

GIBRALTAR

HOUSE OF ASSEMBLY



HANSARD

13 MARCH, 1984

VOL. II - BUDGET

TUESDAY THE 10TH APRIL, 1984

The House resumed at 10.40 am.

PRESENT:

Mr Speaker (In the Chair)
(The Hon A J Vasquez CEE, MA)

GOVERNMENT:

The Hon Sir Joshua Hassan CBE, MVO, QC, JP - Chief Minister
The Hon A J Canepa - Minister for Economic Development and Trade
The Hon M K Featherstone - Minister for Public Works
The Hon H J Zammit - Minister for Tourism
The Hon Major F J Dellipiani ED - Minister for Housing, Labour and Social Security
The Hon Dr R G Valarino - Minister for Municipal Services
The Hon J B Perez - Minister for Education and Health
The Hon G Mascarenhas - Minister for Sport and Postal Services
The Hon E Thistlethwaite - Attorney-General
The Hon B Traynor - Financial and Development Secretary

OPPOSITION:

The Hon J Bossano - Leader of the Opposition
The Hon J E Pilcher
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon J C Perez
The Hon J L Baldachino
The Hon R Mor

IN ATTENDANCE:

P A Garbarino Esq, MBE, ED - Clerk of the House of Assembly

PRAYER

Mr Speaker recited the prayer.

DOCUMENTS LAID

The Hon the Minister for Housing, Labour and Social Security moved under Standing Order 7(3) to enable him to lay on the table the following document:

The October 1983 Employment Survey Report.

Ordered to lie.

The Hon the Financial and Development Secretary moved under Standing Order 7(3) to enable him to lay on the table the following document:

Draft Estimates of Revenue and Expenditure for 1984/85.

Ordered to lie.

BILLS

FIRST AND SECOND READINGS

SUSPENSION OF STANDING ORDERS

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I have the honour to move the suspension of Standing Orders Nos. 29 and 30 in respect of the 1984/85 Appropriation Ordinance, 1984.

Mr Speaker then put the question which was resolved in the affirmative and Standing Orders Nos. 29 and 30 were accordingly suspended.

THE APPROPRIATION (1984/85) ORDINANCE, 1984

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I have the honour to move that a Bill for an Ordinance to appropriate an amount not exceeding £52,303,644 to the service of the year ending with the 31st day of March, 1985, be read a first time.

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

SUSPENSION OF STANDING ORDERS

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I have the honour to move the suspension of Standing Orders Nos. 29 and 32B(3) in respect of the Finance Ordinance, 1984. Standing Order 32B(3) provides that the Assembly shall not proceed on the Finance Bill before the Appropriation Bill has been read a third time. As stated last year when the procedures which we are about to follow were adopted, if Members are aware of the Government's fiscal proposals it will enable the House to consider the Budget measures as a whole and should lead to a better general debate.

Mr Speaker then put the question which was resolved in the affirmative and Standing Orders Nos. 29 and 32B(3) were accordingly suspended.

THE FINANCE ORDINANCE, 1984

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I have the honour to move that a Bill for an Ordinance to amend the Imports and Exports Ordinance (Chapter 75); the Income Tax Ordinance (Chapter 76); the Public Health Ordinance (Chapter 131); the Public Utility Undertakings Ordinance (Chapter 135); the Pensions (Increase) Ordinance, 1973; the Pensions (House of Assembly) Ordinance, 1979; the Development Aid Ordinance, 1981; the Companies (Taxation and Concessions) Ordinance, 1983, and generally for the purposes of the financial policies of the Government, be read a first time.

Mr Speaker then 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, I beg to move that the Bill be now read a second time.

Mr Speaker, in presenting the Government's proposals last year, my distinguished predecessor began his speech to the House by outlining the changes in the world economy, the UK economy and the Gibraltar economy as a background to the measures which the Government then introduced.

This year, Mr Speaker, I propose to take a different route. I do not propose to concentrate overmuch on year-to-year changes in the world or UK economy because I do not think that year-to-year changes in the economic situation, as measured by the usual macro-economic indices, either in OECD countries generally or in the UK, are necessarily of great significance for the Gibraltar economy. On the other hand what, in UK terms, might be called a micro-economic event, namely, the review of defence expenditure which led to the decision to close the Naval Dockyard, was a macro event for Gibraltar.

I would however like to say something about structural changes in the UK economy because the decision to close the Naval Dockyard came at the end of a decade during which there were long term changes in the UK economy of considerable significance for Gibraltar. In saying that, Mr Speaker, I do not only mean decisions about defence expenditure. I said "decade". I am really talking of a period between, say, 1972 and 1982 - give or take a year either side, but which certainly includes the two great oil price hikes of 1973 and 1979; the two hyper-inflations of the mid and late 1970's; the third industrial revolution which is continuing and which for the UK could be described as the de-industrial revolution: the emergence of the newly industrialised nations; the growth of long term - sometimes called structural - unemployment in the UK and other western countries; and finally the arrival of North Sea oil.

Although Britain is still a major trading nation, and UK international trade still accounts for a higher proportion of national output than, for example, in Japan and the USA, her share of world trade has declined continuously for one hundred years. In manufacturing industry the decline in the secondary industries, like motor vehicle manufacture and consumer durables, followed on the heels of the demise of the former heavy engineering industries and iron and steel. During the 1950's and the 1960's, because of the general increase in world trade and in the prosperity of the western industrial nations, Britain's poor overall performance was not so obvious. In the 1970's it was fully exposed. There is considerable argument amongst economists about cause and effect but the condition was aggravated by the energy crisis and the subsequent "stagflation". Britain had an acute attack of the disease. The symptoms are well known. Growth in UK output was consistently less than the average of the OECD countries; wage costs were consistently higher than the OECD average and productivity was low. Calculations made by the Confederation of British Industry showed, for example, that over a ten year period, while labour costs went up by twice those of the UK's major competitors, UK productivity went up by half that of her competitors. UK investment was notoriously much less than that of the OECD countries and has been for some considerable time.

At the end of the 1970's the problems of Britain were further compounded by an exchange rate which was artificially high largely as a result of the overhang of North Sea oil resources. This was good for overseas investment but not for domestic industry in the UK.

The consequences of this have been deindustrialisation on a scale not seen in Britain since the 1930's; not just minimal investment but disinvestment; a shift of capital into overseas investment; an economy heavily dependent on the service and finance sectors for future growth; a too-large public sector; and unemployment somewhere between three and four million; (no one will say precisely where because when a figure becomes politically embarrassing a process of Orwellian obfuscation takes place). This high level of unemployment and the resulting social security and special employment measures has been financed by a substantial share of the revenues from North Sea oil. North Sea oil perhaps proved that God is, after all, an Englishman. The Scots, who think North Sea oil is theirs, are convinced he is.

May I now say something about the relevance of all this to Gibraltar, Mr Speaker? The answer to that question, assuming your continued indulgence and that of the House, is in two parts. The first part is familiar territory. With the pressure on resources inevitable in a declining economy attempts were made in the UK to reduce public expenditure. Defence inevitably took its share. Unfortunately, simply to maintain an existing defence capability means an increase in real terms in defence expenditure. Defence and health service expenditure have that feature in common. The Royal Navy lost

something like half its complement of ships over a period of twenty-five years and the real costs in defence have doubled over the same period. The decision to close the Naval Dockyard was taken against that background, that is one part of the answer, Mr Speaker. The other part of the answer, Mr Speaker, has to do with the interrelationship of the Gibraltar and the UK economies. Along with the bulk of the goods which it imports from the UK, Gibraltar imports UK prices plus CIF and the value of the pound sterling. Gibraltar also imports increases in UK wage rates - at any rate over a large part of the economy - through mechanisms which are sufficiently well known for me not to need to elaborate on them in this House. Until recently, however, Gibraltar has been shielded from the real effects of the long term changes which were undermining large sections of the UK economy.

I have studied the statistics which show increases in earnings in Gibraltar between 1972 and 1983, and those which show the increase in the index of retail prices. They confirm what I have just said. Prices as measured by the increase in the index rose by something like 300% over this period whereas the index of net take-home pay rose by something like 400%. That is to say, that real disposable income increased by, say, 30%. Although the comparisons are not exact, this trend, Mr Speaker, is strikingly similar to that in the UK over this period.

We all know, Mr Speaker, that statistics lie - that is something on which the Hon and Numerate Leader of the Opposition and I probably agree. But, while some statistics may lie some of the time, all statistics cannot lie all the time. I find the following information taken from Family Expenditure Surveys and Import Data revealing. In Gibraltar 88% of households own a colour TV; 76% have a telephone; 75% have a car; 95% have a refrigerator; 80% have a washing machine and 50% have a video. I suspect the last figure is the one which is increasing fastest.

Comparisons are odious, Mr Speaker, and I shall not make any more. My purpose is simply to identify indices of personal and average household wealth. Such statistics do not reveal the existence of pockets of poverty, social problems. And they ignore questions of quality of life. Nor do they measure adequately what cannot adequately be measured. The conventional wisdom has it that a substantial amount of Gibraltar private capital is invested overseas and, as I have a very high regard for the financial acumen of Gibraltarians I should imagine it is in fairly liquid form rather than in British industry or St Petersburg Tramways. My point is this; the capacity for investment exists.

Unfortunately, Mr Speaker, the long period during which the Gibraltar economy has been insulated from the real effect of secular changes which undermined the British economy makes adjustment to the combination of closure of the Naval Dockyard and the partial opening of the frontier very difficult indeed. Personal prosperity and living standards rest on foundations which have been revealed as insecure or brittle.

The recent indicators highlight the extent of the recession. The aborted frontier openings in April and June, 1982, led to overstocking in the private sector at a time of high interest rates. There has been a hiatus in development activity. Projects in the 1981/86 Development Programme financed by ODA came on-stream disappointingly slowly. There has been little private sector capital investment apart from a number of smaller housing schemes. As the House will know, latest estimates of the economic impact of the partial frontier opening in December, 1982, show a Gibraltar expenditure leakage of around £8m, offset by some £2m to £2.5m spent by Spaniards in Gibraltar, mainly on entertainment. Some of the outflow occurs anyway; Gibraltarian holiday expenditure prior to the opening was running at some £2m to £3m per annum, but most of the outflow reflects a change in spending patterns, with a clear shift away from consumer durables or luxury goods into recreational expenditure in Spain.

The October 1983 Employment Survey revealed an underlying downward trend in employment affecting two sectors of the economy, namely, shiprepair and the building industry. There was a run-down in activity in the Naval Dockyard with a fall of some 100 UK based employees and there will be other job losses amongst those taking voluntary redundancy prior to closure. There was a fall of some 100 employees in the building industry. The unemployment position could deteriorate by mid 1984 with the annual influx of school leavers. Corrective measures might need to be taken by Government to create vacancies for young workers. There is also a need to create conditions for the economy to generate genuine employment opportunities in its productive sectors.

Our provisional Estimates suggest there was no real growth in GNP during 1983. Real household disposable income fell by 3% although this was offset for many by the artificial boost in spending power from cheaper Spanish prices. The increase in RPI stabilised at about 5½%. I am talking of 1983 and I am aware that the latest figure on a year-to-year basis - April to April - is rather higher than that, of course. The Pay Award for the Official Sector was about 5%. However, figures for average increases in weekly earnings were as follows:- Official Sector - 5.8%; Private Sector - 3.7%. The differential between Official Sector (£130 per week) and Private Sector (£105 per week) therefore widened.

As regards trade, imports, excluding fuel products, fell by around 7% (10% inclusive of fuel) reflecting the shift in expenditure into Spain and the marked fall in imports of building materials. Import duty receipts were down by some £0.5m or 10%. Reduction in duty on cigarettes led to increased sales but was not sufficient to recoup the full revenue loss. Other reductions in duty on selective items in last year's Budget resulted in some increase in imports (for example, jewellery, which however reflected an increase in stocks rather than turnover). Sales figures for most trade sectors were marginally down at minus 1.6% overall, although there were and still are marked variations between sectors.

There has been a sharp rise in savings and time deposits of around 20%. This reflects a fall in domestic consumption plus a continued uncertainty about the future of the Dockyard and the course of the economy. Again the increase in the savings ratio mirrors similar developments in the UK during periods of economic difficulty.

1983 was a bad year for hotels. Arrivals fell by 10% and sleeper occupancy rates averaged only 28% for the year, the lowest recorded since 1972. The hotel trade is particularly vulnerable to the effects of the structural flaws I mentioned above, inasmuch as the hotel industry not only imports a good deal of the UK cost structure in sterling but suffers from the further disadvantage of the high cost of electricity generation and water. Another area of declining activity, reflecting world recession, is the Port, where the number of ships calling for bunkers declined by 36%.

Mr Speaker, Gibraltar has contracted the British disease of proxy. There is no North Sea oil. On the other hand there is a Dockyard. I need hardly emphasise, Mr Speaker, amidst the encircling gloom of the statistics I have just given, the importance - indeed the urgency - of an early start on the programme of engineering works in the Dockyard. There must be as short a period as possible between closure of the Naval Dockyard operations and the start up of commercial operations by Gibraltar Shiprepair Limited.

I now turn, Mr Speaker, to a review of the Government's finances. It is, I think, unnecessary for me to comment on the out-turn for 1982/83 as the important features were highlighted during the debate on the recent motion by the Hon Leader of the Opposition inviting the House to note the Principal Auditor's Report on the accounts for that year.

The approved Estimates for 1983/84 envisaged a deficit for the year of £3.2m after allowing for budgetary contributions to the Funded Services of £1.8m and a contribution to the Improvement and Development Fund of £1.5m. The revised Estimate - which I would prefer to call, at this stage, the Forecast Out-turn, reveals a deficit of £4.9m for the year. In the debate at the last meeting of the House on the Supplementary Appropriation Bill, I said that I expected a balance in the Consolidated Fund on 31st March, 1984, of £7m (it is in fact shown in the Draft Estimates as £7.1m) and I explained the main reasons for the deterioration - or negative cash flow - compared with the estimate of £8.4m; increased charges for electricity, water and other items of expenditure together with the reduced yield from import duties were partially offset by a higher yield from income tax; the latter in turn reflected higher levels of overtime in the Dockyard and the effect of the more buoyant economic activity of earlier financial years on the level of company taxation.

The balance of £7.1m in the Consolidated Fund compares with one of £12m at 31st March, 1983. However, I must again repeat what I said during the debate on the 1982/83 accounts, and

what my predecessor said on this occasion last year - and he incidentally, was repeating what he said the year before that - that this amount is eroded by the value of unpaid bills for municipal services and rents. Action has already been taken to strengthen the Arrears Section in the Accountant-General's Department and the Government is looking to an improvement in the collection of arrears. I must however point out that the arrears include a number of aged and bad debts and that some harsh action may be necessary to secure the improvement which the Government is determined to see.

The Draft 1984/85 Estimates now before the House reflect a further deterioration in the Government's financial position during the course of the coming financial year. The deficit in the recurrent Budget, which allows for pay increases broadly of 5%, (but not for contingent increases in the prices of goods and services beyond those which are already known) will, on the basis of these Estimates, be just over £2m. The extent to which this deficit and those in the Funded Services amounting to £2.4m will be reduced by increases in taxation or by increases in tariffs and rents I will shortly reveal.

Recurrent revenue from taxation in 1984/85, before any changes, is expected to yield less than in the year just ended after taking into account a number of factors; marginal increases in the yield from import duties; a reduced yield from company taxation; some increase in the yield from PAYE, and an improvement in the collection of arrears of tax.

Substantial reductions have been made in the departmental bids for expenditure. The Government's objective was to reduce expenditure wherever possible, to the level of 1982/83 in real terms. Nevertheless, some increases in departmental expenditure above that level are unavoidable. It would have been neither desirable nor possible to effect percentage cuts across the board which might have presented the appearance of reductions but would have lacked credibility. Reducing numbers of employees on the other hand, without the prospect of alternative employment, would make no sort of sense at this juncture.

In framing the fiscal and other proposals, the Government has been acutely conscious of the need to protect business and commerce from cost increases at a time of economic difficulty - especially the hotel industry; to encourage investment by the private sector and development of the finance centre and to stimulate personal investment in Gibraltar and its future. Inevitably there will have to be some increases in taxes on personal expenditure this year.

First, Mr Speaker, I will deal with the Funded Services. The Electricity Undertaking Fund is expected to show a deficit of £0.9m on 31st March, 1985, and electricity tariffs were last increased in 1982. The proposals, which should yield about £0.33m in this financial year, are detailed in the Bill but I wish to highlight the most important features now.

The present two-tier domestic tariff of 7.10 pence for the first 60 units and 5.50 pence thereafter will be replaced by a single rate of 6.50 pence per unit plus a monthly standing charge of £2 per month. The commercial tariffs will be replaced by a single rate plus a standing charge of £3 per month and will be reduced to 6 pence per unit.

The average domestic consumer will pay about 90 pence more a week for his electricity, commercial and industrial users will pay less, even with the introduction of a standing charge for all consumers. Hotels which meet their bills within thirty days will continue to pay at their present reduced level. The Fuel Cost Adjustment will be retained as it acts as a regular signal to all consumers of the high fluctuating costs of fuel.

The Government proposes to raise an additional £110,000 this year by retaining the 6 pence per 100 litres water surcharge for the month of May, 1984, and readjusting the tariffs with effect from the accounting period including the 1st June, 1984. From June potable water will be less expensive for all consumers except for those domestic consumers who are supplied with more than 45 units per month. Two-thirds of domestic consumers are not in this category and their bills will show a reduction. Hotels which pay their bills within thirty days of issue will continue to be charged at 40 pence a unit - a subsidy of 6 pence a unit. The present arrangements for the payment of the subsidy will continue. The average commercial and industrial user will enjoy a reduction of 19% and 16% respectively.

The projected deficit on the Housing Fund is nearly £1.3m. Rents will be increased in July by between 15% to 25% yielding about £0.45m per annum or £0.34m in 1984/85. The increase will vary from estate to estate but will add about £2 weekly to the average household bill. This rent increase will not be included in the rating assessment until 1 April, 1987.

I will not be making any proposals at present for the Telephone Service Fund, which it is estimated will show a deficit of some £350,000 on 31st March, 1985, as the Government proposes to re-examine the finances of the Fund during the course of the year.

I now turn to Indirect Taxation. The import duty on some alcoholic beverages is increased. Duty on whisky, gin, brandy, rum and other spirits other than liqueurs will be increased by 52 pence a litre, ie from £2.12 to £2.64 a litre. Beer and shandy imported in bottles or cans will also attract a higher rate of duty, 27 pence a litre, an increase of 2 pence a litre. No change is proposed in the duty on beer imported in casks. These measures will raise £125,000 in 1984/85 assuming there is no change in current import levels.

The duty on petrol is to be increased from 8 pence to 9.7 pence a litre. This will produce about £95,000 again provided that there is no fall in consumption. The duty on diesel oil will remain as at present.

Following last year's reduction and in a further effort to stimulate the bunkering trade, it is proposed to abolish the fuel oil export tax with a consequential revenue loss of £45,000.

The opportunity has been taken to give statutory authority to the present practice of allowing flowers and sacramental wine to be imported without payment of duty.

It is proposed to increase motor vehicle licences for private motor vehicles, motor cycles and special classes of vehicles. The fees have been rationalised and percentage increases range from 22% to 40%. The latter is the increase for the large motor cycles. This measure should provide additional annual revenue of about £100,000.

TV licences fees were last increased in 1979. It is proposed to increase these fees by 50% to £30 for coloured and £13.50 for black and white sets. This measure should yield an additional £70,000. As these monies are payable to GBC, I wish to give notice that I will be moving an amendment at the Committee Stage of the Appropriation Bill to reduce the subvention to GBC shown in Head 26 - Treasury, by a like amount.

The RPI effect of the Budget measures, Mr Speaker, will, in aggregate be about 2% of which 1% is the result of rent increases but the effect on what - before the advent of Friedmanite economics - used to be called old-fashioned cost-push inflation is minimal because they are taxes on personal expenditure. Nor are they highly frontier-sensitive.

I will now turn to Direct Taxation. It is proposed to give some income tax relief for persons in receipt of an Elderly Persons Pension. The proposals is to provide relief on a graduated basis for Elderly Persons Pension recipients whose assessable income is less than £9,000. There are some 250 taxpayers in this category and it is estimated that the revenue loss will be some £50,000 a year.

As promised by the Government, the Bill also provides that a wife will be able to claim the dependent spouse allowance if her income from employment is greater than that of the husband. Any revenue loss on this proposal should be offset by the decision to disallow the dependent spouse allowance if the joint husband-wife income from employment exceeds £20,000 per annum. I should make it clear that both husband and wife will still be able to claim their individual personal allowance - it is only the additional allowance which will not be granted.

The scope for straightforward reductions in the rates of income tax is unfortunately minimal this year because of the seriousness of the Government's financial situation. I readily acknowledge that there is a good case for increasing the personal allowances which have stood unchanged since July, 1981, bearing in mind that real disposable earnings will have fallen generally in the intervening period. Marginal tax rates are high.

There is however scope for what I might call less straightforward reductions in income tax. The effect of relieving interest earned on Government Debentures from tax, for example, is the same as a reduction in tax paid at the marginal rate by the amount of interest earned. Put another way, and without too close a regard for the language of Shakespeare and Milton, it is direct tax reduction substitution because it has the effect of increasing personal disposable income compared with the yield from an investment which is taxed. It has even been described, although not, I hasten to add, by the Commissioner of Income Tax, as tax amnesty substitution. Nearly three-quarters of the planned sale of £4m of Government Debentures has been completed.

The revenue the Government obtains from sale of debentures is used to finance projects in the Improvement and Development Fund which will generate employment and give a boost to the construction industry. The Government proposes to extend this concept in order to stimulate private housing development and home ownership.

