are not concerned with some aspects of the Report. But I consider, and I am sure that this is in the mind of the mover, that the main consideration, the main criticism, is about who we entrusted the enquiry to, and on that, of course, we cannot accept the terms of the motion, because we think we have done the right thing.

MR SPEAKER:

If there are no other contributors I will ask the mover to reply.

HON J BOSSANO:

Mr. Speaker, I am glad the Hon and Learned the Chief Minister has made a contribution because he was one of the persons interviewed

by the consultants. I don't know where in the Report I am to find the reflection of his views as they were put to the consultants, because the consultants of course interviewed him, the Hon Minister for Labour and Social Security, the Hon Minister for Tourism, Trade and Economic Development, who unfortunately has had nothing to say either for or against the report, the Hon the Financial and Development Secretary, the Deputy Governor and the Chairman of the Price Control Committee. Now, I think that perhaps not only is the Report suffering from the complexion of the interviewers, but possibly to some extent from the complexion of some of the interviewees as well, Mr Speaker. But my notion, as the Hon and Learned the Chief Minister has said quite rightly, is based primarily on a criticism of the persons who conducted the enquiry, not because they conducted the enquiry in the way that they did, but because it was to be foreseen that the enquiry should be of the nature that it was, given who was appointed to carry out this enquiry. And this was precisely the point that was made in the House when the appointment of these persons was announced. And it was a point that the Chief Minister defended then, and which he is still trying to defend, whilst at the same time disassociating himself from accepting the logical concomitant, which is, accepting what the persons that he appointed have recommended.

First of all he said: "I appointed two persons to carry out the enquiry. I am convinced I did the right thing appointing these persons. They have told me something which is perhaps predictable, given that they are who they are. I don't want to accept what they have told me, and there isn't any contradiction between saying one thing or the other. Well, to my mind, there is a clear contradiction, Mr Speaker. On the one hand we have had the Minister for Labour and Social Security reminding us of the answer he gave me to an earlier question where I asked him about the attitude of the Government to this report, and he said that they had not at this stage accepted the formula. And I think perhaps today he was trying to say that they are not going to accept the formula at all. It isn't just a question that they are studying the formula and they haven't yet made up their minds, but that they have now made up their minds not to implement this formula. I would willingly give way if he wants to clarify whether this is the case or not, because I would prefer a clear commitment from him that they are not accepting the formula rather than to leave it in this nebulous area of the fact that they haven't accepted it at this stage. Because "at this stage" presumably means here and now. It doesn't say anything about tomorrow. If he is not willing to commit himself then I must assume that it is at this stage, and that for all we know, tomorrow we

may wake up with a declaration from the Minister for Labour and Social Security that he has now accepted the formula.

HON A J CANEPA:

If the Member will give way. I have invited him to give me his views about the working of the formula and I am awaiting that. What ~~his~~ *are his* views are about the price structure recommended in the formula. I invited him, before the government makes up its mind fully, to express his views on the matter.

HON J BOSSANO:

Mr Speaker, I did not appreciate the extent to which the Minister had extended the invitation to me, I did not realise that the acceptance or rejection of the formula in any way hinged on my views on this matter, but certainly I will give him the benefit of my views if he wants to have them, because I am interested in helping the Government to protect consumers, if they need any help.

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I would wish them not to accept the formula because, as I say, quite apart from how well the formula will work in respect of price control of bread, I think the formula in itself will put the Government in a very difficult position in other areas of price control. That is the implicit danger that I see in it. And I would contrast the reservations that the Government obviously have, with the enthusiasm of the enquiry team for the formula, where they say, in section 35: "we consider that one of the most important functions of this report is to establish an acceptable formula for use in future price reviews." And then they go on to produce the formula that they consider meets this requirement. So there is absolutely no doubt in their minds about the usefulness of the formula, and I think the formula is one area where the Government is most unhappy about the report. And probably because even before I pointed it out they themselves saw the great danger that it carried.