The following measures are proposed. Up to £500 received as interest from deposits in the Post Office Savings Bank and Building Societies will not rank for tax. I am exploring with the commercial banks in Gibraltar the scope for extending this concession to deposits with the banks where the money is used to finance home ownership, provided a satisfactory supervisory regime can be devised. In addition, it is proposed to give a personal tax allowance for first-time home-buyers of up to 20% of the initial deposit, subject to a limit of £1,000. For taxpayers on a marginal rate of 50% buying their own homes, this could be worth up to £500 in cash terms. Although not included in this Bill, as it will require only administrative action, it is intended to increase development aid relief for developers who provide mortgage finance for owner-occupiers. Finally, the External Decorations and Repairs Rules, which will be extended for a further period of two years, will, in the case of owner-occupiers, also include the grant of tax relief on expenditure incurred in the replacement of roofs.

With the aim of encouraging more foreign incorporated companies to register as tax exempt under the Companies (Taxation and Concessions) Ordinance, the annual registration fee is reduced to £300. The Income Tax Ordinance presently provides that a qualifying company must deduct tax from any interest payable by it to a non-resident person at the rate of 2% per pound. This provision is discouraging non-residents from making full use of these companies as vehicles for foreign investment companies and offshore funds. It is therefore proposed to abolish this provision.

The qualifying limit on smaller projects specified in the Development Aid Ordinance is reduced from £150,000 to £75,000. This measure will provide tax relief to small investors, and it is hoped, will encourage more small-scale development. The need to stimulate the economy is the reason for this measure, as indeed it is, for the introduction of a new scheme to enable

local residents to purchase new previously unregistered cars in Gibraltar for use exclusively outside Gibraltar. The vehicles would be registered with G plates - specific registration numbers would be allotted to these vehicles for easy identification should the owner attempt to re-import the vehicle into Gibraltar - be exported within 14 days of registration, pay 5% import duty and non-reducible licence fee for three years in advance. If re-imported into Gibraltar within three years of purchase, the drawback would be payable as duty. After three years, duty would be payable on the assessed value. On re-importation the vehicle would be re-registered and a new registration number assigned.

The Bill also provides that pensions payable to former public officers, their widows and to former Members of this House shall be increased in July this year by one-half of the increase in the cost of living. This is one of the measures taken by the Government in an attempt to curtail the increase in public expenditure.

The effects of the measures which I have outlined and the increase in car parking fees introduced earlier this month will, it is estimated, increase the Consolidated Fund Balance from £2,569,468 at 31st March, 1985, shown in the Draft Estimates to £3,704,468. A revised financial statement showing the effects of the changes will be circulated to Members as soon as the Chief Minister has made his contribution to the debate. During the Committee Stage of the Appropriation Bill, I will be proposing the inclusion in the Estimates of a new Head of Expenditure - Contribution to Funded Services, to provide for the budgetary contributions to the Electricity, Potable Water and Housing Funds.

Before sitting down, Mr Speaker, I would like to thank my Colleagues on the Government bench and their Heads of Department, for the help they have given me in preparing what is inevitably a mixed and lengthy but, I hope, carefully-structured Budget. And I would like to add my personal tribute to the staff in the Treasury Departments, especially the Finance Officer and the Economic Adviser who have nursed me as well as doing most of the real work.

Sir, I commend the Bill to the House.

MR SPEAKER:

I will now invite the Hon and Learned Chief Minister to make his contribution to the Finance Bill.

HON CHIEF MINISTER:

Mr Speaker, last year I stressed the need for caution in the light of the difficulties that lay ahead for the economy, notably with the impact of Dockyard closure and the adverse effects of the partial and discriminatory frontier opening. I referred also to the expected fall in the level of the

reserves and the constraints posed on real revenue growth. The Government clearly refuted the stand taken by the main Opposition party at the time that the projected reserve level revealed a healthy position. The facts speak for themselves and confirm the predictably difficult financial position.

Our reserves now stand at around £7m, almost £1.5m below the original estimate. Despite reductions totalling £4m in departmental expenditure bids for 1984/85, the reserve level for the end of this financial year will fall to just over £2.5m. The Budget measures aim to restore this to nearer £4m.

In general terms, the Government's budgetary strategy for the coming year is therefore two-fold. Firstly, we have to maintain the stability of the Government's financial position and, given the level of arrears, ensure its liquidity. Secondly, the requisite corrective fiscal measures have largely been geared towards providing some scope or incentive for stimulating investment, both personal and corporate. I will refer to this in more detail later.

I should perhaps point out that the position would have been even more difficult had we not succeeded in obtaining the year's deferment of Dockyard closure but I must also add that eight months of that extra year have already elapsed. When I announced the Dockyard package in July last year I said that we in the Government had done all in our power to achieve the best starting-off point for the future of the commercial Dockyard and that it was then a question for the Trade Unions. I said:

"This places a tremendous responsibility on the leaders of the Trade Unions in Gibraltar and on each individual worker. I urge those leaders and those individuals to reflect deeply on this matter. In a very real sense the future of Gibraltar depends on their decision".

Agreement has already been reached with IPCS and it is a matter for great regret that, eight months after the deferment, we are still unable to proceed. In those eight months I have repeatedly urged the need for the earliest possible conversion of the Naval Dockyard so that the new yard might be ready to take on commercial work as soon as possible. The delay which has occurred has already had adverse effects on the time-table. I again appeal to those concerned to act speedily on this matter so that as many people as possible may be employed as soon as possible and so that the impact of Dockyard closure on the economy and on the Government's finances may be minimised.

We must ensure that the major re-adjustment now required to get the economy slowly but surely back on its feet is not left to be shouldered exclusively by those more directly affected in the Dockyard itself and that we are all prepared to make certain sacrifices.

Already, the Government has decided to review the level of certain services and benefits in order to contain the increase in recurrent expenditure. Detailed scrutiny of the expenditure estimates shows that there is a limit to what can be done without affecting the level of employment. There has been much criticism of the size of the public sector, particularly the Government. As the Hon Financial and Development Secretary has said, a reduction in the number of Government employees, without the prospect of alternative employment, would make no sense, but we have taken a firm decision to ensure that no new posts are created unless they are absolutely essential and to consider as and when situations arise, the redeployment of existing staff to areas of greater priority. We have also decided to curtail certain areas of expenditure in consultation, where necessary, with the unions concerned.

Ministers will refer to specific areas affecting their departments. I will deal with a number of areas which have wider application. Firstly, the annual cost of living increase applicable to pensions paid to public officers will this year be reduced by half. Secondly, the existing arrangements for payment of substitution allowances to civil servants will be reviewed. Thirdly, Heads of Departments have been instructed to control the incidence of sick leave among Government employees more strictly within established guidelines. Fourthly, summer hours for industrials, ie starting at 7.30 am instead of at 8.00 am and finishing work half an hour earlier will not be introduced this year given the increase in recurrent costs and the adverse effect on the level of output and supervision and also given the fact that we have double summer time. Fifthly, we have decided that the Collector of Customs should be able to decide manning levels in accordance with operational requirements, particularly during the silent hours. Lastly, no provision, with the odd exception, is being made this year for the purchase of office furniture for Government Departments. Other measures will affect levels of overtime in Government Departments.

I would now like to turn to the other side of the equation, so to speak, namely, revenue. The Government is well aware that the burden of personal income taxation is a considerable one. We have studied a series of proposals for reviewing the existing structure, but have concluded that any concessions have to be meaningful. An increase in personal allowances of £100 would cost around £800,000, offering an average increase of only 70p per week per taxpayer. Proposals to review existing tax rates and bands in order to shift the burden from one group of taxpayers to another have also been considered, but again a 'tolerable' change would have cost in the region of £750,000. Given the present and projected financial position, and the fact that income tax is the main and only automatic source of revenue, the Government has decided not to alter the existing system. There will however be tax relief for working wives and those in receipt of Elderly Persons Pension. Allowances for working wives where the joint husband and wife income exceeds £20,000 pa will be reviewed to discourage some abuse of the system with the payment of director's fees to women.

As for indirect taxation, the scope is very limited, and increases in selective import duties are being introduced in respect of items (ie spirits, bottled beer and petrol) which are relatively price inelastic, particularly in relation to their price-competitiveness with Spain. Other increases relate to road tax and television licences. The former can absorb a modest increase. The latter has not been increased since October, 1979.

The Consultancy Study on electricity and water tariffs recommended a major review of the existing pricing structure. The Government has accepted the main thrust of the recommendations and therefore proposes to make some adjustment in the payment of the cost of these services in favour of the industrial and commercial consumer. In the case of electricity this means an increase of around 15% for domestic consumers or around 90p per week for the average households, including the introduction of a new standing charge. In the case of water, there will in effect be a slight drop for most domestic consumers (around 10p a week) and significant reductions for the commercial sector. We have taken this step in spite of the fact that, for reasons outside anyone's control, and in order to ensure continuity of supply, we have had to supplement our water supplies by importing water from the UK at a cost of £800,000 over a period of nearly a year, naturally at a higher cost to the consumer.

The aim of these proposals generally is to reduce costs for private sector activity and help revitalise trade and hopefully employment. The change in the qualifying limit for development aid relief from £150,000 to £75,000, as well as the abolition of the export tax on bunkers, is also geared in this direction.

As for housing, the Government will be introducing a series of incentives for home ownership, including tax concessions and increased tax relief on interest earned on building society deposits. Other measures are proposed for expanding the mortgage lending base. Government housing rents will however be increased in July, on average by around 20% on the rent element of tenants' payments or an extra £2 per week. The rates increase will be deferred until 1 April, 1987. The deficit on the Housing Fund, despite rent increases over the past few years, stands at around £1m and has to be contained within a manageable level. A major scheme for the development of the old Gasworks site for home ownership by Gibraltarians at reasonable cost will shortly be announced.

The results of these measures will still leave deficits amounting to £1.6m, mainly for electricity (£0.6m) and housing (£0.9m) and a fairly low reserve level of just under £4m. The Government will therefore need to improve its cash flow position. I would like to add here that the Government has decided to strengthen the Arrears Section and will be taking vigorous steps to reduce the high level of arrears. The Hon Financial and Development Secretary has referred to the high level of Gibraltar expenditure in Spain, mainly on entertainment and recreation. I think the special point has to be made,

in this connection, and where this is not already the case, that payment of arrears of municipal charges by domestic consumers should take priority over recreational expenditure. There has to be a corresponding effort on the part of commercial consumers, who represent the greater part of the arrears owing today and who, under this Budget, will be receiving somewhat more favourable treatment. These efforts are essential if the Government's financial position is to improve and if it is not going to be compelled to introduce cuts in services. There has recently been some delay in the issue of bills for these charges but this is being quickly rectified and all concerned are now urged to arrange to pay their arrears as soon as possible.

I hope it will be understood that the measures announced today have been designed to minimise the effect on household incomes consonant with the need to protect the stability of our finances whilst maintaining the level of essential services to the community.

I am now making available to Hon Members of the Opposition copies of the Report on the special study of tourism which I commissioned last year in order to facilitate Government's consideration of ways and means in which the tourist industry might be expanded and developed. The Report will be released to the information media and others later today and copies will be available at the Government Secretariat.

The Report has not yet been considered in detail by the Government and no decisions have been taken. We are making it known through the information media that any bodies or persons wishing to comment on the Report should send their views to my office at the Secretariat not later than 2 May. It is my intention that the Report, and any comments received, should be considered by the Council of Ministers later in May.

Sir, without wishing in any way to minimise the seriousness of the Government's financial position, I want to end this statement on a positive note. I believe that Gibraltar has the potential to overcome the difficulties of the next two or three years. Whether it does so or not will depend on a full realisation of the situation by everyone here and by a determination, on the part of public bodies and individuals, to do something about it. Longer-term self-interest requires this but so does social justice; and those who are already well off, whether in the private or the public sector, have a particular responsibility to fulfil.

MR SPEAKER:

As the Rules require, we now have to recess for a minimum period of two hours to enable Hon Members to assimilate what has been said on the moving of the Second Reading of the Finance Bill upon which when we return I will invite Members who wish to speak to contribute to the debate.

The House recessed at 11.40 am.

The House resumed at 3.35 pm.

MR SPEAKER:

Does any Hon Member wish to speak on the general principles and merits of the Bill?

HON J BOSSANO:

Mr Speaker, I shall be replying on behalf of the Opposition on the Finance Bill and in doing so, analysing the economic situation and the adequacy or otherwise of this year's Budget in meeting that economic situation. Other Members of the Opposition will be making contributions on the Second Reading of the Appropriation Bill in respect of their areas of responsibility, concentrating primarily on the expenditure rather than the revenue measures and in doing so pointing out how the GSLP thinking ought to be reflected in the presentation of the accounts. I shall be making some general reference to the philosophy which was reflected in our election campaign recently about the need to have Government accounts that more accurately reflect economic criteria and what this means in practical terms for the different areas of Government responsibility will then be expanded upon by different Members. The basic thinking in this area, and I think if I just deal with that point briefly, Mr Speaker, and get rid of it then I can go back to the main arguments that I want to put on the Finance Bill. The main thinking in this area as we see it is that in presenting accounts for the Funded Services and, indeed, in areas where we do not have funded accounts, the more accurate the allocation of costs to the provision of services the more rational the decision making processes can be, that is, there can still be major policy differences between the two sides of the House but I think it is important that both sides of the House and, indeed, the people as a whole should know what it is costing to provide a specific service. There has been some move in this direction, a move that I feel I had a part in bringing about through perennial complaints year after year about the inadequacy of the notional accounts where, Mr Speaker, as you will remember, in 1973 in my first involvement in a Budget in Gibraltar, the Financial Secretary at the time stated there was a statutory obligation to balance the notional accounts and, in fact, not only did we discover in 1977 that there was no such statutory obligation but that in fact we had failed to balance the accounts by no less than £2.5m, so in fact when the retrospective accounts were done it was found that they had failed to balance by £2.5m. Since then we have had a policy announced by the Government of balancing those accounts which has never yet happened, of course, but nevertheless how close they are to doing it or how far they are from doing it, must depend on how accurate the cost allocation is and there appear to be some discrepancies which Members on this side will point out and

perhaps seek clarification if we have got the thing wrong but we have done a fair amount of work on it and we think we are right but, of course, we may be mistaken in our analysis and they will be seeking clarification from the Government in the areas that we noticed the discrepancies. Coming to the statement made by the Financial and Development Secretary and the Hon and Learned the Chief Minister in support of this year's Budget measures, there is of course one important difference. It is the only difference between this year's Budget and all the previous Budgets and that is how short the speeches have been. I imagine that they have to be short because since they contain nothing new I do not suppose that the Hon and Learned Chief Minister could do anything other than make a very short contribution because there is no way that the Government in its first Budget after an election where it ought to be spelling out what are its economic policies not just for 1984/85 but, indeed, for the next four years, if that has not happened then what is it that we have? We have, in fact, what we expected to have, Mr Speaker, a housekeeping Budget once more. A Budget where the only measure that might be considered to be designed to achieve a particular economic objective is the exempting from income tax of £500 of interest payments from Building Societies and the exempting from income tax of a deposit on house purchase for home ownership. There we have got measures that are clearly not fiscal measures, they are measures designed to achieve economic objectives where the Government considers that they can get a better return for the economy as a whole in terms of economic activity at a relatively low cost in terms of lost revenue but the rest of it is just the same as every other year, as if nothing had changed. The Financial and Development Secretary has imprinted his own personality in his Budget speech in not doing what his predecessors have done of producing, as he has said himself, a macro-economic picture as the background against which to judge the performance of our economy and the measures that are being introduced and the Hon and Learned Chief Minister has not said anything about whether he approves of this innovation or not. All I can say is that he has congratulated every previous Financial Secretary for doing the opposite. Every single year the Hon and Learned Chief Minister's speech started off by thanking and congratulating the Financial Secretary for the macro-economic approach and picture and background which we are now told is unnecessary. I think if the Hon Member will look at the records like I do he will find that I am right and there are lots of records that I am going to ask him to look at. I notice the Hon Member was shaking his head and I am saying that the Chief Minister has not said what he thinks of the new approach but what I am saying is that what he thought of the old approach was that it was a very good thing and that he said so every year. In looking at the analysis of the Financial and Development Secretary, Mr Speaker, and his studies of the statistics, I come to the conclusion that he has studied those statistics very superficially, obviously because he is such a recent addition to our community. No doubt he will be grateful if I assist him in his studies of our statistics, Mr Speaker, and give him the benefit of the

twelve years that I have been studying them. The Financial and Development Secretary in paragraph 8 of his statement, page 4, quotes the change in earnings that have taken place in Gibraltar between 1972 and 1983. It is reasonable to look at 1972 and 1983 because 1972 is the first set of statistics we have and 1983 is the most recent but one needs to look at what happened in between and if the Hon Member does that he will find that all he needs to do is a simple exercise of getting the index of retail prices which he quotes in his paragraph as having risen by something like 400% and if I am not mistaken and if I can actually find the source amongst this pile, Mr Speaker, I will go to where it is. I imagine the Hon Member is in fact using the table produced by the Statistics Office in the Employment Survey Table 17 which shows take home pay for weekly paid Gibraltarians married with two children, I think that is the relevant figures and let me say how delighted I am to find out that the Hon Financial and Development Secretary is actually studying the statistics because I felt very lonely until now, I thought they were all being produced just for me, I didn't know anybody else was looking at them but I have been looking at them for a number of years and what I have discovered, Mr Speaker, and it might be useful for the Financial Secretary to take that into his analysis and then he will find that what is happening in Gibraltar and what has happened in Gibraltar is not strikingly similar to that in UK over this period, it is strikingly dissimilar to what has happened in UK over this period because in fact if we produce a new table by re-valuing average earnings according to the index of retail prices back to the base of 1972, that is, if we produce annual earnings at 1972 pounds, then we are knocking out the effect of inflation, knocking out the effect of price increases and we are seeing how real wages have moved in the period and that is an accurate way of assessing whether the standard of living of the average working man, which is what this measures, is going up or down and there we find, Mr Speaker, that the figure which was £20.32 in October, 1972, was in fact £19.99 if we re-value for pounds at 1972 prices, £19.99 in April, 1978. So between 1972 and 1978 all that happened in average earnings in Gibraltar was that people barely kept up with prices, they finished up in April, 1978, almost at the level that they were, in fact, shortly below. What happened in 1978? Well, the Financial and Development Secretary was not, of course, in Gibraltar in 1978 but the rest of us who were here know that what happened in 1978 was that we obtained parity with UK and, in fact, Mr Speaker, the result of that was that the October Survey showed average earnings going up and, again, re-valuing it so that we keep a consistent pattern, the value then became £28.63. So there was a 40% in take home pay adjusted for inflation in 1978. Since 1978 there were some further increases, the figure did not fluctuate very much, in fact, in 1979 the weekly wage was worth £27; in 1980 it was worth £29 and in 1981 it reached £34 in October and £35 in April, 1982. Those figures are very important in another context but just sticking to them in the context of what the Financial Secretary has said, what we find is that since 1982, Mr Speaker, the figures have been

coming down. It was £33.94 in October; £33.97 in April, 1983; and £33.53 in October, 1983, adjusting for inflation throughout. So we do not have and it is incorrect to say that we have had a situation of a 300% increase between 1972 and 1983, what we have had is stagnant real earnings between 1972 and 1978, followed by a 40% increase in real earnings in 1978 which created eventually a boom in the private sector which was in fact reflected in Government revenues in 1981 and which was responsible for the huge increase in import figures which the Hon Member has put down to over-stocking in anticipation of an open frontier and there may have been an element of over-stocking but it was not over-stocking when car sales went up by something like 70%. It may be that people bought cars in anticipation of the opening of the frontier but it was not over-stocking and the reason why they were able to buy cars was because they had collected a lot of back money within the previous twelve months. The Government found itself in a very strong financial position and the Hon and Learned Chief Minister came to this House in the Budget of 1981 and claimed the credit for that by saying that it was the result of the Government's sound economic policies and, of course, it had nothing to do with the Government's sound economic policies, it had to do with an enormous consumer spending boom coupled with the signing of the Lisbon Agreement and some over-stocking by the business community, that is what it had to do with and it was not a question of harsh over-taxation as other people who sat on this side of the House claimed at the time because in fact when you are talking about over-taxation that can only mean one thing in plain English, a deliberate decision to raise more money than you need, that is what over-taxing is. We are not over-taxed unless we have surpluses, huge surpluses, planned surpluses, not surpluses that suddenly appear without the Government quite knowing how it got there but we are very heavily taxed, there is no doubt about that, but they are two different things. To be heavily taxed is one thing and to be over-taxed is another and over-taxing can only mean unnecessary taxation. That we are over-taxed, I think, is recognised by everybody who is a taxpayer in Gibraltar, that we are heavily taxed, I stand corrected. That we are heavily taxed is recognised by everybody who is a taxpayer in Gibraltar and, indeed by the Financial and Development Secretary who in the previous meeting of the House gave an indication of his personal aversion to high taxes on income and the desirability of moving from taxes on income to taxes on expenditure. There is an area there where it is very much a matter of ideology and a matter of philosophy whether one should place the burden of raising Government revenue on indirect or direct taxation but I think in Gibraltar even more important than that is an accurate analysis of who the tax will fall on. Clearly, the ideological argument that is put in favour of an expenditure tax is that it is a tax that can be avoided. You do not need to pay the tax because all you need to do is to avoid buying the thing that is taxed and although this is used in defence of expenditure taxes by Chancellors of the Exchequer in the United Kingdom and has been used on occasions in the past, it is not an argument, in fact, that holds any water, it is a

political argument where the politician is saying something which he does not really subscribe to because, obviously, if you put an expenditure tax in the name of freedom, telling people that all they have to do is avoid the tax by not buying the goods that you are taxing, you won't get the revenue that you are planning so you do it because you expect them to buy it and pay the tax otherwise you wouldn't do it. In fact, it is nonsense to say that people can avoid expenditure taxes by not spending their money on those goods because if they did that you would have a shortfall in revenue and then you would have to find another way of taxing them. I think the only way that we can look at it is in terms of the market in Gibraltar, the private sector market in Gibraltar, and what that will do to that market. And if we have a situation where we are very competitive in a particular area and the market can bear a higher price than it is, I think, wise that part of that higher price should result in revenue which the Government will use for the whole community rather than that the people who are in business in that particular area should simply raise their own prices because they know that there is demand for that particular product and because they know they are in a competitive position. But I do not think that any very sophisticated studies have been done by the Government, things are not being done by Spaniards but certainly not a great deal on this side that I know of to establish just how competitive or otherwise we are with the hinterland in a whole range of products and there, clearly, is where any move to expenditure taxes might make sense if we found that by putting a small tax on something the Government could get a lot of revenue like they used to do in the old days when the bulk of the Government revenue was obtained from indirect taxation and there was, indeed, no need for income tax, Mr Speaker, because we had a huge turnover in areas where the sales were clearly the result of the fact that we were supplying, not the Gibraltarian population but three-quarters of Spain. I do not think that anybody really believes that those days are going to come back and I do not think anybody really knows to what extent a relaxation at the frontier would create a huge demand for goods and, if so, for what kinds of goods. We are talking about a very hazy area, an area where effectively we cannot talk with authority based on statistics but simply of hypothesis based on assumptions that one makes or one does not make. But we have a situation where the market in Gibraltar has been sustained and Government revenues have been sustained for as long as we have got recorded statistics not by an expanding market in terms of numbers but by expanding turnover because of improvements in the standard of living because people have had more money to spend and because they have been spending it here. The Input/Output Study which the Government commissioned in 1981 and which is one of the few reports, Mr Speaker, that I think actually is value for money given just how unsuccessful all the others have been in producing any answers to any of the problems that face us, at least this demonstrates in broad terms the sort of relationships that govern our economy as our economy used to be and as it still is until the end of this year and one does not know because

one of the limitations that clearly the Input/Output Study and the people who did it recognised it themselves is the fact that you are taking with the Input/Output Study a still picture of the economy, and in taking that still picture you can say, well, if you change marginally one element since the whole thing is balanced, that element sets off a train of events and you can actually trace that train of events through the economy and then produce an estimate of its overall impact. But that is only true if you are talking about changes at the margin. If our construction industry disappears then the Input/Output Study won't tell you what happens, if the Dockyard closes the Input/Output Study cannot tell you what happens. What the Input/Output Study can tell you is what will happen if the Dockyard workforce is increased or decreased by something like 5%, then you can trade what happens throughout the economy but when we are talking about major changes and I think one of the areas, for example, Mr Speaker, where the forecast made by the consultants does not appear to have materialised was that the partial opening of the frontier would cost 300 jobs in the private sector. I think as the last Employment Survey indicates, the loss of jobs in the private sector is almost exclusively in the construction industry and that is not due to the partial opening of the frontier and certainly if we look at other statistics and I think there are some discrepancies in the statistics that we have on social insurance, in the statistics that we have on the work permits under the manpower planning and in the statistics produced by the Employment Surveys which gradually, in fact, those discrepancies are being eliminated, not I think because of anything positive that is being done but because the decline of the workforce is being reflected faster in some statistics than the others so we seem to be finishing with statistics which will actually converge through act of God more than anything else, I think. But if we look at those statistics again we get relatively the same picture of a decline in the private sector heavily concentrated in the construction industry. We have had a situation of fifteen or sixteen months of an open frontier and the prediction was that in a full year it would cost 300 jobs and that has not happened. I am saying that because in fact the calculation of the loss of jobs made by the consultants was said to be using the methodology of the Input/Output Study updated with more recent figures and I think there are limitations in using that methodology for changes that are as big as the ones that we are talking about with the frontier and the Dockyard. Coming to another point of the statement made by the Financial and Development Secretary on his comparisons between UK and Gibraltar, he says in paragraph 4: "There is considerable argument amongst economists about cause and effect but the condition was aggravated by the energy crisis and subsequent stagflation". This, in fact, is something that is unacceptable to us because it isn't a question simply of an argument amongst economists, there is a very violent political argument about the causes of the problems of the state of the economy of the United Kingdom and I have no doubt where the blame lies in my own mind, Mr Speaker. I am afraid it lies with the Hon

Member's old boss in London and I am afraid if we get the disease of Thatcher's economic thinking arriving in Gibraltar, I shall have to blame his new boss in Gibraltar because I cannot blame him because I hold the Government politically responsible for whatever economic thinking surfaces on the Government benches. I hope that we are not contracting the British disease because I hope, Mr Speaker, the people of Gibraltar did not vote for the equivalent of Mrs Thatcher on the 27th January. I think we have got a very serious economic problem, Mr Speaker, of that I have no doubt, and I have no doubt that this Budget does absolutely nothing to resolve it or even to attempt to resolve it. All that the Budget attempts is a holding operation which by the criteria applied by previous Financial Secretaries would be considered to be totally irresponsible, that is, if we were to judge the Hon Member's Budget not by the criteria of the man in the street who is going to have to fork out £1.1m and he is not going to like it, last year's Budget was £2m, this year's is £1.1m, I have already made some comments to the press that we do not tend to see the Budget or judge its merits on whether it is harsh or soft but presumably if one chooses to think of it in those terms either this one is twice as harsh as last year's or last year's was half as soft as this one, whichever way one wants to put it, it is like whether the glass is half full or half empty. We are looking at it from what it does to stop the rot, what it does to prevent the almost inevitable economic decline that we are facing and the answer to that is nothing. We then look at it as a possible Budget reflecting past thinking and certainly by past thinking the Financial and Development Secretary with the presentation of the summary that we have in page 5 and with the explanations that we have heard in this House before about the adequacy or inadequacy of reserves which is totally absent this year, there is no mention about whether the reserves are adequate or inadequate or too much or too little or whether it is prudent or imprudent, I suppose when you get to a certain level you want to forget what they are and that must be happening this year or it may be that the Hon Member simply does not attach the importance to the reserves that the three or four predecessors that I have had the honour to listen to in this House have all attached but I know that, and I have said this on other occasions in the Budget, the ideal level always seems to coincide with the actual level and therefore when we had money for three months it was almost a biblical truth that three month's reserves was absolutely essential and then it came down to two months and then it was clear that two months would do and then it came down to one week at one stage and then, of course, it started going up again and the philosophy started going up with the reserves. So in looking at the reserves we are looking at a situation where the Government originally estimated that it would have £2½m and is now estimating that it will have, I think it is, £3.7m. Apart from the specific measures that have been announced of which I shall have something to say and apart from our criticism of the philosophy of the Budget as a whole as failing to meet an economic situation for which I think the Government has got no answer, quite frankly, apart from that, let us look purely at the accounts

and let us see what we on this side of the House can make of it, Mr Speaker. In the debate we had on the Auditor's Report for 1982/83, I mentioned the desirability of the revenue estimates given separate indication of what was the level of arrears and how much of that the Government anticipated to collect. In fact, the Financial and Development Secretary has said that in the £19½m in the estimates there is provision for collection of some arrears of income tax but he has not said how much and that there is provision for a decline in the tax paid by companies but we do not know by how much and there is provision for some increase in PAYE. Last year we were told that the £18.7m was based on the assumption that the Dockyard workforce would cease to be taxpayers in December, 1983, and that in the last three months of the financial year, that is, in the first three months of last year, the Dockyard workforce would not be paying tax and that drop in revenue yield was what produced the £18.7m, a position that I found totally unacceptable and was unacceptable to our party because to us to vote for a set of estimates with that underlying assumption was a de facto acceptance of a situation which was unacceptable politically. The Financial and Development Secretary has not explained where in this year's estimates he is in fact including a provision for tax to be paid by employees of Gibraltar Shiprepair Limited and he is in a very fortunate position to be able to calculate their tax better than anybody else because he happens to be the Chairman of that company, so who better to make sure that they pay their taxes, Mr Speaker? And, indeed, for how many employees is he expecting to be paying tax in January next year? There are interesting bits of information that the Hon Member has got tucked away which I would invite him to reveal when he answers me. Looking at the overall picture of the revenue estimates and forgetting, as I have said, Mr Speaker, that we are looking at the Budget ourselves from the point of view of its economic logic rather than from the point of view of its fiscal logic but assuming that the Government is looking at purely from the point of view of its fiscal logic, one must question whether they really believe that the revenue estimates are accurate unless they also believe that again this year they are going to fail totally to make any impact on the collection of arrears and I would like to find out a misunderstanding reflected by the Financial and Development Secretary when he made some statements following the Auditor's Report debate as to the level of arrears and the extent to which those arrears were involved in the level of reserves. I think the Hon Member told the Gibraltar Chronicle, at least that is what the headings indicated, that the situation was that out of £7m, £5m were unpaid bills. I think that is what in fact the paper said he said, if he didn't say it then I think perhaps he ought to have corrected it but in fact, it was said there and during the debate on the Auditor's Report, Mr Speaker, I think in his intervention, and Hansard will show whether this is so or not, I think there were times where he seemed to be connecting the £7m of reserves at the end of this year with the £5m of arrears of revenue in the Auditor's Report which of course referred to a situation of twelve months ago. In fact, the

£5m was out of £12m not out of £7m which was the position in March, 1983. The situation has deteriorated because I am sure that it is now more than £5m so in fact we have moved from having £12m and arrears of revenue of £5m and I think again there the figure needs correction and this is one of the areas where we feel it is important to have consistency of treatment because it makes it easier and one assumes that the amount of statistics that the Government is producing nowadays and we think that that Department is doing a first class job. Let me say the latest abstract of statistics is absolutely first class because it goes out of its way to illustrate so that it is more comprehensible to people who are less used to dealing with masses of figures and masses of tables and the wider the audience we reach with figures and statistics the better informed our community is, but that was a diversion, Mr Speaker. I was saying that in order to have consistency of treatment the Government should be looking at the way they do things in different areas because it makes it much easier and one assumes that the publication of the statistics is designed to enable people to use them and to enable people to make a realistic assessment. If we take the 1982/83 Auditor's Report - it has just been pointed out, Mr Speaker, that on page 51 of Hansard the Hon Financial and Development Secretary is quoted as saying: "The effect on Government finances is that whereas a balance of £7m might be shown in the Consolidated Fund this figure, which I quoted yesterday in reply to the Leader of the Opposition, £5m of this cash which is owing to the Government", and in fact £5m of that is not cash which is owing to the Government because that £5m is the £5m that was owing to the Government on the 31st March, 1983, according to Statement 46 of the 1982/83 Auditor's Report.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

The tense is conditional in that particular reference, Mr Speaker, 'might be'.

HON J BOSSANO:

So, in fact, the Financial Secretary didn't know whether it was £5m or not that is why he used the term 'might be'.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I was illustrating a general point.

HON J BOSSANO:

As I say, no doubt the Financial Secretary will find that I tend to look for specific points rather than general points when I analyse the statements that people make and I try to do the same myself. In fact, Mr Speaker, the point that I want to make about that £5m is that irrespective of whether it was a general point and whether the Hon Member intended to make it

conditional, it was inaccurate even in respect of 1982/83 because of the £4.9m only £2.6m is included in the reserves. Yes, because only the amount under reimbursements and recoveries are shown as part of the reserves because they are included in the funded accounts as billings. So we have a situation, for example, where there is $\frac{1}{2}\%$ of general rates owing which is not included in the reserves. I will give way if the Hon Member wants me to. I will explain then, Mr Speaker. We have a situation taking the 1982/83 and I think it is useful to do that because here we have the final figures for 1982/83. We have got, what was it the Hon Member called it, not a revised estimate, a something else?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Forecast out-turn.

HON J BOSSANO:

A forecast out-turn. I am getting used to his terminology, you see, Mr Speaker. We have a forecast out-turn for 1983/84 and we have, I don't quite know what but probably a pie in the sky for 1984/85, I would think. But if we take the real figures, the ones for 1982/83, the Government then showed reserves of £12m, that is, £11.9m. In order to be able to judge how sound is the Government's financial position, one has to do a number of exercises of adding and taking away from that figure and I think it is useful if the Government itself recognises that these exercises need to be done and present a clearer picture because it is quite an involved exercise. So we have to do one thing, we go to the Auditor's Report which in any case comes out twelve months later and we find that the Auditor talks about arrears of revenue of £4.9m. Until we get to Head 8 - Reimbursements, and Statement 46, all the arrears of revenue which come to £2.3m, are not included in the reserves because they have not been shown as Government revenue at all and what I am saying is if we have got a situation in the estimates this year, if I can find it, if we look at a situation where we have got under General Rates - Head 3, Subhead 1, on page 9, an amount to be collected of £3,155,000, my analysis of that figure indicates that we are not including anything in respect of arrears. I may be wrong but I have done some checking and the figure squares on the assumption that no arrears are going to be collected. The arrears in respect of general rates in 1983, never mind in 1984, which is where we are now or in 1985 where we will be by the time this money is collected, in 1983 was £522,000 which is not, in fact, arrears of revenue already included in the reserves. If the Government succeeded in collecting that £522,000 then the actual revenue for 1984/85 would not be £3,155,000 but would be £3,700,000, that is the point that I am making and therefore in looking at the financial position of the Government forgetting all the arguments on the economy, purely fiscal measures, I think we ought to have two Heads there or two Subheads, one which would show the general rate

in respect of this year and one which would show the position of arrears and then we would see how the arrears are moving. I have done an exercise for my own benefit, Mr Speaker, and this exercise shows that the general rates have moved from being in arrears by £219,493 in 1977/78 to £522,180 in 1982/83 which is the latest figure available and that trend applies to every single Head of revenue. So, in fact, we do not have a situation where the Government has been successful in containing arrears, never mind reducing them, containing them, we have had a situation where every year the level of arrears has gone up which means that every year they have not managed to collect the arrears and, in fact, they have accumulated more and we have a situation where in fact I think the Government itself bears a great responsibility for this situation and I will explain why, Mr Speaker, because there is a big jump following 1977/78. I have shown how, and this is the importance of using the wealth of statistical information that the Government has because the Government produces more detailed and more accurate statistics than almost any administration anywhere else because it is in a position to do it because Gibraltar is so small and this is what gives the Government the tools with which to make sound policy decisions. If we look at the level of earnings I have demonstrated how the level of earnings were practically stagnant until 1978 so that if there were arrears of revenue be they from individual consumers or be they from the business community, one could understand that because if wages in real terms were barely keeping up with prices then it is understandable that you should have a stagnant economy, the stagflation of which the Hon Member was talking about was true until 1978 but not after. If that was the reason then we would have expected that with the advent of parity with millions of pounds flowing through the economy, with a huge increase in imports and a huge consumer boom the wherewithal to start making some effort to pay off the arrears would have been there but the converse is what has happened, the arrears have gone up since and we have got a situation where, for example, in 1977/78 there was £1.9m total of arrears and in 1979/80 it was £3.9m, in 1981/82 it was £4.6m and in 1982/83 it is £6.3m, not £5m, £6.3m and the reason for that discrepancy is in fact because one has now to do a calculation in the opposite direction, that is, having started off, Mr Speaker, explaining that of the £12m we had last year one cannot say there are £5m of that which is owed to the Government because in fact some of that money, the amount for general rates, water rates, ground rents, hostels, estate duty and income tax, all those which are shown in the Auditor's Report as making up to £4.9m, all those are not included as revenue and if the Government makes an impact in collecting those arrears that will be of real benefit to the Consolidated Fund, that will be the Consolidated Fund going up. But, of course, on the other side of the coin and I think the Government will have to give some thought to this, on the other side of the coin the actual impact of the Funded Services on the Consolidated Fund is not limited to the collectable arrears which is the estimate put by the Auditor in his Statement on page 46. That estimate surprised me this

year, Mr Speaker, and I don't know whether it is an omission on the Auditor's part or an oversight by the Auditor, but there is a treatment here this time which is different from every previous year. I have gone through every single Auditor's Report back to 1977/78 and I think it was in 1975/76 where the Auditor said that he had not obtained a statement of arrears and he couldn't produce, in the 1975/76 statement in the Auditor's Report the Auditor could not get from the Heads of Department details of the arrears so he could not produce a statement of what the arrears were but since 1978/79 or 1976/77, one of those years, was when they started producing the detailed figures of the statement of arrears which appears on page 46 and from which I have extracted this analysis. Going over those years the statement of arrears on Statement 46 which is always on the last page of the Auditor's Report, if I get one of the other years 1981/82, for example, it is Statement 45 but it is also the last statement, we have a situation where the total shown there is £4m. In that total we have under the Funded Services so much for water, so much for electricity and so much for the telephone service account. The telephone service account in 1981/82 shows a total of £625,000 as being in arrears and that £625,000, in fact, tallies with the amounts shown in the actual special funds which is Statement 16 on pages 102 and 103 of the Auditor's Report of 1981/82. There we have bills outstanding and bills outstanding trunk calls so we have two Heads and the accounts are separated because of course the trunk calls service includes a payment to Overseas Administration but in fact the arrears shown there tally with the amount of money that passes through the accounts in terms of bills issued, so if we go to page 101 of that year's accounts we have a situation where bills issued is £791,000 and where the fund accounts, the bills for collection account, the bills for collection account trunk calls and the balance sheet all, in fact, tally. I have gone through all the figures myself and they all tally and that figure actually tallies with the figure on Statement 45 at the end as being the arrears owed to the Consolidated Fund so that, in fact, there is so much money that is not in the Consolidated Fund because it is in respect of bills issued. When we come to 1982/83 and I wouldn't mention it, Mr Speaker, unless it was a very substantial figure but it is a very substantial figure. When we come to 1982/83 we find that in Statement 16 we have a new item which is the issue of bills in respect of metered calls which did not appear in the previous year's estimates and there there is a new account whereas before we had the bills for collection account and the bills for collection of trunk calls, we now have bills for collection local and IDD metered calls and there we have bills issued - £372,000; bills paid - £27,000. One is used to 10% not being paid but when you come across a situation where 10% is paid and 90% isn't then I think it requires an explanation and that figure is not, in fact, reflected in the summary given by the Auditor on Statement 46 because if we look at the summary on Statement 46 we have a situation where the Auditor says that the Telephone Service Fund is effectively in debt to the Consolidated Fund by £624,041.43 but if we actually go to pages 88 and 89 and we analyse the outstanding bills including metered

local calls, then we have a situation where the sum is £1.2m and if we go to the summary of the balances of the Special Funds which shows to what extent - it is Statement 12 on page 74 of the Auditor's Report - we find, Mr Speaker, that there in the last column we have under Telephone Service Fund £1,155,961.63 as the amount due to the Consolidated Fund, not £600,000 and, of course, a difference between £600,000 and £1.1m advanced to the Telephone Service Account is a very big difference indeed. I am afraid, Mr Speaker, the Hon Financial and Development Secretary has got a worse situation in his hands than he thought he had when he gave us the answers that he did which I quoted from the Hansard on the Auditor's Report because in fact the advances made by the Consolidated Fund to the Special Funds particularly in the area of the Telephone Service is far greater than indicated by the £5m of arrears. However, he can be happy that in the opposite direction £2m-odd of those arrears he can add to the Consolidated Fund if he manages to collect them. Is he going to manage to collect them or not? Well, he is certainly not anticipating it in the estimates of revenue and one of the things that the Auditor said that he ought to do is in fact to find out how much of that is still collectable. Because of this dual treatment, and I believe that one way of providing uniform treatment, let me say that, Mr Speaker, we recognise entirely that we are talking about the way the Government's financial position is presented rather than saying anything that is going to alter that position. Whether in fact you show the arrears or you do not show the arrears they are still arrears and not cash but I think if you have got, for example, telephone bills included in your reserves as having been paid and rates excluded from your reserves until they are paid, it makes for a confusing situation in terms of assessing exactly what the results are because you have got huge sums of money that you have to add to the reserves if you are going to count all the arrears, or huge sums of money that you have to deduct from the reserves if you are not going to count any of them but I think you have to have consistent treatment. We have, in fact, been doing an exercise of this nature, that is, eliminating the bits that need to be added and putting back the bits that should be there and - I have got a very confusing filing system, Mr Speaker, as you will have noticed over the years but eventually I manage to put my finger on it - and there I have, Mr Speaker, an analysis which I think is what shows the position of the Government doing all the adding and subtracting that need to be done, so that we have a situation where on the one hand we have got the public debt. I think in assessing the level of public debt one has to take into account, for example, the level of the Sinking Fund. We have had a situation where, for example, going back to 1963 - I have done a 20 year analysis - I am almost tempted to say before the Hon Financial and Development Secretary was born but I do not suppose I can say that. In 1963 we had a situation where the Government debt was £2.2m and it had a Sinking Fund of £700,000 so really it was £1.5m because in fact they were putting money on one side to repay that debt. In looking at the debt over the years, for example, we have had situations in 1969 and 1971 where if you ignored the level

of the Sinking Fund the debt appeared to be going down when in fact it was going up because there was a huge repayment in 1971/82 of almost £1m. It makes it easier to finance the debt, that I accept, but I think in assessing the position one needs to take both into account. So what I have done, Mr Speaker, in looking at the situation, and let me say that I was doing a lot of these figures in last year's Budget when Members were very intrigued because I was in there making all sorts of calculations and then I didn't use them so that is where they come from, but looking at those figures we can see that the debt has been going up even if we take into account the Sinking Fund and the big increase has come in 1981/82, that is, we have moved from a situation where the public debt net of the Sinking Fund has moved from £2m to £3m right up to 1975/76, then it moved into the area of £5m until 1978/79, then £6m, £8m and then suddenly £19m, £21m, £24m and now we are in the £26m region. The Consolidated Fund, in fact, was at its strongest in real terms in 1980/81 when it reached almost £9m. The following year, although the Consolidated Fund showed an increase from almost £9m to £11.4m, in fact, that required some adjustment from the amount due to the Consolidated Fund to find just how strong it was in cash terms and what I have done, Mr Speaker, is in assessing the strength of the Consolidated Fund has been to produce another table which gives me whether the Improvement and Development Fund is in surplus or in deficit because I think that is something that if we are having like we were before a Consolidated Fund Balance if we look at the estimates for this year on page 5, if we had a situation where the balance in March, 1983, was almost £12m but we had a deficit of £3.2m in the I&D Fund, then really we didn't have almost £12m, we had in fact just over £8m because of the £12m the I&D Fund had a deficit on paper but in fact the people that supplied the services and the construction industry got paid and they got paid by an advance from the Consolidated Fund so I think we have to make an adjustment for the Consolidated Fund. I also think we need to make an adjustment for the Contingency Fund because the Contingency Fund was introduced in 1974/75 at £100,000 and was subsequently increased in 1981/82 to £200,000 but that is money that we have, we have it in order to meet emergencies but one could theoretically equally show it as part of the Consolidated Fund and have the authority to use the Consolidated Fund on the authority of the Financial Secretary so it is only a technical way of holding that part of the reserves and I think if we are looking at the reserves over the years unless one takes that into account then there is £200,000 there which before were not there because they were part of the general revenue reserves as it was then known. I also think that to be realistic we have to get the four Funded Services and deduct from the Consolidated Fund the amount of money that is shown as due to the Consolidated Fund in Statement 12 of the Auditor's Report to which I made previous reference, that is, if the Funded Services show that they are due to pay to the Consolidated Fund sums like £1.8m for the Electricity Undertaking; £930,000 for the Water; £1.1m for Telephones and £154,000 for Housing, which are the sums for 1982/83, then in fact this is really

the cash that is not there and I think in order to assess just how much cash there is in the Consolidated Fund we have to take that out. On the other hand I think we have to add back the figure of arrears shown in Statement 46 which is less than the balance due to the Funded Services purely because the balance due to the Funded Services has to do with the operations of a financial year and there is no way that if you charge the cost, for example, to the Electricity Account until the end of March and the billings until the end of March, that you can actually get them paid on the day of the end of March, so there is an inevitable gap between the actual financing of the Funded Accounts and the recoverable debts.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

That is a matter of accruals.