Now, the Minister, Mr Speaker, the Hon Minister for Labour and Social Security, has attempted to defend the decision originally to appoint these persons, and suggested that it is difficult to find anybody in Gibraltar who could carry out the sort of functions of an enquiry of this nature because of **lack** of technical expertise, if they were to be representative of consumer interests. Well I have said in my opening statement, in support of the notion,



Mr Speaker, that a third member of the team would have added a certain balance to ensure that the team was not totally ignorant of the implications for consumers of certain aspects of the Industry that they were looking at. And I would put it to the Government that it would have been, for example, a useful thing to have attempted to bring somebody from the Cooperative Wholesale Society in the UK. In Gibraltar we have already got strong links with the Cooperative Movement in the United Kingdom. We have had a prominent member of the London Co-Op political committee in Gibraltar on a number of occasions, and I am sure he would have been willing to help the Government in getting a top man from the CWS Bakery division. A man who is in the Bakery Industry, who is a professional, who knows about costing and accountancy, but who belongs to an organisation whose only duty, and whose only loyalty, is to their consumers, because their consumers and the shareholders are the same. And I think a man of that calibre would have been a useful man to have as a member of this team. This is a suggestion, on the spot, I don't want him to think that we are just being destructive in our criticism, I think that it is possible to get a team which has got a better balance than the one that has produced this report. And I think Mr Speaker, that the report, the reading of the report, will convince any member of the public that the way the two gentlemen, the consultants approached a whole range of problems, reflected their own background, their own training, and their own approach to the problems that the Industry is meeting, not just in Gibraltar, but in the United Kingdom. I think there are many areas in this report where this is so. I am looking in fact for one, where there is commiseration by the consultants for the bad way in which Bakers have in the past put their case to the price control committee. This is extraordinary, Mr Speaker. I am glad the Minister rectified his position and made quite clear that he wasn't pretending that these people were unbiased. I am glad he did that because I was keeping this, quite frankly, in reserve to hit him with. But he managed to get out of it by stating quite clearly he wasn't saying they weren't unbiased. Because they clearly are biased. If they say the Bakers have in the past, not put their case to the Price Control Committee in the most effective way, and a better way of putting it is this - I cannot find the exact place where this is, but I believe it is when dealing with the standard loaf. Perhaps the Minister, when the House is finished, will go into this in detail with me and he will find it there. I can assure him that I have read it and it is there. This consultant said quite clearly that the poor Bakers have not been very effective in putting their case. Can the Minister imagine the sort of situation he is letting himself in for, if he brings a couple of butchers out from UK to advise the butchers on how to put the

case? Then he will have grocers telling groceries in Gibraltar how to put their case, just like he has got people here telling the Bakers how to put their case. And in no time at all he will have an avalanche of people at his office, with well argued technically perfect cases, which he will not be able to withstand. And then in spite of all his pious intentions to protect the consumers, I will have to spend another Budget session here next year, another week hammering at trying to get him to give me another 10p on Family Allowances here, and another 20p on improved pensions there, in order to undo the work that could have been avoided initially by having a better team.

I am sure, Mr Speaker, that now that the Hon and Learned the Chief Minister has heard these compelling arguments he will wish to review the position and vote in support of my motion.

Mr Speaker then put the question, and on a vote being taken the following Hon Members voted in favour:

The Hon M Xiberras  
 The Hon Major R J Peliza  
 The Hon PJ Isola  
 The Hon W M Isola  
 The Hon J Bossano  
 The Hon J Caruana  
 The Hon L Devincenzi

The following Hon Members voted against:

The Hon Sir Joshua Hassan  
 The Hon A W Serfaty  
 The Hon A P Montegriffo  
 The Hon M K Featherstone  
 The Hon A J Canepa  
 The Hon I Abecasis  
 The Hon Lt Col J L Hoare  
 The Hon H J Zammit  
 The Hon J K Havers  
 The Hon A Mackay

The motion was accordingly defeated.

HON CHIEF MINISTER:

Mr Speaker I have pleasure in moving the adjournment of the House sine die.

Mr Speaker then proposed the question which was resolved in the affirmative.

The House adjourned sine die.

The adjournment was taken at 7.45 p.m.