HON J BOSSANO:

The Hon Member keeps on using new words, I don't know whether he is trying to confuse me. It may be a matter of accruals but the point is that unless one recognises that, the Consolidated Fund can never be what it is supposed to be. It is no good the Hon Member coming here and telling us that he is going to have a Consolidated Fund of £3.7m, if they are all accruals what is he going to do, pay people with accruals every week or what, if he needs the money? What I am saying is that that £3.7m because of the way the accounts are done include an element which is getting bigger every year of money that will never be there in cash even if everybody paid their debts to the last penny because there is in fact, clearly, if we look at Statement 46 a discrepancy which is a very substantial discrepancy now between the amounts judged by the Auditor to be arrears of revenue in the sense that they are capable of being collected within the financial year and consequently capable of appearing as cash there and the amount that is actually advanced by the Consolidated Fund to the Funded Accounts. That discrepancy which is found by comparing Statement 12 of the Auditor's Report on page 74, Mr Speaker, and I am just going to do a quick calculation for the benefit of the Hon Financial and Development Secretary so that he knows exactly what his accruals are costing him. Mr Speaker, we find that according to Statement 12, page 74, of the Auditor's Report Statement of Special Funds, electricity, water, telephones and housing owed the Consolidated Fund £4,074,715 and out of that £4.1m the Auditor judges that if everybody paid their debts in that financial year you could have collected £2.6m. So we have in the level of reserves £1.4m in 1982/83 impossible to collect, that is what I am saying. We have got a situation where the balances on the Fund at the end of the year because of the way the exercise is done, because of the way the accounts are done, it means that all the costs are made up to the end of the month and all the electricity and water and telephones which has been provided to the public is shown as revenue even though people haven't even yet received the bills. That is then financed by an advance from the

Consolidated Fund, that advance for the four services, yes, Mr Speaker, that is what the Auditor says, I am afraid so, the Hon Member doesn't have to believe me, he can ask the Auditor. Mr Speaker, the Auditor's Report clearly says that the amount due to the Consolidated Fund, Statement 12, page 75, is £4,074,000. He then says in the Report, he says it himself, he gives the explanation, in fact, that the amount that can be collected within the financial year is not the same, it is less for the reason that I have given because, in fact, you cannot collect the bill until you actually post it and if you read the meter in the middle of the month you are still carrying, for example, if you read the meters on the 15th March and you bill people on the 15th March then presumably the consumption from the 15th to the end of the month will still be shown in the accounts. It is no good saying 'of course', Mr Speaker, because we are talking about a situation where the discrepancy between the two figures is £1.4m in 1982/83.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, would the Hon Leader of the Opposition give way. I think there are two points here. I have mentioned the word accruals and of course it is quite true that the balance shown in the Consolidated Fund does assume the collection of revenue from outstanding bills so to that extent it does not adequately reflect the cash situation but the contributions shown in the financial statement which is a contribution from the Consolidated Fund to the various budgetary undertakings, that is to say, the extent to which they have made a loss in normal accounting terms and therefore have had to have contributions from the Consolidated Fund, that is fully reflected in the financial statement. There are two different conventions which I think the Hon Leader of the Opposition is confusing.

HON J BOSSANO:

I am not confusing it at all, Mr Speaker. I am afraid the Hon Member has gone off at a completely different tangent, I haven't mentioned contributions at all. He is talking about the contributions which, of course, I know are there, they are on page 5. What he has just told me I know, I have read it there, £1.8m in 1983/84 to the Electricity Undertaking, that is what he is talking about. Am I right in saying that that is what he is talking about, Mr Speaker? I will give way.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

When I say budgetary contributions, yes, that is what I mean.

HON J BOSSANO:

I am not talking about that at all. Mr Speaker, I am not talking about the contributions, I am well aware what the contributions are, we vote them. I am talking about the

situation 12 months ago. In page 5 at the moment if I can take the Hon Member to page 5, in page 5 he shows us that he has £11.9m Consolidated Fund Balance on the 31st March, 1983. I then say to him that on page 74 of the Auditor's Report for 1982/83 and I mean after all the whole point of having the Auditor's Report produced in time for the Budget and a great effort was made to do that, was precisely to enable us to do this. So we look at the figure of £11.9m in March, 1983, and I have got no way of knowing how much of that £11.9m is actual cash unless I go to the Auditor's Report and I look up Statement 12 which tells me - Statement of Special Funds cash in hand or due to the Consolidated Fund. That is, if we have got a Special Fund that has actually got a surplus then that surplus is helped by the Consolidated Fund and it is shown as cash in hand. So let us take for hypothetical reasons that we have a situation where the Electricity Accounts actually finish 1982/83 with £100,000 surplus.

MR SPEAKER:

I think you have made the point. I think what you would like to be told is of the £11,984,000 how much is made up by arrears.

HON J BOSSANO:

No, Mr Speaker, I wouldn't like to be told that because it is quite obvious to me

MR SPEAKER:

I follow your argument.

HON J BOSSANO:

If you will allow me, Mr Speaker, it is quite obvious to me from the intervention of the Financial Secretary who started talking about budgetary contributions which has got absolutely nothing to do with this, that he hasn't got the foggiest idea how much is made up of arrears. So I am telling him, in fact, I don't want him to tell me, I have already worked it out for myself I have been a year on this one.

MR SPEAKER:

You have worked it out in certain items but not in others.

HON J BOSSANO:

No, what I am trying to point out, Mr Speaker, is that in the £11.9m if we just take electricity, water, telephones and housing, I have just worked out the total for those four, £4,074,000 was money owed to the Consolidated Fund by those four Special Funds.

MR SPEAKER:

And therefore that the £11.9m should be reduced by that amount.

HON J BOSSANO:

By £4m.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, if I may. That is, I think, the point of difficulty, Mr Speaker, because, and I appeal to any accountants in the House to support me, it is perfectly reasonable to draw a balance as £11.984m as it might be your profit for the year and that naturally will be based on flows of cash which will include what I called accruals, namely, debtors and creditors because your debtors and your creditors is a position which belongs to balance sheet rather than to the profit and loss account for the year. If the Hon Leader of the Opposition is saying that our accounts should be drawn in a different way, that is a perfectly reasonable point for him to say but he has used the word discrepancy which I think I must refute.

HON J BOSSANO:

I will come to the discrepancy, Mr Speaker, and then perhaps the Hon Member can refute it. When in fact he has just admitted that in this amount there is £4m which is owed to the Consolidated Fund by the four Special Funds, he accepts that.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I can't quote for the exact amount because I haven't got the figures in front of me but an amount which is substantial, yes.

HON J BOSSANO:

It is £4m, Mr Speaker, according to the Auditor. I am giving him the source, page 74, Statement 12. I am then saying to him, if he goes in that same Auditor's Report in respect of that same financial year to Statement 46 on page 146 he will then find Head 8 - Reimbursements Funded Services total £2.6m. I know he hasn't got it but this is why this thing is published so that we have it here for the Budget, Mr Speaker. I have only got one copy but if somebody else has got a copy here we can pass it on to him, I am quite happy if the Usher takes him this copy.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I did come here today to discuss the estimates, Mr Speaker.

MR SPEAKER:

I think you have laboured the point, you have made your point and I think we should move on to other things.

HON J BOSSANO:

I am sorry, Mr Speaker, it is not a question of labouring the point. The Hon Member five seconds ago has disputed the validity of the argument that I am saying and I am saying that he is disputing it because he hasn't got the figures in front of him so I would like him to have the figures in front of him and then I will ask him to explain to me why in one area we have got a situation where the amount of money due to the Consolidated Fund on the 31st March, 1983, is £4m out of £11.9m. We have got £4m included in that £11.9m, that is what due to means, they are already taken account of, but in fact the Auditor says that only £2.6m would have been there in cash if everybody had paid all their arrears and that is in Statement 46, page 146.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think that there is a distinction there between the Funded Accounts, Mr Speaker, which of course do depend on accruals, I am thinking of municipal services and rents and other accounts, taxation, rates, brackish water, speaking from memory, which are not subject to this accruals process which are on a straightforward cash basis. I think there is a distinction there which may be, I don't have the Report in front of me, but I think this is probably the one the Auditor was making.

HON J BOSSANO:

No, it isn't, Mr Speaker, I will come to that point as well, that is a point that I disagree with as well. If the Hon Member looks at page 146 which is the last page in the Auditor's Report and if he looks at the last line of the last page he will then see that there is a sum of money of £2,638,925.24. That sum which is included in the £5m of arrears which he has been quoting, that sum is considerably less than if he goes to page 74, Statement 12 and he looks at the first four items, the last column on that page, the first four lines show the amount due to the Consolidated Fund from the Electricity Fund, the Water Fund, the Telephone Fund and the Housing Fund. Those four items, I have just done a quick calculation on my little calculator here and it has come to £4,074,715. The difference between that and the figure in the last line of the last page is £1.4m. What I am saying is that the way that the accounts are done it means that that figure is getting bigger all the time and that the Consolidated Fund Balance, the Reserve Balance, which we are being told in the House exists, could not even exist even if all the arrears were being paid.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, if the Hon Leader of the Opposition will give way and naturally I pose this question with a certain amount of apprehension, but is he in fact inviting a comment on the difference between the four headings, electricity, water, telephone service, housing fund, etc, as shown in Statement 12 on page 74 and those in Statement 46 because there is an important difference, one is the latter, Statement 46 is arrears of revenue as defined by the Principal Auditor, the one on Statement 12 is simply outstanding bills which have not been paid. I think, as I said in my speech on the debate on the Auditor's Report, there is an important difference between outstanding bills which have been issued for which cash has not been received, they are accruals, and arrears which are bills which have not been paid for a considerable time. That is the explanation in broad terms, I am just speaking naturally without close examination, of the difference between the two.

HON J BOSSANO:

I am well aware that that is the explanation, Mr Speaker, it is an explanation that I have been labouring for the past quarter of an hour without getting the Hon Member to recognise that and, in fact, what I am saying about that is that if we take that situation twelve months ago, we have a situation where if I adopt his terminology, we have got the accruals which are not arrears and which nonetheless are counted as part of the reserves but that money isn't there at the time that the balance shows £12m and it is certainly not there when the balance shows £7m and it is certainly not going to be there when the balance shows £3.7m in a year's time and in fact the discrepancy between the accruals and the arrears is getting bigger all the time and in last year's audited accounts in respect of the telephones it got to the stage of being a difference between £600,000 and £1.1m. That is, the arrears, as he puts it, the bills not paid came to £624,000 for the Telephone Service according to page 146, Statement 46, and if he goes to Statement 12, page 74, it is £1.155m. It is all very well to say that the difference between £600,000 and £1.2m is the difference between arrears and accruals but it is a difference of £600,000 which is a lot of money and that is a lot of money which isn't even capable of being translated into cash within that financial year because as he says it is not arrears. The main difference seems to be in the sudden jump in the local metered calls where according to the accounts in the Auditor's Report £370,000, let me see if I can get the exact figure, was issued in 1982/83 and something like £27,000 was actually paid.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Could I just take one point, it is a pure matter of fact, Mr Speaker, the Hon Member says the difference is not capable of being translated into cash in that financial year but of

course the effects of accruals - let us ignore arrears, the extent that we are talking about bad debts - but the effects of accruals should be, other things being equal, constant from year to year and therefore it would not affect the financial position of the Government. If the arrears mount or if the accruals mount then clearly you have a negative cash flow.

MR SPEAKER:

With respect, we are losing the flow of debate. This is a debate and not a clarification of accounts, with respect. I think we have got to get to the stage when the Hon Financial and Development Secretary will take note and reply at the proper time.

HON J BOSSANO:

Fair enough, I am quite happy not to give way to him anymore. I have got a lot more to say. Mr Speaker, the accruals, if I can just answer the point he has made, can in fact and do in fact and will in fact go up every year because the tariffs are being increased so because of that there is an element of non-collectable cash shown in those reserves and therefore I am pointing that out (a) because I would like to see the thing more accurately reflected, and (b) because in looking at Gibraltar's financial position and at the strength of the finances and after all we have had previous statements where the Hon and Learned Chief Minister has taken pride in the healthy and strong finances of Gibraltar. Well, in order to do that one has to take a historical view of the strength of those finances and, of course, until the appearance of Funded Services which was in 1975/76, 1976/77, until then we didn't have that situation, that is, until then the amount shown in the reserves was the amount in the reserves because if there were accruals or arrears or what have you of electricity or water they were not shown as revenue until they were actually collected. It was only when we set up the four Funded Accounts that we created a situation where a very substantial amount and I think, quite frankly, Mr Speaker, if we look at the figure projected, not the £2.5m, the £3.7m and we take out the accruals and the arrears we are left with nothing. I cannot be absolutely sure because I have to work with figures which are twelve months old and make projections for twelve months hence but I would say that if the four Funded Services were in debt to the Consolidated Fund to the tune of £4m in March, 1983, I am prepared to have a bet with the Hon Member - we can have a whisky at the old rate before they put the tax up on it - that that figure of £4m will not have gone down between 1983/84 and it is unlikely to go down between 1984/85 and therefore we are projecting a situation where the estimated Consolidated Fund of £3.7m in the revised page 5 is not money but accruals and arrears. That makes him a very adventurous and radical Financial Secretary because we have moved now from a situation of prudence requiring thirteen weeks of cash to prudence being sufficiently met by £4m of accruals and arrears which is really what we are facing. Coming to the element which could improve the situation

MR SPEAKER:

Which is a new subject, I imagine, and you are going to be a little while on. Then we might perhaps recess for tea.

The House recessed at 5.10 pm.

The House resumed at 5.45 pm.

HON J BOSSANO:

Mr Speaker, if I can continue where I left off after my brief introduction before the break.

MR SPEAKER:

It was not so much an introduction as a lecture on economics but we might come down to earth, perhaps, and talk about the Finance Bill.

HON J BOSSANO:

I just want to round off, Mr Speaker, on the question of the arrears of rates on one point which I think the Government would do well to look into and which we certainly would like to know what the present situation is. In the 1980/81 audited accounts, in the Auditor's Report for 1980/81, the Auditor produced an extremely useful analysis of the arrears of rates showing the length of time that those arrears had been in existence, it is in appendix C. I accept that the Hon Member may not have looked at it because obviously I am going back three or four years but I think it is worth looking into that and trying to do an updating exercise on that and I certainly think we would like to know in the context of the figures given by the Auditor of what is collectable, how much of the money that is in arrears, if the debts that are in arrears in the different Heads is in fact so long in arrears that the Government may not be able to take legal action to recover those debts because I think to simply carry on, it is a point the Auditor makes this year but I think an extremely useful exercise was done in 1980/81 and it is a pity that it hasn't been reproduced in subsequent years to show the change in composition of the debts. I did some work myself and taking the arrears there was a situation where, for example, 1980/81 the Government started off the financial year with £1m due in rates from the current year and £353,000 due from previous years. They collected during 1980/81 £210,000 of the £353,000 arrears and £766,000 of the £1m. So that in fact they finished the year with £395,000 of arrears of which £143,000 was from prior to 1980/81 and £252,000 was from 1980/81 and a similar situation took place in 1981/82 where when we come to 1982/83 the amount of arrears was £435,000 of which £266,000 was due to the immediately preceding year and £159,000 due to years before 1981/82. That suggests that there may be a group that has never paid, never intends to pay and may be no longer

capable of being collected and I think, clearly, the sooner the decks are cleared in that respect the clearer the picture the Government will have and the Opposition will have of what the true state of Government finances are. I also think it would be useful for us to have, not necessarily in the course of this meeting but when the Hon Member is able to produce the figure, an estimate of the up-to-date position, that is, of the position as it is now rather than twelve months ago which is the best we have with the Auditor's Report, of the arrears in the different areas. I think it is clear that we are pressing on this matter and it is something that has been raised in the past consistently by the Auditor because when we are looking at the Government raising new revenue and we have got a situation where there is a very difficult economic climate in which to collect arrears at all, it would have been easier to do it several years ago, it is very difficult to do it now, it seems somehow basically wrong that the burden of financing Government services should consistently fall on the people who are good payers. I will be coming, Mr Speaker, to what we think of the Government's revenue raising measures. Before I do that I need to say that in the statement made by the Financial and Development Secretary and in his analysis he makes a reference to the data from the Family Expenditure Surveys and the fact that in Gibraltar 88% of households own a colour TV set, 76% a telephone, 95% a refrigerator, 80% a washing machine, 50% a video and so forth. If that is assumed to be an indication of how well off we are in Gibraltar then I think it is a total misconception and I will tell the Hon Member why. Firstly, I do not think that this level of ownership of consumer durables is, to my knowledge, very much out with what occurs in most of Western Europe but in any case what the Hon Member has to understand is that in Gibraltar because of the housing shortage there are several families in one household and therefore it may not mean a colour television per family, it may mean a colour television amongst two or three families and if in fact the housing situation was such that people were able to obtain and afford, which is even less likely because it is beginning to look as if people are not going to be able to afford even Government rents never mind private sector ones, then there would be less disposable income in fact for some of these household goods so I think the figures themselves in any case are not necessarily very far out with the levels that exist in other communities and that in the case of Gibraltar you may find people, Mr Speaker, who are living in very, very substandard accommodation and they will still have a fridge and a colour television set and they may be paying in a transit centre £1 a week. They are paying £1 a week because effectively they are not living in decent accommodation at all and I suppose the Government cannot charge them any more for that because effectively all that the Government is doing is providing a roof over their heads because they are a social case or they are homeless. Clearly, in a situation like that where there is a gap and it is a serious problem because one would expect in theory that the first needs that the community should be able to provide should be the primary needs and then come the luxuries but in fact if the primary need is so expensive that people cannot

afford to buy a house and they cannot afford to rent private accommodation and the Government hasn't got the resources to expand the public housing, then people may have money for colour television sets and they may have money for fridges but they haven't got money for houses and I think that cannot be ignored. It isn't that people are living beyond their means, it is that their means are limited. Where I take the Hon Financial and Development Secretary to task is in his analysis and if his analysis is wrong and if the Government analysis is wrong then clearly their solutions to the problems will be de facto wrong as an inevitable consequence of the original analysis being wrong and it isn't that Gibraltar has been insulated from the effects that have weakened the British economy and all that that he puts in paragraph 11 of his statement, Mr Speaker, it isn't that personal prosperity rests on foundations which have been revealed as insecure or brittle, because I will tell him what the foundations were. The foundations were the mistaken trust in the British Government year after year. If he is saying that those foundations are insecure and brittle then I am quite prepared to pass him an application form to join the GSLP, Mr Speaker. The problem faced by the economy of Gibraltar and particularly by the Government is not an easy one to solve and it will not be solved by the approach reflected in this year's Budget, that will not solve it, and the Government is kidding itself if it thinks it can actually cut public expenditure and the Financial Secretary is kidding himself and it seems to me that that is the British disease that we are in danger of importing. The Hon Member, in paragraph 6, talks about Britain having a too large public sector and almost insinuates that we suffer from the same problem in Gibraltar. Well, who determines what is too large a public sector? What is too large? Too large is a valued judgement, like too harsh taxation, you can say it is high or it is low but whether it is too large or too small is a matter of opinion. Perhaps the Hon Member would like to hear some really hair curling statistics about exactly the size of public sector we have got. One of the measures, Mr Speaker, of the size of the public sector, if I can find the figures which I had somewhere here before the break, is by measuring it as a percentage of the gross domestic product and in the case of Gibraltar, if we take the last figures available in the Abstract of Statistics for the gross domestic product

MR SPEAKER:

Is that the same as the gross national product?

HON J BOSSANO:

No, Mr Speaker.

MR SPEAKER: -

I am afraid I am not an economist and I would like to follow the argument.

HON J BOSSANO:

If we look at the Abstract of Statistics that we had presented in this House, we find there is a Table that shows the gross domestic product, the gross national product and the national income as three different indices. The domestic product is in fact the wealth we produce in Gibraltar itself whereas the gross national product includes wealth that is received by us here but not necessarily generated within our own economy but it is still part of our wealth. We have on page 39, Table 35(a) which shows the GDP as £65.7m in 1981/82. Taking that figure, in 1981/82 recurrent Government expenditure, Mr Speaker, is shown as £42.1m in that particular estimate which is no less than 64% of GDP and if we take into account the Improvement and Development Fund which that year spent £14.7m then we have total public expenditure, because if we compare ourselves with UK, for example, capital spending by central Government would still count as part of public expenditure, we then have a total of £56.8m out of £65.7m which makes it 86.5%. If the Hon Member were to transmit that information back to his lady boss in 10 Downing Street she would have a fit because she has been unsuccessfully trying to contain the proportion of the public sector in UK to 45% and it is the Government aim announced recently in a Government White Paper on long-term trends, it is the Government's aim to bring it down to 42%. If we were to attempt to bring down to 42% of GDP the figure that we had in 1982 which was 86% we would be talking about chopping it in half but of course let me say for the avoidance of any doubt, Mr Speaker, that we do not subscribe to the philosophy that one needs to cut back the proportion of GDP taken up by the public sector in order to enhance the prosperity of the community and perhaps the best example of that is that Sweden, in fact, in that same year, in 1982, had a public expenditure which was 65.3% of GDP and Sweden has had a long record of prosperity under socialism.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

And suicides.

HON J BOSSANO:

Well, let us hope, Mr Speaker, that the suicides are not on this side. I am not trying to drag the Financial Secretary to suicide, let me make that clear. But, of course, I think if the reason where the Government is raising £1.1m this year is to make people poorer so that they don't commit suicide, then perhaps it ought to be defended not by the Financial Secretary but by the Minister for Medical Services. I am quoting these figures because I think, Mr Speaker, that, for example, if we take public borrowing in 1981/82, again the last time for which we had GDP figures, the level of borrowing in 1981/82 at £11.6m constituted 17.7% of GDP. In UK the figure recently is £3.5m and the Government has got as its objective bringing it down to £2.5m. I think in 1982/83 when the total level was about £4m we are probably talking about 6%. In fact, in terms

of the figure that we had in 1981/82, and I think many of the problems faced by Government today stem from an incorrect policy decision taken in 1981/82. We have a situation, as I said, when borrowing in 1981/82 was 17.7% of GDP. If we look at other areas and this is where I think his giving up of comparisons with the world background is something that certainly we are not going to give up doing on this side. In 1983 Italy, which was one of the highest public sector borrowers, had a rate which was 11.6%, our rate of 17.7% in 1981/82 was exceptional. The figure now, as I say, is probably in the region of 6% subject to what are the eventual figures brought out on GDP which we don't know but which we have had indicated show no growth in real terms, so assuming that that is the case we are talking about £4m in something like a £66m GDP figure. The 6% is still on the high side compared, for example, to the figures of the United States for 4.4%, Germany 3.7%, Japan 3.4%, France 3.4% and the United Kingdom coming down to 2.5%. In the case of Gibraltar the reason for the 1981/82 jump in borrowing was clear, it was in fact that the British Government was not forthcoming with the aid and we, that is, the Government in our name stepped in to bridge that gap and we have now got a situation where it is nonsense to talk about cuts in public expenditure in our context. It is nonsense anyway, generally, because there is a wealth of international evidence to show that the performance of the British Government with their avowed aim of cutting public expenditure in which they have been singularly ineffective in any case in terms of the proportion of the total national economy, but in any case it can be seen that other nationals have economic performances superior or inferior to Britain and that there are people in both camps both with bigger and with smaller public sectors than the UK. So there isn't a clear defined correlation between the two but what is clear is that in the case of Gibraltar there is one area of expenditure in this year's Budget, and which is there every year, which the House doesn't vote and cannot vote and that is, Mr Speaker, the charges to the Consolidated Fund, that is, the direct charges to the Consolidated Fund because when we come to vote on the Appropriation Bill we start, of course, with Audit as the first Head of Expenditure that the House controls but the amount under the Consolidated Fund charges which is estimated to be almost £9m in 1984/85 and was £7½m in the year that we have just finished and £6.5m in the year before that, is the biggest growing area of public expenditure and it is due to the servicing costs of the debts that we have taken on. That area, the charges on the Consolidated Fund, have been increasing as a proportion of the total Budget year after year and in the last year they reached, I believe, 17%. I did some calculations somewhere but speaking from memory, subject to correction, they have moved consistently up, Mr Speaker, year after year and we are now talking about 17% of Government expenditure being a direct charge on the Consolidated Fund which the Government has to meet. The Government has made a move this year in that area, a move which we will oppose and that is cutting back on the index linking on public sector pensions, on Government pensions. That is a direct charge on

the Consolidated Fund, it is not an item which the House would have an opportunity to vote or otherwise but we will be able to vote it because it is in the Finance Bill and we are opposing it and we think that the Government is acting very wrongly in attacking this particular area. Here are the figures, Mr Speaker, we are talking about a situation where Consolidated Fund charges were around 10% of the Budget between 1975 and 1981 and then in 1982/83 they went to 15% and in 1984/85 they are programmed to go to 17%. Coming back at the attempt to contain that by hitting out at civil service pensions, and it seems to me extraordinary the way the Government has gone about this which has been simply to inform the Staff Side, the unions representing Government employees, that that decision had been taken, there has been no question of explaining to the unions the problems that they have and trying to reach an agreement with them, they have just been told this is going to happen period, were told on Friday and it is happening today and I think that there will be a great deal of opposition to this and we certainly oppose it and it runs totally contrary to the statement made by the Minister for Labour in the last House of Assembly when he listed amongst the measures that the Government had decided to take, the encouragement of early retirement. Well, it is a funny way to encourage people to retire early, to stop index linking their pensions. Not even Margaret Thatcher has dared to do this, Mr Speaker. She tried to do it in UK and she set up a Committee to study it and the Committee came back reporting not that public service pensions should not be index linked but that, in fact, other pensions should be index linked, pensions other than public service pensions should be index linked, that was what the Committee set up by the Conservative Government came back with. She didn't like it, and here we are going further than the Conservative Government has dared to in the UK and in hitting a group of people we are hitting a group of people who cannot defend themselves and they have to be defended by us in this House of Assembly because they haven't got an organisation - the Government may have felt that the people who are in employment today might think: "Well, after all I have got so many years to go before I retire why worry about what happens to the people who have already retired". I think they have made a serious mistake, Mr Speaker, and let me explain one of the obvious areas about hitting pensioners which the Government should have known if the Financial and Development Secretary doesn't. We have got a lot of pensioners today, a high proportion of pensioners today who have retired before the introduction of parity and those people retired on pre-parity wages and they are getting very meagre pensions in relation to post-parity wages because one of the things that happened with the review of pensions was that the Government changed the system several years ago so that instead of the pensions being reviewed in line with salary increases, they were reviewed in line with prices. Part of the reason that was given at the time, Mr Speaker, was that because of the parity exercise and because of the introduction of new analogues, you had a lot of grades that disappeared and in the new grades it was a mammoth exercise to try and decide which was the new rate of pay under the new structure that should apply to somebody retired under

the old structure. I remember the arguments in this House and, in fact, people who were then pensioned off obviously resisted it because they could see that they had missed the boat, they had retired and we have seen from the earnings statistics produced by the Government that over and above inflation there was a 40% increase in take home pay following the October 1978 statistics. The people who missed the boat then and there are a lot of them who are pensioners, are on much lower wages and on pensions related to those wages and all that index linking does is to stop their pension going down. Talking about Orwellian obfuscation which the Hon Member has introduced in this Budget in more than one section of the Budget, as I shall have the opportunity to establish, Mr Speaker, there are many instances of Orwellian obfuscation in this Budget and for the benefit of the uninitiated, that is saying something which means the opposite of what you appear to be saying and one of them is saying that you are going to half the increase in pensions. You are not going to half the increase in pensions, you are going to reduce pensions because if I have got a pension of £20 a week and the cost of living is going up by 5% I need £21 this year to have the same pension as I had last year, I need £21 this year to eat the same amount and to pay the same amount of electricity so the Government, first of all, pushes up my cost of living by charging me more for my electricity, more for my water, more for my rent and then cuts down my ability to pay them. I will tell you where that will appear, it will appear in arrears or accruals, whichever the Government may prefer. And there is an even more worrying aspect. I suppose it is not inconceivable that the UK Departments may decide to follow the good local employer on this one and if that happens and they break their index link with their pensioners, and we must remember that occupational pensions are taxed, then the Government may be finding that their penny pinching on pensions is going to produce a loss of revenue on the income tax paid by those pensioners who earn sufficient money to pay tax so I really think, Mr Speaker, that the Government has made a serious mistake in attacking this area and I think it is very unfair on people. There isn't even an attempt to lay down a level, it is simply if your pensions is index linked you are now going to get half the increase without any regard to, well, presumably for the people at the bottom I hope the Government has taken that into account and provided for an increase in supplementary benefits because there will be more pensioners collecting them and for a decrease in income tax because there will be less pensioners paying income tax because in an economy the size of Gibraltar you cannot take one measure in isolation. Everything that you do in Gibraltar has an impact, it has everywhere else as well, Mr Speaker, but in a national economy of 50 million people and of billions of pounds it is an almost impossible task however good an econometric model you make of the economy to actually take each move in the economic structure and see how it moves like a pebble in a pond that sets off a wave but in Gibraltar the Input/Output Study shows that in fact you can actually quantify what you are doing and you can actually see because the Government is at the centre of the economy, because the Government is the biggest single employer, because the Government is responsible for such a big chunk of the GDP.

When the Government does something at the end of the day it finishes back on their lap again. I think if the Hon Member is hinting, as he does, that cutting back on public expenditure is an answer and that the answer is inappropriate this year because there are no other jobs for people to go to and I don't know whether he thinks there are going to be jobs for people to go to next year, is he thinking they are going to go in the company of which he is the Chairman? Is that where he is going to start sacking civil servants and recruiting them as Chairman of the Shiprepair company? Or are they all going to be planting trees in expectation of the waves of tourists? Or is it that they are going to be knocking down Queensway? I think, Mr Speaker, in terms of cutting public expenditure it is just not possible, that is the simple answer. The nature of the Estimates of Expenditure shows quite clearly, the Government has talked about, I think it was the Chief Minister, I am not sure if it was the Chief Minister or the Financial Secretary, who talks about keeping the Budget more or less constant. In fact, it isn't and it cannot be kept constant because we have got in-built things that go up every year and there is nothing anybody can do and pensions is one of them and debt servicing is another one of them and therefore the answer cannot be that we simply rob Peter to pay Paul, it cannot be that. I said that once before and I can say it now because there is no Peter here and last time it was misunderstood, Mr Speaker. There is still a Paul, yes, but Paul won't complain because he is at the receiving end. Either we are going to face a situation where the Government is in charge of a shrinking economy and introducing measures as they are introducing in this Budget which will not produce expansion, which will produce contraction, every single one of the measures that they have introduced can be analysed and taken apart with the possible exception, Mr Speaker, of the one I mentioned at the beginning which could be said to be consistent with a particular policy objective of encouraging owner occupation. With that possible exception everything else can be analysed and found to be defective, that is, what we find in this Budget as we can find in almost every other one before that except that the situation now is getting so critical that the simple paper policy statements which is all we have had here, if we go back Budget after Budget, twelve years that I have been in this House, Mr Speaker, we hear a policy statement from the Government benches. One is uncertain whether to criticise the policy or not for one simple reason because it will never get past being on paper, 99% of them are policy statements which never materialise, anyway, so in fact it doesn't really matter what they say they are going to do because they cannot do it anyway all the time, consistently, year after year. The Chief Minister mentions the list of things he has done to contain public expenditure. Pensions to public officers, the cost of living increase will be reduced by half, as I say that is clearly a measure to decrease the standard of living of public officers. Public officers who under our Constitution are servants of the Crown not of the Government that has been elected into office. We are always being told about the two sides of Government, the Official Side which is there over which Ministers have got very

little control, and the elected side. These are Crown civil servants, that is what the Constitution says they are, and if they are Crown civil servants why should Crown civil servants in Gibraltar in the employment of the Crown in its capacity as the Government of Gibraltar be less well treated as regards their pensions than Crown civil servants in the UK Departments or Crown civil servants back at home in UK, why? I think it can be challenged and it will be challenged on more than one ground apart from the wisdom or otherwise of the cut as a measure of economy. What else has the Government done to contain public expenditure? Substitution allowances: well, I don't know what effect that is going to have on the vote, I don't know whether one should be looking at the estimates to find out major reductions in allowances under personal emoluments. Presumably, when we have got more time on the Appropriation Bill we shall be testing just how much has been cut in substitution from the personal emoluments. If we have got, for example, in the Generating Station £42,000 of allowances in this year's Budget and £34,500 in last year's Budget, how much of the £34,000 was allowances last year for substitution and how much is it this year and how much is going to be cut and what happens when people say: "Well, if I am not being paid I don't substitute", and if you don't substitute you get the Government machinery clogging up. What do they do then? They do what they did in the Public Works vote which I am glad to say in spite of the fact that the motion that I put here last year was defeated has seen the restoration of the sum of money for the refuse incinerator, in fact, not even the restoration, a substantial increase, it would have been cheaper to have left it alone as it was in the first instance. What are the other measures of economy? Heads of Department have been instructed to control the incidence of sick leave among Government employees. Well, I don't think it is the Heads of Department who issue the sick certificates, actually, Mr Speaker, so I don't think it is entirely under their control. I don't know whether that means that Heads of Department in controlling the incidence of sick leave are going to say they no longer accept the word of a doctor who signs the certificates, I don't think that is going to go very well with the doctors, really. In terms of saving money, in terms of the balancing act between revenue and expenditure, this does not save money, this costs money because in fact what the Government does is that when somebody is on sick leave they pay less than when somebody is working so the public expenditure will increase if you have less sick leave, it will not decrease. Mr Speaker, this is true, I can promise the Government that if in fact they are successful in cutting by half the incidence of sick leave they will have to come here for a supplementary appropriation for more money because they will have to pay people bonuses, overtime, all the rest. The output, obviously, will be better but we are not talking about output, the Government isn't saying that it is bringing this in order to improve output or to give a better service to the customer, it is bringing this as a method of containing public expenditure, this is what these measures are, this is what the Chief Minister said in his statement. But as a measure of cutting public expenditure so far the only one that theoretically might cut public expenditure, although it has serious implications in losses of revenue

in other directions and in possibly higher calls on supplementary benefits and on rent relief and on other things is the question of the pensioners and that, I think, quite frankly, the Government should never have done that and cannot defend it. I think they are treating very shabbily people who in fact have least benefitted from the prosperity that Gibraltar has enjoyed in the last five or six years because there are people who have retired in the last five or six years and they are comfortably well off compared to all the others before but, of course, of the whole of Government pensioners the proportion is still the preponderant ones, that is still a bigger proportion. We have got the question of the starting time, another economy measure. Again I don't see that this is going to make any difference to the sums we are appropriating unless we used to provide them with torches or something at 7.30 in the morning before but if we are just paying them for the same hours of work then, presumably, Mr Speaker, that will still be the case. The Government may feel that there may be an increase in output but I would have thought that they have gone so out of their way to have a disaffected civil service that a lot of disgruntled workers are going to be producing less after they cut their sick leave, they stop their summer hours, they tell them they don't have index linked pensions and the result of that is going to be what, improved output? And, of course, the next one is the question of the Collector of Revenue and the manning levels in accordance with operational requirements. That, no doubt, the people who work in the Customs will give the Government the answer to that one, it is up to them to decide how they tackle that one but I can tell the Government that this announced here and the unions being informed, this is a breach of an existing agreement and to follow the road of breaking agreements is not a road I recommend.

HON CHIEF MINISTER:

If the Hon Member will give way. I think the phraseology of that is empowering the Collector of Revenue to try and contain that and of course it is meant in consultation, if possible, ideally with the men concerned, it is not an imposition and notice was given before this statement was made.

HON J BOSSANO:

I am grateful for that clarification, Mr Speaker. Going back to the other measures. The Chief Minister talks about the difficulty of raising personal taxation. I note that the cost of an increase of £100 in personal allowances is now put at £800,000. At one stage it was £500,000 and this is an indication of the fact that virtually nobody now is paying 30% as a marginal rate and no doubt if he waits long enough he will be able to tell us that it is a couple of million pounds because every year the loss to Government revenue of increasing the allowances goes up because every year people move into a higher tax bracket. The last time, I think, the Hon and Learned Chief Minister made a reference to this and I am not sure if it was in the 1982 Budget but I think it was, he talked about taxation

being 10% in excess of UK. Well, clearly, the new personal allowances announced in UK have now created a disparity between UK and Gibraltar rates of taxation which must put us in the region of 20% above UK rates. I am pretty sure that that is the case and I think if the Government did an exercise on the basis of average earnings in the Employment Survey they would find that that is in the area we are. We are in a situation where in looking at the capacity to pay of the average citizen, we have to take all this into account. We have to take into account that every year, in fact, as the Employment Survey says, for the last couple of years running we have had reductions in disposable income. I did an exercise following the other figures that I produced earlier of average earnings adjusted for inflation since 1972 and using that same Table at the end of the Employment Survey we find, Mr Speaker, that in 1972 when the average weekly paid Gibraltarian had a wage of £20.32, he kept 98% of it and paid 2% in tax and insurance according to the statistics produced by Government. In 1983 when the wages in real terms at 1972 pounds were worth £33.53, he kept 76% of it and paid 24% in tax and insurance. That means that this trend puts us in a situation when net take home pay of the average worker on average earnings and this is going to take a knock, let us make no mistake about it, this is going to take a knock if it doesn't in this year's Employment Survey it will certainly do by April next year, there is no question about it because we know that the biggest element in the relatively high average earnings of weekly paid Gibraltarians are the Gibraltarians who are skilled craftsmen in the Dockyard. They constitute one of the biggest elements pushing at that average and that element is going to be severed over the next few months. So we are going to have a drop in that figure even without adjusting for inflation, even without adjusting for tax and insurance. We are caught in a situation where tax allowances cannot be touched, where the cost of living already running at 6%, the cost of living in the index of retail prices published this month already at 6% without being part of the Budget, we are then talking about disposable incomes falling over the next twelve months quite dramatically. The problems that we face today, the problems that the economy faces today are without the impact of all these things, Mr Speaker, the impact is yet to come and there are no solutions here, there are no ways of counteracting these things here. All that we are doing is trying to hold the fort and we are going down, the ship is sinking and all we are doing is grabbing each other and saying: "As long as we hold together we might not sink", but we are sinking and it is going to become evident from the Government's own figures. All they have to do is to read their own statistics, the ones that they produce because I haven't got any sources of information other than what they have and we have had a drop in imports. What does the Government expect? If you look at the import statistics over the last couple of years there was a jump last year in expectation of the frontier opening but if you look at the last three months of 1983 and the last three months of 1982 they are the same and the frontier was closed in 1982 and it was opened in 1983, the last three months show the same level. If we have got a situation where there is a 3% decline in the standard of

living, isn't that going to produce a 3% decline in the imports, and other Members will show that the same is true of other sectors of the economy. When my Colleagues talk on the Appropriation Bill they will be making reference, Mr Speaker, to the areas for which they are responsible, the private sector and the tourist industry, to demonstrate how these factors along without any question of an adverse impact of the pedestrian opening, alone they account for the bulk of the run-down in the level of imports and of the decline of the economy of Gibraltar, a decline which is not being faced, a decline which is not being reversed. The Government is simply hoping that by some miracle either they will get a wave of tourism because of that report produced by the Administrative Secretary which again, we have only just seen it today but it certainly does not seem to suggest any radical changes that will bring about a tourist boom. Or what, the commercial operation in the Dockyard? I have got here the Project Study produced by Messrs Appledore, Mr Speaker. There Appledore was talking about employing 460 industrial workers, it was already a cutback from the 552 they promised when they got the tender on the strength of the number of jobs. Now they are talking about 250. It is no good the Government saying that so many months have been lost, it is nonsense to talk about lost months.

MR SPEAKER:

We must not go into that field unless it affects the Finance Bill.

HON J BOSSANO:

Well, it does affect the speech of the Chief Minister where he mentions it, Mr Speaker.

MR SPEAKER:

To the extent that it is referable, yes, but not in detail.

HON J BOSSANO:

He says that we have lost so much time and I am saying that if we started tomorrow on this that it still would not alter the situation, that is what I am saying, and I am saying that, Mr Speaker, because in fact nobody seems to bother to do their homework properly in this place, nobody seems to bother to go down and analyse things and go into detail and into figures and make sure that two and two make four. The number of jobs available in the Dockyard, it isn't enough to talk about numbers of jobs. We have got skilled people and when we are talking about retraining we are talking in many areas of retraining people as labourers, that is not retraining, that is down-grading. It is no good saying: "Well, people must get on with it", the Government must get on with it, if the Government is so concerned about the situation the Government must step in, the Government is supposed to be the owner of

the Shiprepair Company and nobody is responsible. Is the Chairman of the Shiprepair Company who sits in this House of Assembly, is he answerable to the House of Assembly as Chairman? No, of course he isn't, he is answerable to the House of Assembly as Financial and Development Secretary, it just happens to be an accident that he has been appointed Chairman. Forgetting that, forgetting the problems which if the Government is concerned they should go in and examine and do something about, forgetting that, we are talking about a situation in the Dockyard where over the next seven or eight months the people in the Dockyard are supposed to be repairing five RFA's, demolishing half the workshops, erecting another half of a lot of workshops and being retrained.

MR SPEAKER:

No, I will call you to order. Insofar as how that operation will affect the Finance Bill, the expenditure and the revenues of the colony, you are completely and utterly free to refer to the Dockyard but not as to the actual operation of the civil works.

HON J BOSSANO:

I am not talking about the operation, Mr Speaker, I am talking about the impossibility and I think the Government has been asked already by me to state in their estimates of revenue £19½m of income tax how many employees of Shiprepair Company are going to be paying that income tax? I am demonstrating, Mr Speaker, why in fact the employment of X number of employees on the 1st January, 1985, which is within the financial year, the estimates of which we are examining, will not be possible because in fact there are serious impediments which are not of anybody's making but in fact the project is so ill-conceived that people are supposed to be repairing ships, moving out of workshops because the workshops are being demolished and being retrained simultaneously all in the next six months. Is the Government aware of that? Has the Government taken that into account in its estimating? I don't think they have and I think they need to be, I think they need to go into detailed analysis of how these things are supposed to be working because in fact they have fought and won an election on their ability to make it work and they have to be able to satisfy themselves that it can be made to work. They have got a mandate to do it, we do not want to take it away from them, we are not here to try and overturn the decision of the electorate or try and get the Government to change its mind now. They have made their bed, they have to lie in it. We don't disagree for the sake of disagreeing, we disagree because our analysis leads us to conclusions which are diametrically different from the ones that they come to. Coming to other revenue raising measures in the Finance Bill, Mr Speaker, and let me say that before I just leave the question of tax which I mentioned briefly on the allowances, the Chief Minister said on the 22nd April, 1981, that "the Government had committed itself to an in-depth study of all aspects of income tax legislation. This study has been

completed". And then they mention alterations in allowances which in fact I said did not reflect an in-depth study and were not a major restructure of the system and I think the system requires it and I think they ought to do what they said in 1981 they were doing and this is the problem, Mr Speaker, that they say these things and then they don't do it. Coming now to the other items of revenue that are being raised in this House. We have got an increase in Government rents of 15% to 25%. We note that on this occasion the rates are going to be deferred to 1987. This business of deferring rates the House will recall came about following a number of Budgets where I had argued that the link between rent and rates was unjustified and unjustifiable because if one is arguing on the basis of increasing rents in order to balance the Housing accounts which is a matter which is questionable but if one is arguing that and the impact of that is an increase in rates when the rates are not allocated as they used to be under the municipal authority, under the municipal authority the level of rates was determined by the level of expenditure that had to be financed from those rates. We have got a situation where the link with Government rents has meant that the Government tenants are now paying a bigger proportion of rates than they ever were before. The chunk of the total amount of rates paid by the Government tenants goes up and has been going up consistently every year and putting it off for two years doesn't mean anything, it just means that the impact doesn't happen all at once but what is happening now? I will tell the Government what is happening now. As far as the Government tenants are concerned, they have just had a rent increase in April, they don't understand that it is rates of two year's ago, they see that they have got a rent increase in April and another rent increase coming up in July and another rent increase coming up in April, that is what they see and at the end of the day what is the impact of that, another chunk of disposable income disappears and you will find less money going into other areas of the economy, less Government revenue coming in another way, more pressures on the private sector and imports which we will blame on the open frontier. Putting it off until 1987 will not alter that basic equation, it may ease the pain but that is about it. It seems to me that the only logic of the policy being adopted of this level of rent increases every year is in fact that the Government will be able to announce very soon that they have got rid completely of the waiting list because people will be getting off that waiting list as fast as they can before they get given a house. Yes, I think that is the logic of it and they will be able to say: "Well, the housing problem has now been resolved because there are so many people leaving Government houses we don't know what to do with them", they cannot afford to pay them. I think that we have got a serious problem in the level, and I have mentioned this in the past, Mr Speaker, in the level of housing that the Government owns out of the total housing stock. It is 68% now. We have seemed to have arrived at that level by accident rather than by design and I think in terms of policy the Government should be saying: "Well, look, we think Government housing should be so much of the total and we are planning either to come up to that total if that total is above what we have at the moment or gradually to come down to it

either because we are adopting a policy of encouraging home ownership or whatever you like", but it just happens to be 68% because it happens to be 68% like so many other things and it is difficult to see how one can say we agree or disagree with a policy when the policy has to be inferred and it may be incorrectly inferred, it may not be in fact that there is such a policy reflected in such a situation but that the situation just happens to have come about because, for example, there has been a decline like the last Abstract of Statistics show, a decline in private sector housing effectively raises the percentage of public sector housing. These areas that I have mentioned broadly are going to be developed by other Members of the Opposition in the Appropriation Bill which is where they will be talking, Mr Speaker, and I shall be the only one really making our position clear on the Finance Bill which we are going to vote against in total, we shall be voting against the Second Reading. We have, I think, to give credit where it is due, to the Hon Financial and Development Secretary because if he had chosen to do it deliberately he could not have found a better way of Orwellian obfuscation than in telling us that water is going down. This really is a beauty, Mr Speaker, I have never seen a better way of increasing water and telling people that they are going to pay less because in fact if he wasn't increasing the surcharge till June it would have ended in May and if he really wants people to pay less for their water he should vote against this measure, that is what he should do, and then he will find that they will pay less because the surcharge will come to an end in May and people will go back to paying 19p for the primary unit and 40p for the secondary unit and the surcharge of 6p will disappear. He is extending the surcharge for a month, so he is charging them 6p more for one more month and then he is ending the surcharge coincidental with increasing the rates and of course the difference between having a rate of 22p and 50p and the increase, in fact, Mr Speaker, in the secondary unit is from 40p to 50p, a 25% increase, is that the surcharge was a surcharge in respect of imported water from UK, the water we were bringing in tankers and now the 50p are going to be paid for life, not for life of course because they will have another increase in next year's Budget, no doubt, but certainly I don't know what he is going to say next year about reducing our water when he increases it but certainly, I am afraid that he let the cat out of the bag by putting me on guard by the Orwellian obfuscation, I might not have noticed it otherwise, Mr Speaker. I also see that in the case of the hotels and in the case of industry there is a change in rates. That change in rate in water in industry is 46p whereas before it was 50p. The water account has in fact been charged, I believe, with £6,000, is it? Appendix B in page 104, Tariff Study - £12,600. It has cost us £12,600 for somebody from outside to come and tell us that we should reduce the water to consumers from 50p to 40p and the water to businesses from 50p to 46p, is that it, that is £12,600 worth of work? I wish I knew where those lucrative contracts could be obtained, Mr Speaker, I am wasting my time in this House of Assembly. This is the major exercise carried out by Coopers and Lybrand who were responsible, of course, for selecting Appledore so the House should not expect

too much of them, Mr Speaker, after that what is this? We have a situation where water is going to be reduced from 50p to 46p and this is going to encourage investment and expansion in the private sector except, of course, that we are introducing a £4 standing charge a month which was not there before and of course it takes a lot of pennies to make up £4. If somebody consumes less than 100 units he is worse off as a result of the decrease of the Hon Financial and Development Secretary. He will also find himself paying more for his water and being told he is paying less. So not even the businesses can claim that they are being given an opportunity to expand or anything else, it seems to me that there are three different categories of industrial and commercial consumers here, the small businessman who is going to find himself paying the same or more; the big businessman who pays who will find himself paying less, and the one who does not pay to whom the whole thing is totally irrelevant and they seem to be in the majority anyway. What about electricity? There we are not told we are paying less but again, and I note that there is no charge, I looked in the Electricity Accounts to see if there was a charge for the Tariff Study but there isn't so I don't know whether that means that the Tariff Study is not being charged to the Electricity Account or that the Tariff Study did not say anything about the Electricity Account, I have not seen it, Mr Speaker. It has been included in Special Expenditure but it is not shown as an item as in the case of the water. Mr Speaker, again I would have expected if there was a Tariff Study, the structure - and we don't know what the report says, of course - but the tariff structure would have been altered in some way that made some sort of sense if the object is promoting businesses or whatever it is. We do not find that this is the case. Is there any explanation why the off peak tariff should go up instead of down? The off peak tariff is going from 3.75p to 4p and the minimum charge instead of being 60p a month is £3 a month. Is it that they do not want off peak tariffs, is that it? You have measures introduced, which is the point I was making before, where you have to infer what the policy is. The Chief Minister makes a policy statement in support of the Finance Bill, the Financial Secretary makes another one and there are changes here which, first of all, you will have to go back and search what the original thing was two year's ago to establish what the change is and then you find that having said they are reducing tariffs to the business community because they want to give help and promote expansion and create a more attractive climate for the private sector, you find they are increasing it because, in fact, it makes sense if you want to encourage the consumption of electricity in the business community to try and encourage off peak electricity because off peak electricity from the point of view of the Department is expensive electricity only because you have got a very large overhead and a very low consumption. If you can increase the consumption off peak the marginal costs are very low and therefore you can afford to charge less because it is costing you less to produce extra units whereas if you encourage consumption during the day or at peak hours you only can do it by introducing more installed capacity so why increase it in that area? No explanation. Do they know that they are increasing it, Mr Speaker?

Do Coopers and Lybrand know what has happened after all the money we have paid them? Did they recommend it? I would have thought one of the things that we had was a very complicated tariff structure and if we are going to do anything then what one should do would be to rationalise it. Again, the amounts that we are talking about in electricity - I made some notes from what the tariffs were a couple of years ago - and I think we had a situation where there was a tariff structure that had 6.86p, something like that, and it meant that if the consumer, the industrial or the commercial consumer had 200 units then the cost averages out at something like 6.86p which is the sum charged per unit in 1982. The rates were introduced in 1982 and there was a differential rate where there was a higher and a lower unit for under 200 units a month, I think. The introduction of 6p per unit as a commercial tariff with a standing charge of £3 means that small commercial and industrial consumers again stand to pay more. We are talking about reducing the unit which is being paid from 6.8p to 6p, 0.8p is what it is coming down by but we are introducing a flat rate £3 charge and it takes a lot of 0.8p's before you start showing a profit. Again, the small businessman will not be better off, he will be worse off. Perhaps I will give way if he wants to explain, it is no good his shaking his head, I will sit down and he can tell me where I am wrong. It would have been easier if he had put in front of us what it was and what it is and what the changes are but I have had to go back two years to look for it and what I have found out is that in the Finance Bill, I checked over the lunch break, Mr Speaker, the estimates of two year's ago and in the Finance Bill for 1982 that was the situation and I am pretty sure, I am quoting from memory because I cannot find the piece of paper where I wrote it down because I have got so many papers here now I have lost track of them.

MR SPEAKER:

You have done well enough.

HON J BOSSANO:

Here it is. In 1982 the commercial tariff was the first 30 units at 9.6p and the next 170 units at 6.36p, that means that for 200 units the bill came to £13.69. If it was in excess of 200 units then there was not a first and a second rate, it was a common rate of 6.85p. We have today a situation where 200 units at 6p is £12 and a standing charge of £3 is £15 and £15 by my calculations is more than £13.69 and not less. If I am wrong then the Hon Member can shake his head and prove me wrong but now that I have found my bits of paper I think it will be more difficult. The other area where the Government has moved in a direction which is difficult to understand is in that we have got Funded Services like electricity and water which are running at a deficit and where the deficit is being paid by the whole body of taxpayers through budgetary contributions. Within that there is, if you like, an in-built subsidy in the sense that the rate the consumer pays is less than the cost of

production and that applies both to a domestic consumer and an industrial consumer. We have had a situation where now it seems that the charge to the domestic consumer is going to be put at 6.5p a unit and to the commercial consumer at 6p, it is only 2p a unit but I cannot see how the Government can justify discriminating between two kinds of consumer. If it was wrong before to discriminate in favour of the domestic consumer then it is equally wrong now to discriminate in the favour of the businessman and, in fact, the arrears as we all know, Mr Speaker, are much heavier in the case of the business consumer than in the case of the private consumer. It seems to me that one of the things that is wrong with the system - and I am not saying that it can be put right overnight - but one of the things that is wrong with the system which is reflected not just here but in a lot of areas, is this blanket subsidy because one of the important ways in which fiscal policy can become an instrument of economic policy is that you decide to concentrate your operation of fiscal measures to encourage what you want to encourage, so if you want to encourage a particular type of industry you might decide, well, right, this is what the Government does, for example, in the case of the hotels and I think that that should be shown, in fact, as an expenditure on tourism because if we are saying: "We think that making the cost of hotels cheaper is going to promote tourism, part of the way we are spending money to promote tourism is by making a subsidy so that the hotels pay not the real cost of electricity but a lower cost", but of course the Electricity Fund has still got to receive the true amount of money part of which is met by Government and clearly shown as being used for that particular purpose. What we have experienced in the last couple of years is that since they do not pay anyway why should they want a subsidy and that is why the Government has found that they have not taken the subsidy up. Well, it has improved in the last year but I remember that in 1982/83 we put an amount of money and then came back and the revised estimate was one-third of the amount we had put at the beginning of the year. In that situation if we are going to say: "We want to encourage businesses", then we have got to identify which are the businesses. It is done everywhere else, Mr Speaker. If you have got a problem of unemployment some of the measures, for example, that the Government in the United Kingdom introduced in this year's Budget which not everybody agrees with as being necessarily accurate in having to achieve the objectives set out but at least one can understand the logic that if you have got a situation of high unemployment why give huge investment incentives in capital intensive development which will replace labour by machines and you find yourself with more unemployment. That is one of the arguments that has been used to do away with capital allowances because the money was being put into an area which was encouraging unemployment because an employer found that the relative cost of labour and machinery was by Government policy being moved into being unfavourable to the employment of labour, unfavourable to the displacement of labour by machinery. This is why we need to do the same sort of thing, that is, the Government needs to do the same sort of thing, the Government needs to say: "If we want to increase the

incentive to employ people, this is the sort of tax incentive we give", and if we want to increase the incentive to modernise - there are some things already being done in that direction, presumably, the decision to do something about giving people tax relief for painting the facade and repairing them is a measure of that kind because the Government has decided that that is what they want to do. If they just said: "Any improvements will do it", then presumably anybody who replaces a white bathroom by a coloured suite with gold taps would get tax relief but that is not the objective the Government wants to achieve so they limit it to painting the outside of a building or repairing the outside of a building or something which they think is going to improve the attractions of Gibraltar. There one can see the link between the economic objective and the fiscal measure, you cannot see it in this because this says: "Right, all businesses pay this", but why all businesses? I think that is some of the obvious limitations on the Government's measures in terms of what it is they are trying to do, in terms of these measures being defended as something that will produce what, more wealth in 1984/85? More jobs in 1984/85? A higher standard of living? None of that is going to be produced by these revenue raising measures. All that the Government is doing is trying to curtail the catastrophic financial position revealed on page 5 and whether it is more catastrophic or less catastrophic we cannot even judge accurately until some of the reforms that we have proposed in relation to the treatment of arrears and in relation to writing off uncollectable debts start coming through and we start seeing a picture which may reflect better the position than this does today, a picture which let me say in some respects was more accurate ten years ago when the situation was that the Government's finances if they said they had £2m in reserves they really had £2m in cash there. Mr Speaker, I think that I have given the House the benefit of a detailed exposition of our analysis of the revenue raising measures and as I have said we will be voting against the Second Reading of the Bill because we do not consider and we think that it is a bad omen for the next four years, the Government has just been elected, they have been elected with a clear mandate, they have been given the support that they asked the people to give them, this is their first Budget and they should be showing us in this first Budget and they should be showing the people who voted for them what they are going to be doing in the next twelve months and in the next four years to try and revive Gibraltar's fortunes and there is no indication of this here. All that it is is once more an attempt to balance the books and an inadequate attempt judged by past standards and I think I will leave it there, Mr Speaker.

MR SPEAKER:

I think we will allow Members to mull over what the Hon the Leader of the Opposition has had to say and we will now recess until tomorrow morning at 10.30.

The House recessed at 7.10 pm.

WEDNESDAY THE 11TH APRIL, 1984

The House resumed at 10.40 am.

MR SPEAKER:

I will remind the House that we are still on the Second Reading of the Finance Bill and that the floor is open to any Member who wishes to contribute to do so.

HON A J CANEPA:

Mr Speaker, since I took over responsibility for Economic Development just over four years ago, I have been laying particular emphasis on the need to coordinate the Government's budgetary strategy with the overall process of economic development. In other words, I have consistently made the point that there has to be an element of coordinated planning into how the Government taxes and borrows and, in turn, how it spends and invests in order to pursue its social and economic objectives, particularly in generating employment and in ensuring a fair distribution of income. I do not see my role as Minister for Economic Development and Trade as one which is confined exclusively to the preparation and implementation of a Development Programme. I take the wider view that, obviously, the Government has to take a lead in promoting economic activity, both in the public and in the private sector. Equally, I look to the private sector to respond positively in the interests of Gibraltar. I will expand on this. The next few years will be crucial for the future stability of the economy. Many difficulties lie ahead. First and foremost, we have to move forward on the commercialisation of the Dockyard. We must ensure that the new yard is converted as early as possible, not simply because this will provide renewed impetus to a depleted building and construction industry, but particularly because we have to minimise the adverse impact on employment and on Government revenues and, indeed, on people's livelihoods. The problems are there, the Leader of the Opposition yesterday evening made reference to them, and it is no use expecting the Government, the new Ship-repair Company, the unions concerned, nor least of all the Dockyard workers, to carry the full weight of this major social and economic readjustment. We all have to do it, we need a common effort. Already certain steps are being taken on employment in the Government service. Certain changes are being introduced across the range of Government services and benefits. These are not punitive nor are they draconian and I hope that people will react in a constructive spirit, conscious of the difficult times ahead and not resort to sectarian or to subjective personal protest. I also look to the private sector. I do not underestimate the difficulties or the constraints which they face but I still expect them to offer a better and a more competitive market and not simply complain and blame the Government for everything that besets them. I feel tempted to say, as an aside, Mr Speaker, that people generally in Gibraltar are too prone to do that without realising that

Gibraltar is a small town and not a major country such as the United Kingdom or Spain, for that matter. I would like publicly to commend the constructive approach of the Shipping Association in their discussions with the new Shiprepair Company and the positive course which they have set for the future in their mutual interests. I am also glad that last year's reductions in import duties has offered some encouragement in helping to revitalise trade. I hope that the new electricity and water tariff structures, in spite of everything that the Leader of the Opposition had to say about them yesterday, together with the additional relief offered by the Development Aid Ordinance as well as the abolition of the export tax on bunkers, will combine to generate a better climate for renewed economic activity. A word of warning, however. The Government cannot accept the continuing rise in the level of arrears and will take the necessary steps to correct the situation. We will no longer be the benevolent banker and if necessary, those who do not settle their arrears will have to face up to the consequences. I am not going to refer to 'lame ducks' but to the 'dead ducks' which have taken advantage of their apparently weak financial situation to over-stretch the patience and the resources of the Government. If the general body of consumers and taxpayers will have to meet higher commitments to the Government, those that do not cannot expect to have the best of both worlds. I would add, too, that I would hope to see more competitive prices in the private sector, particularly in response to the haemorrhage of household expenditures into Spain. Some areas of the private sector are, I am glad to note, already reacting in a positive manner, notably the motor trade and grocery supermarkets, to name only two. When I speak of a major readjustment of the economy, I do not restrict my thinking to the Dockyard commercialisation nor to the micro-economic issues relating to the private sector and trade. I believe that the foundation of a new economic structure for Gibraltar lies more firmly in the exploitation of our most valuable and perhaps our only asset - land. The House is aware that the Dockyard package involved the release of two prime sites in Queensway and Rosia and the setting-up of a Joint Consultative Committee to discuss ways of reconciling the needs of both the Gibraltar Government and the Ministry of Defence. We have already made our position known clearly and firmly to the Ministry of Defence. We consider that the future development of Queensway and Rosia is only the beginning of a process for the rationalisation of land use in the best interests of Gibraltar and its economy. The JCC has already met on a number of occasions and whilst I do not underestimate the obstacles to progress, I feel that we have established good grounds for positive results in the not too distant future. I attach special importance to this issue because I feel that one of the main vehicles of major private sector investment, particularly in our drive to regenerate tourism, hinges on the availability of suitable sites. These have been identified and will be sought with relentless pressure. Speaking of private sector investment, I reported last year on some of the major development schemes which despite the uncertain economic situation, had enjoyed a large measure of success. Before I update the House on the progress

made on these projects, I would like to reiterate the importance which I continue to attach to private sector investment, particularly in the field of development. Now more than ever there is a crucial need to overcome the crisis of confidence which in my view is a temporary one, but nevertheless which has preoccupied much of my attention during the last year. I am confident, however, that there are now signs of renewed interest in a few projects which did not attract the response which I would have wished. One such site which comes to mind is the Command Education Centre which was advertised last summer. However, the lack of response in this case may have been due to the strict planning guidelines which were laid down for the site. There may therefore be a need to review this constraint in the light of the interest which is now shown. On a more concrete note is the multi-storey car park project at Casemates. This matter has been discussed in the House before but I think that I owe, particularly the new Members of the House, a detailed explanation. This site was awarded by tender in September, 1982, to a company which under the conditions of tender is required to reprovide at its expense the seven Ministry of Defence Quarters before obtaining vacant possession of the site. The Quarters are not surplus to defence requirements and reprovisioning is expected to take some two to three years. The Government has therefore been trying hard to accelerate this development by exploring ways in which to provide temporary accommodation in anticipation of permanent reprovisioning. One of the suggestions involves the conversion of a semi derelict Government building into six quarters and negotiations are currently being held by the Government with the developer and with the Ministry of Defence and I am hoping that a solution acceptable to all parties will be found. I can assure Members that I will leave no stone unturned to get this important development, which is worth some £5m, off the ground. One of the sites on which I am able to give more positive news is the old FWD Workshop in Library Street. This site was recently awarded to another company in the sum of £17,000 and I am pleased to say that demolition works will shortly be commencing to make way for a four-storey building comprising shops on the ground floor and offices above. The cost of the development is of the order of £3m making a modest contribution to the building industry. As I said earlier, there are encouraging signs of renewed interest in Gibraltar's development potential. Much of this, I suspect, is of a speculative nature, in the expectation, perhaps, of a full frontier opening. It is therefore essential in order to gain time to plan ahead and to commence to attract investment now. It is with this reasoning that the Government has initiated action on a number of these important sites which are to be released for development and which I have made some reference to previously. As Members are aware the Queensway Development Brochure was launched as early as last December in order to gauge interest. Developers have accordingly been invited to submit their outline proposals for the development of the site by the end of May. The most meritorious schemes will then be selected for competitive tendering and I can add that the Brochure indications are that it has already generated very considerable interest. The Rosia Bay site, which also

formed part of the Dockyard package, is also to be advertised in the same manner. In this case, however, the Government is studying the possibility of incorporating an adjoining site known as Engineer Battery and Alexandra Reach to make a more comprehensive development. Design guidelines are now being prepared and proposals will be invited towards the end of June. On a more modest scale, but with great potential, is the development of the Queen's Stores at Waterport. This area will be available for development towards the middle of next year as a result of various planned moves which have been carried out by Government. The site is strategically situated near to the commercial centre and next to the Marinas. Because of this, the Government has invited outline proposals for a touristic-ally orientated development. My views, Mr Speaker, on the level of private sector activity are well known. I believe that a policy of encouragement must be carefully planned to ensure a level of activity which will neither undermine nor overstretch the capacity of private sector investment. It must also complement public sector development and aim to strike a healthy balance between the two. One area in which success is steadily turning to reality is private sector housing. By far the most important scheme in this field which we can now see rapidly gaining momentum and which in my view is paving the way for a successful home ownership policy, is the scheme which was launched two years ago involving the disposal of dilapidated dwellings to persons who had little immediate prospects of finding suitable accommodation and also to persons who are prepared to surrender other Government accommodation. Last year I said that a total of nine properties had been allocated by tender. The position today is that twenty-five properties comprising forty-two units when converted have been awarded by tender. In addition five Government flats will be recouped for further reallocation. I am pleased to say that a further six properties have been identified for inclusion in the scheme and will shortly be put out to tender. The economic, as indeed the social significance of the scheme, is unquestionable as people are becoming ever more willing to invest their money in home ownership. The result, Mr Speaker, is that the private sector has realised that there is potential in home ownership and consequently a number of schemes are under active consideration. An important contribution to private sector housing will shortly be made by a company which proposed to build some forty flats in a residential block intended for sale primarily to persons in the Housing Waiting List. The scheme has been approved in principle by Government and work estimated at £3m on site is expected to commence shortly. On a smaller scale, housing development continues to progress at a modest pace. The Buena Vista development which I reported on last year had been awarded to a company anxious to proceed with the development, is now in an advanced stage of construction. Completion of the twelve dwellings at an estimated cost of £400,000 is expected by the end of the year. The other site which I mentioned last year had been lying vacant for some time, namely, Bella Vista, was put out to tender last October. The tender was awarded subject to certain conditions to a local company which proposed to build six high class dwellings on

the site. These conditions have, unfortunately, not been satisfied and the qualified tender award has been cancelled. A decision on whether to offer the site to the next highest tenderer will shortly be made. The growing demand for home ownership, largely due to Government's pioneering efforts, now requires further impetus on a larger scale. Whilst the disposal of the existing Crown Properties is welcomed by everyone, the concept must now be extended to new housing. The Government is therefore considering measures to launch a scheme for private housing development aimed at persons eligible to apply for housing. The gestation period involved in the launching of any development, whether it be for a commercial or a housing purpose, is inevitably a prolonged process and can only be achieved by injecting new opportunities in a systematic and periodical manner and by fostering the right conditions for success. This is our policy and our strategy as may be gauged from the measures which have been adopted in this year's Budget. Finally, Mr Speaker, last year I was unable to give much detail on the East Side Reclamation Project which had aroused great interest and which if it materialises will constitute a major addition to Gibraltar's assets. As is now public knowledge, the Government has offered a concession to Wimpey-Trocon Joint Venture to undertake a feasibility study for a period of one year and at the end of which depending on the results of the study, it will be decided whether to proceed with the development. I sincerely hope that the company decides to take up this offer and indeed to proceed with the development. Having touched previously, Mr Speaker, on wider issues, I want to turn now to more specific comment on the Government's own Development Programme. I should first of all explain what the current position is on ODA funding. As the House knows, £13m of ODA grants were allocated for the 1981/86 Programme. To date, some £9.4m has been committed and approval should be forthcoming, hopefully, next month for an allocation of some £3.1m for a third engine at Waterport Power Station. The balance might be taken up by supplementaries although we propose to submit project applications for small-scale tourist projects once detailed plans have been completed. As to progress I should highlight the completion of the unstuffing shed and the good progress which is being made on the distiller project which involves some £7m. Unfortunately, the main slippage rests with the protracted and frustrating delays over the Viaduct Causeway, a project involving some £1.4m. I cannot accept that any blame for this delay lies with the Gibraltar Government, it lies elsewhere. But I understand that outstanding problems will soon be resolved and the project should be off the ground, or should I say, on the ground, shortly. The House will have seen that there has also been some slippage on locally funded projects. As explained both by the Financial and Development Secretary and by myself last autumn in this House - the former Opposition were in residence - the delay has been caused by Government's decision to await the outcome on the Dockyard before entering into the £6m commercial loan from Hambros. This has delayed progress on a number of schemes including housing projects, all in all, amounting to around £1.7m - since then we have been able to take up the formal tenders in respect of two Housing schemes at Tank Ramp and at Castle Road/Road to

the Lines. The estimates in the 1984/85 L&D Fund show a projected expenditure of some £8.7m with a carry-over or a balance to complete of £3.8m. I am fairly confident that we shall reach those targets this year and provide some stimulus to the building industry. In addition, as I have already indicated, there are plans for a major development at the Vineyard site for housing which the Government sees as the springboard for home ownership amongst Gibraltarians in need of housing and as again I noted previously, the fiscal measures to providing incentives for home ownership are part and parcel of our plans in this direction. Mr Speaker, in conclusion, I feel that given the difficult economic and financial climate, the Government has demonstrated that it is prepared to face up to the difficulties and to provide a lead. It cannot happen overnight but we are at least formulating a strategy which could help to form the basis of a new economic future for Gibraltar. We may have to make sacrifices and indeed we have to work together hence the consultative process which I have initiated with the think tank. But we must in Gibraltar be prepared to work constructively and to fight positively for our future survival. The frontier opening alone is not the panacea to our problems. The answer lies with the release of more prime MOD sites for real economic development in order to secure a firm, viable economic base.

MR SPEAKER:

Are there any other contributors to the Second Reading of the Finance Bill?

HON M K FEATHERSTONE:

Mr Speaker, as the Hon Leader of the Opposition stated earlier he was the only person who was going to speak on the Finance Bill on his side and we are not doing as happened in the previous Budget debates, wait for somebody to jump up from one side and play ducks and drakes from either side so I have the honour to follow my Colleague straightaway. I am not going to speak on the Finance Bill as such, Sir, I am going to speak on a part of it, I am going to speak completely parochially and speak on the question of the water tariffs. Sir, it has for many years been the desire of Government, as far as possible, to balance the Funded Accounts and this year the water section is going to almost come into balance, I think we are aiming at a small deficit, something like £45,000, which is perhaps the lowest deficit we have budgetted for for many years. We have had the Coopers and Lybrand Study into water tariffs and we have taken some of their ideas, not all of them, and put them into practice this year. I would put forward one point which I think the Hon Leader of the Opposition stressed to some extent although perhaps he missed the full point or the full impact of the reasoning behind it and that is the question of the standing charge. If you have a public utility service joined to your house or to your business premises or what have you, it brings with it certain inherent expenses whether you use that service to a very small

extent or whether you use it to a very great extent. You have to have a meter there whether you use one unit per month or whether you use 1,000 units per month. You have to have the joints to the meter. You have to have a meter reader who comes round and actually reads your meter. You have to have a billing section working out what you have consumed and the cost of the meter reader and the cost of the billing section is exactly the same whether you use small quantities of water or whether you use large quantities of water, the man still has to come to the meter, take five minutes to read it or two minutes to read it, walk away, go to the next one and whether he jots down a consumption of one unit or a consumption of 1,000 units does not make any difference to the amount of time that he has spent and therefore that is the rationale behind the increased fixed charge. I would remind the House that there has been a fixed charge which we used to call a 'meter rental' for many years so that the new standing fixed charge is not such a tremendous increase especially in domestic consumers because the new standing charge will be £1.50 for domestic consumers whereas before it used to be 75p for the meter. But that is the rationale of the standing charge. This is the same system as appertains in the United Kingdom and we feel, following suggestions by our consultants, that this is a necessary and a practical measure of ensuring that the billing, the meter reading, the meter itself, the connection itself are satisfactorily looked after. We have based this year's tariffs on a speculation. The speculation is the output of the new distillers but based entirely on oil fuel. We have not allowed for the possibility that we may get a cheaper rate of energy using the waste heat from the Power Station. We didn't want to do this for two reasons, firstly, we have no quantification yet of what the charges for the waste heat will be and, secondly, we are not even sure that the waste heat boilers are going to work satisfactorily until they have been absolutely tested and so we thought it better to work out our calculations based entirely on using oil fuel in the new distillers to the full extent. If next year we find using waste heat that the production from the distillers gives us a better opportunity for reductions, then we will push through further reductions once we can manage to balance the actual Funded Accounts in water as such. But I would give a warning for this year and that is that should we run into difficulty and should we have to bring expensive tankers from the United Kingdom, then we might have to consider something like the fuel cost adjustment allowance in the electricity, some type of subsidy to cover imported water. We have allowed for a measure of imported water this year but once the new distillers come on stream and the first distillers we hope will be starting its proving tests in July and the second distiller in November, once they come on stream the need for more expensive imported water should diminish or perhaps completely disappear. It has been commented that because of the new standing charge, the very small consumer in industry will have to possibly face an increase even though the basic price of water to him has decreased, he will have an overall increase because his consumption is so low. Well, we went through the majority of industrial users and we find that most

of them use sufficient quantities to benefit quite considerably from the lowering of the price of water. We have also specifically lowered the price of water to shipping with the intention of trying to help this section of our economic life. We have had for many years the question that water to shipping is extremely high and previous years we have been working on a system under which we put the higher price and then gave a specific subsidy. This year we have put the lower price straightaway and reduced the subsidy as such. As I say, Sir, the help that we are giving industry and shipping should assist our improvement in the economy to some extent. As far as the general domestic householder is concerned, to the majority of householders, and well over two-thirds use less than the 45 units, it will mean, if anything, either paying the same or a slight reduction. To those people who use more than the 45 units they may find that they are going to pay somewhat more but if they are heavy consumers of water, there are not too many of them and most of them only consume about 10 units above the 45 units, although there are some who do consume very considerable quantities, they are going to have to face the bill for the larger quantities they use. There is one thing that has been worrying the public, I know, to some extent, especially those people who do go over the 45 and that is if the billing is not done on a regular basis then they find themselves pushed into the higher bracket through no fault of their own simply that the meter hasn't been read and efforts will be made to see that meters are read on a regular basis of once a month. The example I would give is that if you don't read the meter for forty days then what has happened is you only have the 45 quantity allowed in forty days and of course you have gone over the 45 units. It might be possible if there are for specific reasons a longer period of time between meter readings to make some pro rata adjustment so that the normal 45 units should work on the 30 day period. All in all, Sir, I think that the new water tariff structure is beneficial, is not going to prove a heavy burden to the consumer, in fact, it may prove of benefit to some consumers but as I have said, Sir, this is a tentative effort for this year, we will be on a more sound footing once we know the effects and the results of our new distillers and next year we will probably see a tariff structure which we hope will be even more beneficial. Thank you, Sir.

HON H J ZAMMITT:

Mr Speaker, Sir, I am not going to talk on the Finance Bill but I think the Hon Mr Featherstone, in all modesty, has omitted to say one very important thing which I think is worthy of mention to the general public and that is that despite the drought that this part of the world has suffered over the last three years, Gibraltar was the only place that did not suffer water cuts and I think that is highly meritorious of the Minister, of the Public Works Department and of the Water Section in particular considering that this is a bone dry Rock and I think I need not go further than that but to say that I remember saying here in the previous House, with another

Opposition, that because of the good management and forward planning of our water situation in Gibraltar we were able to attract, certainly one liner that was not afforded water in six mediterranean ports and the bone dry Rock of Gibraltar with no natural water resources was the only place that was able to do so and I highly commend the Minister and his Department for ensuring that the people of Gibraltar did not suffer unnecessary cuts.

MR SPEAKER:

Are there any other Members who wish to contribute to the debate? I will then call on the Hon and Learned Chief Minister to exercise his right of reply.

HON CHIEF MINISTER:

Mr Speaker, according to Standing Orders my right of reply and, indeed, that of the Financial and Development Secretary, shall be restricted to dealing with matters raised during the debate and shall not introduce any new matter so the Leader of the Opposition will pardon me if my remarks must necessarily be limited to his long speech yesterday. I can hardly reply to what my Ministers have said in the debate. I think looking back we were yesterday treated to a double dose of his usual interesting comments on the Budget for the simple reasons that he did a lot of homework last year and for reasons which are now no longer prevalent on the other side of the House as to the order in which people speak as far as they are concerned in the end no one spoke and of course whilst we have been seeing the Leader of the Opposition taking copious notes of all the debate we were all very disappointed at the end because of the match of waiting to see who spoke first and finally none of them spoke, neither he nor the then Leader of the Opposition for the second part of which I do not think we had any regrets. And therefore, no doubt having done his homework from last year's thing he was not going to miss that. I was once told by an Ambassador in the United Nations, not in respect of myself but in respect of others once we went to the United Nations and the then Leader of the Opposition, Maurice Xiberras, had prepared a speech to appear in the United Nations in 1974, we went and we were going to speak if there were going to be fireworks if not, if the matter was going to be taken quietly then of course there was no point in our provoking the situation and therefore the signs were after we were there about 24 hours that there was no need for us to intervene and we went to see Ivor Richards who is now a Regional Commissioner, I think, in the EEC and used to be the political Ambassador to the United Nations, an appointment of the then Labour Party, and I don't think I am disclosing anything which is not of general interest, when Maurice Xiberras having been his first visit to the United Nations said he had a speech prepared and he wanted to speak and he said: "Well, it all depends on the tactics of whether it is good to speak" and then he said: "There is nothing more frustrating for a politician then to have a speech and not be able to deliver it".

So having regard to the frustrations which, no doubt, entertained the Leader of the Opposition's mind last year, he has studiously kept all his notes and gave us a big dose of it yesterday together with the ration to which we are entitled this year. And that is why at certain stages he was, and I am making no criticism but just comments, he was talking about the 1981/82 accounts at one stage which was the Auditor's Report where he was talking about the Auditor's Report for 1982/83 which was the one we discussed at the last meeting and sometimes it was difficult to see why he was going from one to the other but I can understand it and this made of course his contribution the more interesting in a way and of course to say that a contribution is interesting does not mean that one agrees with what is said except to say that one takes a certain amount of interest in his remarks. But let me say, nevertheless that it certainly speaks highly of the Leader of the Opposition of the homework he does on his estimates and of the comments he makes. Whether one agrees with them or not I think is an extent of his capacity and may I say that as a lawyer I do not seem to have the need here, but as a lawyer may I say that I envy his ability in the final analysis to find the paper he wants I think one of the things I found very difficult in Court when I had all sorts of papers and the paper I wanted was never there but somehow or other he manages to refer to the paper and to his credit despite the rather untidy filing system that he has in front of him, he finds the paper in the end and for that I commend him and I wish I had been as lucky, fortunately now I am not concerned with long trials with a lot of papers, to find a paper at the right time because, by God, if you do not find it, here it is bad, in Court it is worse because then you are risking somebody else's either money or fortune. Anyhow, one thing that really bothered me about his speech is the fact that whilst he severely criticised most of the measures, not all the measures he didn't mention one or two, no doubt he is not interested in the increase of whisky so long as somebody else pays for it, or the increase in beer of which, I won't say where I last saw him drinking beer but what he has not done, unfortunately, is tell us his solution to the problem, his answer to the difficulties of Gibraltar and it is as hollow in that respect as the manifesto of the party which he led at the election. It is all a question of planning, it is all a question of economic strategy but he doesn't help us, he doesn't help the Government and I hope

HON J BOSSANO:

We are not here to help the Government, Mr Speaker.

HON CHIEF MINISTER:

Yes, you are here to help, I hope he may live many years but I hope his tombstone inscription will not be 'Here lies Joseph Bossano who took his plan with him when he was buried', and nobody was able to see it and put it into effect. In that respect I must say that I am disappointed because I would very

much like to hear, in fact, he has been invited in the past to give us some benefit of how he thinks the problem should be solved. In fact, in the manifesto they did say if they came into office they would need six months to look at the things whilst on the other hand they said they had a plan for the future of Gibraltar. But at least in this connection here it is no use saying: "We cannot make any further cuts". Does that mean then that Gibraltar must have excellent medical services, excellent education, good scholarships, good services generally at the standard that we are having without money? Where is the money going to come from if that is so? It may be that we are wrong in choosing where to get the money, that is a matter of fair criticism, I accept that, it may be that instead of putting a shilling there we should have put two shillings in the other place or whatever it is - or 5p, I am sorry, I am still old fashioned enough to refer to shillings. But in that respect he is singularly unhelpful and it is true and I think that my colleague has said we are at a critical stage in our finances and we have tried to present a Budget that is reasonably level with certain advantages of petite nature in respect of the private sector to generate activity to substitute not only the loss suffered in any case by commercialisation or the proposed commercialisation of the Dockyard and that we are going somewhere in that respect. May I say, particularly with regard to shipping, that the abolition of the fuel tax goes hand in hand with an agreement by Shell to reduce their cost so that it becomes more competitive, it is no use saying that the thing is not competitive only because the Government taxes. They are going to make their contribution to see whether that will attract more shipping to Gibraltar. Of course, all Budget measures which increase what the contributor has to pay are unpopular, all of them. I have never in my many years of experience here, I have never experienced any budgetary measure where the people are expected to contribute more that has been generally well received and inevitably by the high costs of services and so on, the expenditure goes up and there must be a corresponding increase in the revenue. A lot was said about the arrears and so on, I think my colleague has dealt with that to some extent but the concept about this, again as he was saying about the fact that the Government can do everything for the people, some comment I heard yesterday when they said that a certain undertaking - I won't try to identify the kind of undertaking - was well in arrears, that other consumers had their electricity cut. And when we said: "Well, what about if people cannot pay?", if we close it a lot of people will be out of work and what was the answer? "Let the Government take it". But the Government cannot take business undertakings which must in their own because of circumstances, generally, have not succeeded and therefore are in a position to owe money for us to be burdened with more dead ducks than the ones we already have, but that is the concept that people have about it. As I said in that last debate on the Budget of the speaker who kept on saying in Hyde Park Corner "let the Government pay the income tax for us". The point is that Budget measures are normally unpopular whatever you choose and despite all the points made by the Leader of the Opposition we regret that we cannot see our way to

alter any of the proposals except one and I think I will give the Hon Member credit and I will give him the reason why. We are withdrawing the cuts on pensions and that is in itself a sign that we are not deaf to what comes from the other side at all. Two reasons perhaps not fully realised at the time and Budgets are not prepared in comfort and with time and so on, there comes times of stresses when you are finishing up and so on and I have no hesitation in changing my mind or changing the mind of the Government on a matter when there is positive constructive comments from the other side at all. I think Hon Members, particularly the Leader of the Opposition, knows me well enough to know that that is the case in any event if I feel that what is said is right and I feel that we are wrong. I will tell you two reasons though in fact one of them I think has no foundation in law but it could have a wrong connotation and that point did not really enter my mind or the minds of my colleagues at all and that was the possibility that the Ministry of Defence would take advantage of it. I say that that is rather remote in one respect in that the pensions that they pay are statutory pensions according to English law and they would have to change that and therefore I do not think that is likely in itself but what I think is more important is that they would take it as a pretext to go into other areas where parity applies where the application is not by virtue of an Act of Parliament and I do not want to give them that opportunity to do so. The other one which of course we had thought about but perhaps yesterday it became clearer and that was the question of the vast difference in the pensions received from the pre-parity retirement to the post-parity retirement. Therefore at the Committee Stage we shall be asking for Clauses 12 and 13 of the Finance Bill to be withdrawn. As I say, this is done because we feel there is a case for it and we have no hesitation in giving credit to the Leader of the Opposition for pointing this out to us and I hope that you will take it in that spirit and not as a matter to cry victory and to say: "We have got it". Of course, you have got it and that is why we are in this House not just to present the views and say: "We go it all the way whether you like it or not". There were quite a number of comments made by the Hon Leader of the Opposition which we will look at in Hansard. I think we have inherited that over the years, the nature of the accounts, the way it is presented. There have been different Financial Secretaries who have had different views and this Financial Secretary has views about certain aspects of the presentation which, of course, he will have the opportunity to put into effect and let me say, in passing, that the absence of any remarks commending his speech was not either deliberate or as a result of any disagreement with my colleague here. It was perhaps encouraged by the brevity of his speech that made me make mine so short that I omitted to say that I commended him for what he said but what he said is his own, the policy that he described is the policy of the Government but the wording is his own. I could not have referred to Orwellian obfuscation or mention Milton or Shakespeare in the course of my address, that is his own doing and I think he has shown enough of his knowledge of literature and quotations to appreciate that he wrote his own speech in

his own way and that is his privilege but the presentation of it was to some extent a breath of fresh air in the manner in which the speech was presented. So really neither did we have a disagreement that made me not commend him nor did we have any agreement that I should not or that I should but we are on good terms - if you want I will shake his hand now. Anyhow, he has done his homework, it is his first Budget and it is always difficult to break new ground and I think he has done it very originally at least and briefly so that, I think, makes up for the rather longer intervention of the Leader of the Opposition which, of course, is more than made up for the absence of another person speaking as we used to have before from a different angle. There is one thing that worries me, I thought I had mentioned it in the debate on the Auditor's Report, I thought I had, I was trying to look at it in the Hansard but I cannot find it - I think I did mention it or I may have mentioned it in supplementaries - but this is one that is really certainly worrying me and I want to make it quite clear that this is purely my own comment and I have consulted no one on it but I propose to pursue it, I think I mentioned it in the other debate because the Hon Leader of the Opposition referred to it specifically and I think it has to be investigated. It is perfectly right - and in my twenty-odd years in the City Council I was brought up in that discipline - it is perfectly right that not the rating of the net annual value which is what goes up but the poundage in the rates every year was fixed according to the amount of money that was required to service the municipal rating part of the municipal activities of the City Council. That is true and that is what rating is all about, rates services. There is an element of conflict as was seen at the time when Mr Livingstone tried to rate people, in fact, it was clearly shown there, trying to put up the rates in order to reduce the London bus fares and he was directed by the Court that it was unlawful to put one rate which really makes the point clearer insofar as rates are concerned but this like so many other things is an accident of history that when the municipality was taken over by the newly appointed Government in 1969 and the Government was obliterated for reasons I need not go into, rather than a merger, first of all everything was swept into the Government control, secondly, we didn't have accounts except notional accounts as we heard so much about this time and before and that is why I do not think it is fair to labour that point, not that I am making any comments on this, to labour the point about what happened before because it has been corrected after a certain amount of effort, we had to pass those £2m-odd in order to correct them and I agree that now that we have that it has to be priced because that is how it was done in the Council where the rates element was absolutely priced and you knew what you had to get from the rates. Unfortunately, what happens now is that we have got rates at 60p in the pound that the net annual value goes up according to how other rents are done in accordance with the specific provisions of whatever had substituted or still has the old City Council Ordinance insofar as the net annual value but on the other hand if you put up the net annual value and the money coming out of rates is more than you wanted for the services if you could identify them, then you can

reduce the poundage and you are more or less fair. Unfortunately the way it is done now it is impossible, simply impossible because everything has been merged. At one stage in the Council, and it has been mooted in the United Kingdom on many occasions, that perhaps rates is just another form of taxation the only point is that it is there, it is traditional and to substitute something that will make people pay more or less the burden is a mammoth task, certainly in the United Kingdom, it wouldn't be a mammoth task here because nothing is mammoth here it may be bad but not mammoth here but no doubt a difficult task in which to identify it. I have other things in mind that might help in the near future insofar as the people who service these matters are concerned but in the final analysis the point is whether it is a fair tax or not in the way it is administered because if it isn't and instead of getting £451,000 more this year out of rates because of the valuation, let me tell Members opposite that we have delayed a revaluation which is due every five years normally because of the very heavy burden that that would bring about and yet it is inequitable because those that are owner occupied and do not review their rents get an element of benefit but on the other hand the lesser of the evils is to avoid it because it is already heavy enough so it is really a problem. I have no hesitation and I am speaking for myself without advice, without in any way having posed this matter internally, it is a problem but the final analysis is if that money does not come out of the ratespayer it has to come out of the taxpayers if the money is wanted and it is a problem. I accept that it is a problem and the problem seems to be getting bigger particularly with private dwellings when rents shoot up despite all the depression people give up huge sums for a tenancy and are prepared to pay very high rents, one wonders why with a depression in business and so on and a good site in Main Street and other places become vacant one wonders if business is so bad why are people prepared to pay £30,000, £40,000, £50,000, £60,000 for a lease as premium, let alone a very high rent which naturally is reflected to the valuator as the value of that premises. It is a problem and I hope that I can do something, certainly in my last term of office, to help in this matter and leave it in a tidier way. I think I might be able to present an element of bridging because of my previous connection and the discipline that I learnt as to the rating of property in my days of the City Council where things were not as remote as they are in central Government, where you took a decision in the Finance and General Purposes Committee on a Thursday, it was confirmed on the following Thursday and in less than twenty-one days the decision was taken. I wish we could say that of Government decisions sometimes. But then it is no use looking back since it is past and it is no use blaming anybody else. Anyhow, I hope that I have answered some of the points, I would never dare to attempt to reply to the accumulated wisdom of two years in a short time but enough to show that we do take note of what is said opposite, we may not always agree but that I am sure that the criteria even though it may be different is aimed at the same purpose and that is what each one of us in our minds considers to be the best for Gibraltar.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, in following the Chief Minister I will confine my reply, as far as possible, to the points raised by the Hon Leader of the Opposition. As he knows and, indeed, as the House knows, mine is not a political office but the first bringer of unwelcome news hath but a losing office and his voice sounds everafter as a solemn bell knolling the departure of a loved friend. - Shakespeare, I think, said that. I find it easier to speak without a written speech in front of me because it enables me a greater opportunity to ad lib like the Hon Leader of the Opposition, I am sure. It obviously was not a sweet Budget and it is fair game for the Leader of the Opposition but I think I ought to comment on one or two points where I think the Government's position was slightly misrepresented. I am not personally concerned about that at all but I think where it is an aspect of the Government's strategy or the Hon Leader of the Opposition has fastened on one particular aspect of a measure to the exclusion of the others I think it is fair for me to comment on that in my reply. He did, of course, spend a great deal of time on the accounts, the accounts of yesteryear, in fact, and I think showed for someone who had criticised the Government measures as merely house-keeping he showed expertise in the housekeeping direction himself to such an extent that I am sure my lady boss, as he was pleased to call her, I think I know who he means by that whether she is my lady boss or not, would have been proud to have him in her dad's grocers shop although whether she would have been quite so pleased by the fact that he spent 80 minutes on the accounts where I spent 40 minutes on my Budget speech is another matter. He certainly had us in a maze, I think, for part of that time or in the woods at any rate and would that I knew which part of the wood we were in all the time because I was not sure whether we were in fact at the tree of knowledge or the fountain of obfuscation from time to time. However, I do not wish to prolong the discussion of the accounts of yesteryear but I think there are one or two points I ought to say in reply so that the record can be put straight and at least the extent to which I have misunderstood the points made by the Leader of the Opposition can be recorded in Hansard for posterity if that, in fact, should be the case. I think the first point I should mention is the question of the arrears and what I call the difference between arrears and outstandings, I shall be coming to accruals in a minute. I did in fact refer to accruals but arrears and outstandings are both, of course, accruals but that is the first point and the Hon Leader of the Opposition, I think, I didn't have the accounts in front of me at the time, he distinguished between, let us say the Telephone Service is a good example, between the figure of Statement 46 of £624,000 and the figure on page 90 which should be, roughly speaking, £1.2m and of course the difference between those two figures is the difference between, respectively, accruals and arrears. I hope this was the point he made, certainly that is my point. I would like to make a further point that the difference between these two figures, that is to say, what is regarded as arrears and what is regarded as normal outstanding, that is to say, bills which

have been issued and not been paid, is not simply a matter of judgement of the Principal Auditor, there is a basis in fact or at least a conscious decision was taken here and I think it is a reasonable one, one which could be upheld by a commercial auditor, in paragraph 13 on page 10 of the 1981/82 accounts, the Principal Auditor said: "The bills for collection accounts include all bills related to the period to the 31st March notwithstanding that some of these bills may have been issued after that; this is necessary to project the true position of the Funds as at the end of the financial year. It would have been misleading to use those figures for the purposes of the statement of arrears as consensus could not have settled bills issued after the end of the financial year in respect of the month of March, and in some cases February". We are talking of 1982 but obviously this is an arrangement which applies annually, I think, and the February bills in question I think I am right in saying would have been the ones paid, would be the February bills issued but paid would probably only have been those of Government Departments which as I think the Hon Leader of the Opposition himself said, are the bills which tend to be paid promptly for various reasons. There was one other point on the Telephone Service which I think he might like me to reply to that.

HON J BOSSANO:

If the Hon Member will give way. I accept what he said because in fact, what he is saying is what I said yesterday. The point that I am making and the point that I was trying to get him to recognise was (a) that we have a situation, for example, where in the case of the figures that he has been quoting on the Telephone Department, we have got a situation where the bills for metered calls was something like £350,000 or £370,000, if we look at page 90, and the amount actually collected was something like £20,000 which is an enormous disparity which cannot simply be explained by a couple of months. The other thing is that in terms of assessing the strength of the financial position historically we have to know that we are not comparing like with like because five or six years ago, before there were Funded Accounts, the reserves actually reflected the amount of cash that the Government had available whereas now, apart from the arrears, we have got a very large and increasing element which is the element of the revenue that will be collected eventually but isn't there in cash and it is shown as being part of the reserves. That is the point.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I will try and answer all those points, Mr Speaker. The first point is the one on page 90, where the Hon Leader of the Opposition has pointed out that there is a figure for bills paid of only £27,000, that was the figure he mentioned in the House. The three figures on that page for balance on 31st March, 1983, add up to £1.2m shown on the other page, page 89. He challenged the figure, I am talking now on page 89, he challenged the figure of £27,000 for bills paid and said that

seemed a derisory amount which did not say much of the Government's ability to collect revenue, or words of similar import. The point is here that this was the first year of IDD and the bills had been issued after the year had ended but as the service to which they related had been given in 1982/83, it was proper to accrue the revenue in that year, that is the explanation for that small figure. And, of course, it would be a small figure because there would be nothing to correspond with that figure for the previous year, there would be no comparable accruals figure for the previous financial year. I think this is part of the answer to the other point the Hon Member made that he said he has difficulty in reconciling the figures now, following consolidation of the Municipal Services accounts with the Government accounts, comparing those with the figures for 1975 or the position prior to consolidation when of course Government accounting was in cash terms. Yes, I can quite understand that, I think it is inescapable from the changeover from cash accounting to commercial accounting. I think that at this stage it is probably difficult to effect a reconciliation but I can only offer the Hon Leader of the Opposition the facility of a discussion on this at some subsequent stage with myself and indeed with the Principal Auditor who was one of the architects of the new system of accounting. I feel personally, despite anything which the Chief Minister might have suggested to the contrary, I do not wish to change the system, I certainly found it difficult to follow myself but I am sure that was simply because I was a newcomer and it is part of the process by which the new Financial Secretary becomes the old Financial Secretary. The other point on the accounts which I think was implicit in what the Hon Leader of the Opposition just said if not explicit, is that of course one must expect the increases in accrued income to rise with the level of the economy in money terms, one is the function of the other. What, of course, is serious if the arrears mount as a proportion of the accruals or if the balance in the Consolidated Fund is uncomfortably low and, obviously, one would wish from that point of view that the balance in the Consolidated Fund were higher than £3.7m. I think that is something we have got to live with and find ways of raising revenues if possible and keeping expenditure under closer control perhaps, than in the past in order to ensure the stability of the Government's financial position. That, Mr Speaker, is all I wanted to say on the actual accounts. There was one point the Hon Leader made about the analysis of the outstanding debts and I think I agreed, really, with the thrust of his comments because he was in fact saying something which I myself said at the last meeting of the House. The ability to turn to a previous record of Hansard is one which the Hon Leader of the Opposition is a master of and I am a mere novice. I am sure this is also part of the process by which the new Financial and Development Secretary becomes the old Financial and Development Secretary but in the meeting of the 13th March I did say in reply to the Hon Leader of the Opposition on the Principal Auditor's Report, I think it is page 52, Mr Speaker. "I think that what is important is the length of time" - talking about outstanding arrears - "I think that we can probably improve our analysis of the outstandings both on

income tax and also arrears" - meaning arrears of Municipal Services - "which is a necessary preliminary to successful action to reduce the amount". So I agree with the thrust of his comments there and of the further reference as well. On the general comments during the Hon Leader of the Opposition's reply, the Chief Minister and the Minister for Economic Development and Trade have dealt, I think, with the suggestion that the Government did not have a strategy and I won't therefore add anything to what has already been said, Mr Speaker. There are just two points. One is that on the question of the increase in earnings between 1972 and 1983, the Hon Leader of the Opposition seemed rather upset by what I said. I think that in fact he took the same train as me over that period. He may have stopped en route at a different station, namely, 1978, and there maybe reasons why that date lingers in his affections, and mentioned the figure of 40% increase thereafter. I accept that but I do not think that that in any way invalidated the point I was making about the increase in disposable income.

HON J BOSSANO:

He did say in his analysis and in taking those two dates, that it was the same as had happened in UK. It has nothing to do with what happened in UK. The only reason why the increase in 1983 over 1972 exists is because of what happened in 1978, otherwise that comparison which he made he would not have been able to make.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, but I went on to make the point about prosperity resting on insecure foundations, Mr Speaker, and that certainly applies to comparisons, I think, between Gibraltar and the UK, although the particular symptoms or manifestations of this are difficult and the cause in the case of Gibraltar is, as we all know, the actual cause of the realisation is also different. In mentioning figures of personal wealth, I did not intend and re-reading my speech I can certainly satisfy myself on this score, if I cannot satisfy the Leader of the Opposition, I did not intend to draw the inference which the Hon Leader of the Opposition quite naturally, I think, because he is a politician and wants to make a political point, the inference which he drew. I did say, and the conclusion of that part of my speech was that the faculty for investment exists as well as consumption and I do not think that the Government measures will necessarily or, indeed, will at all lead to contraction, which was the phrase he used, because they were chosen as the Minister has already said, for their minimum impact on industrial and commercial cost structures, including hotels, and a fair amount of careful consideration was given to them for that reason. The Minister for Public Works has dealt with the water charges, Mr Speaker, so I will confine myself to the Hon Leader's comments about the electricity tariffs which I thought were again slightly distorting because the feature of the tariff changes on which he concentrated was the fact that

the Government was not doing anything about the off-peak rate or at least had not paid sufficient attention to the off-peak rate. This has been increased from 3.75p to 4p and he suggested that this was a clear indication that what the Government was doing was contrary to what I said in my speech it was doing. I think this is where I must take issues with the Hon Leader of the Opposition. The number of off-peak consumers is 31 out of 11,000 and we are talking in effect of off-peak heating. I don't know who these 31 consumers are, I think that the Manager of Barclays Bank is one of them because he has central heating and I imagine this one is off-peak. I do not know who the others are. I will leave it to the imagination of the Hon Leader of the Opposition if he would like to develop just how reducing the off-peak rate is going to generate wealth in the economy or get the economy moving. Is he perhaps suggesting that we should have more off-peak electricity heating in the middle of summer, perhaps, to use up surplus electricity? His concentration, I think, on that particular corner of the tariff was misleading, not to say distorting, of the effects of the Government measures.

HON J BOSSANO:

Mr Speaker, if the Hon Member will give way. I am not suggesting any of those things. What I am saying is that the Hon Member introduces a Finance Bill which he says is going to reduce electricity charges to commercial customers. In there, there is one particular electricity charge, which he now admits, and he would never have admitted it if I had not raised it, is going up. His apparent explanation is that it is alright to raise that one not because it meets some declared Government objective, obviously not because it is going to bring in a lot of money because it is only 31 people, so is he saying that provided there is only 31 affected, it is okay to raise it, or provided the chap affected is the Manager of Barclays Bank it is okay? If we are prepared to look at the Finance Bill on the basis of taxing selected people that we do not like, well, let us approach economic planning on that basis if that is his philosophy.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I thank the Hon Leader of the Opposition for that intervention, Mr Speaker, which has made his philosophy clear to me. I will simply add that the off-peak rate for air conditioning, for example, in hotels is being reduced and I think I have probably said enough on electricity tariffs, Mr Speaker. There are one or two other points. I think the Hon Leader of the Opposition asked about income tax and his particular point was that the figure of £0.8m which would be the revenue yield from an increase of £100 in allowances, indicated that more people were paying tax or that there had been an increase in the marginal rate, more people at the higher marginal rate which I think is the same as an increase in the average rate for tax. That is part of the answer but the other part of the answer is, of course, the increase in numbers of taxpayers. He also asked

about the assumptions for GSL tax, or rather taxation from Dockyard workers and the estimates do provide for the situation which is expected in the Dockyard, namely, the redundancies during the course of this year but employment of 300 under Gibraltar Shiprepair Limited on the 1st January, 1985, rising thereafter to 500. Mr Speaker, there might be a number of other points which I could raise or rather I could offer a reply in response to the Hon Leader of the Opposition's speech but I think I have probably trespassed too far on the patience of the House and I am very conscious I want to keep within my record of brevity if not wit, and therefore I think I will commend the Bill to the House.

HON CHIEF MINISTER:

Mr Speaker, a thought has just crossed my mind that I should have declared a possible interest in the reduction of the pensions for the House of Assembly Members as it might affect me in four year's time and therefore I think I ought to declare an interest although really it was not in my mind when I decided to take into account what had been said opposite but I think that for the record I should declare a possible interest but there are many opportunities between now and then, I hope, to increase the pension.

HON A J CANEPA:

Anybody, Mr Speaker, who has been a Member of this House for over ninety months should so declare.

MR SPEAKER:

Well, I was going to say that perhaps I could be one of those who must declare an interest.

HON CHIEF MINISTER:

May I say also that, of course, the amendment will be made at the Committee Stage.

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

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon M K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammit
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members voted against:

The Hon J I Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

The Bill was read a second time.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

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

This was agreed to.

SECOND READING OF THE APPROPRIATION ORDINANCE

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, I beg to move that the Appropriation (1984/85) Ordinance, 1984, be read a second time. I do not wish to make another long speech and I rejoice to see the look of pleasure on your own face, Mr Speaker, because I know that Hon Members of the Opposition are hoping to speak and also of course my Colleagues on the Government bench will be speaking as is necessary during the course of the debate and the Committee Stage. I would only say two things, really, Mr Speaker. The first is taking up, again, a suggestion which seems to emerge from the exchanges during the reading of the Finance Bill to the effect that the Financial and Development Secretary and the Chief Minister or Ministers might be at odds. This was certainly not the case during the discussions on the expenditure estimates, Mr Speaker, indeed, I think that the procedure we followed this year made it more obvious perhaps than in previous years that this was very much a Ministerial effort, a cooperative Ministerial effort, and the Financial and Development Secretary was really the servant of the Government as indeed he should be. That is to say, it was the very reverse of the Treasury going into a huddle and suddenly emerging from behind their collective cloak and dagger to thrust the weapon into the hearts of prostrate Ministers and Heads of Departments. The experience which was certainly my first experience of what is called a 'star chamber' procedure certainly to my mind was rewarding, I think, in some ways not a very pleasant experience for those concerned who had to wrestle with the exigencies of the Government's financial position but it was I think, one which I personally felt pleasure to be a part of from that point of view. My other point is really this, that because of the seriousness of the Government's financial situation, and

the Chief Minister has already explained this to Heads of Departments, the need for control during the coming financial year is more obvious than it has been even in earlier years. There is always need for proper control over Budgets but as I said at the last meeting of the House, it is quite clear that we do need to change rather our expectations. I am thinking now in terms of the numbers of supplementaries which may have been quite a normal feature of the system when the Government's financial situation was perhaps less constrained than it is now but, clearly, in the light of the current constraints, there will be a need for much greater control and I certainly will be discussing with the Chief Minister and my Colleagues ways in which these controls can be introduced during the year. I do not suppose that we will get it right the first time and it will take some time to adjust but this is certainly what will be one of my priorities as the Government's financial adviser and I know that the Chief Minister will expect this from me, Mr Speaker. With those preliminary words I commend the Bill to the House.

MR SPEAKER:

I will then call on the Hon and Learned Chief Minister.

HON. CHIEF MINISTER:

Mr Speaker, one of the virtues of the new procedure that we adopted in merging the two Bills together was precisely to save two long debates on the matter and therefore some of the main points in the Appropriation Bill have been explained in my original statement where we felt that certain cuts were necessary and therefore I do not want to labour the matter further except to say that we aimed this year when the departmental bids were made, we aimed at cuts that were realistic and not just presentational with the view that we should not get the kind of supplementaries that we got last year that totalled something like £2.3m which really upset the whole balance, particularly in times of economic difficulties and the perhaps not too easy but perhaps reasonably easy for Members to say: "Alright, I will cut now and when I am short of money I will come for more and I get it in a supplementary". Well, that is something which one can perhaps be more tolerant in periods where money is not so short but it cannot be done now or should not be done now and, in fact, Ministers have been warned clearly and their Heads of Departments, I did that on assuming office and subsequently, Ministers and Heads of Departments have been warned that supplementaries will purely be for new matters or matters which cannot be avoided. In my presentation on the Finance Bill, I did mention areas in which we were taking steps to exercise some economy and the Leader of the Opposition in his general speech tried to minimise or criticise the extent to which some of these measures were going to bring economies. Well, that remains to be seen, such things like the summer hours and things like that. There is a strong element there, particularly of the

non-industrials who have to supervise the industrials, and their time is 37 hours against the 39 of the industrials, and therefore it carries an element of overtime and we have been trying to cut it. I think the general trend of the cuts that have been made can only be realised with a real effort on the part of everybody, management, middle management and men, to try and produce more. I think as people pay more tax, as the ordinary man, the ordinary worker who is not employed in the Government pays more tax, he is more conscious of the way in which Government employees and Government money is spent on productivity and so on. I find that now from people employed in the Dockyard and so on, saying: "Why should I pay so much tax in order that you can have people, five or six standing aside and wasting time", I am not making any particular criticism but an organisation like the Government that has a number of jobs in the streets that are visible to the public, perhaps it is always tea time when you pass through and they are doing nothing. This is a subject of criticism and a matter on which we keep on taxing the Minister for Public Works for better productivity because if people are paid reasonably well on wages which have been agreed with the union, one would expect them to produce something. I don't know and I say this without attempting to reflect on anybody, that whether they had learnt it or not, part of the Moroccan labour have learnt to sleep standing since they have been here, something which I have not been able to achieve yet and naturally, that may be contagious but I will leave that to the doctor to prescribe. I hope that the contribution that is made by Hon Members in respect of their departments are made in such a way or in such order that it enables the Minister responsible to answer. In fact, scrutiny of the department is one which we welcome, particularly now that we are going to be deprived, though it would not certainly take the place of but it might be a good opportunity particularly if we are going to be deprived of the Public Accounts Committee, so I hope that that will be done in that way in order that Members can have an answer in respect of the points they want to raise. Another thing that we aimed at, and I mentioned it before, is to avoid and that, I think, is prevalent along the whole of the Budget, is to avoid dismissing anyone. This has been very much in our minds not only because we do not want to enter into that kind of policy and let us hope that we do not reach that stage because it would be bad in itself but also because in a position of constraint and so on would create problems in other areas of our departments in that people would have to go for unemployment benefit, supplementary benefit, and the last thing we want and I think it has to be said, the last thing we want is that local people should be unemployed whilst other people are in employment. Maybe it does not work these days or it is not popular but despite our loyalties to people who came here to help us when we needed it, I think for as long as the situation is such that there is a scarcity of employment in the general body of people who live in Gibraltar, the local resident people must have priority of employment and that will be our aim and our thrust. In other negotiations and other areas in which this may be relevant we will also try to secure

and nobody who becomes redundant, nobody from Gibraltar who becomes redundant as a result of the commercialisation of the Dockyard should be without a job. I think that must be the very top priority of our thrust in this matter. We may look at it from different angles but that must be the top priority. And in fact we have made provision to reserve certain jobs until we find that we know the final analysis. We may differ in respect of many things but on that it must be a common aim that the people of Gibraltar should have a place to work. I hope we will never come to that because we are small and I think we can always manage, as the Hon Leader of the Opposition was saying, about the ability to study the finances of a small area, so I hope that we can contain that but when one reads in the press today the demoralising effect that it has on family life, that it has on anything, for a man not being able to go out to work and bring back a decent wage packet and the areas of difficulties that he can get to by coming out, this is seen from what one reads in papers in the United Kingdom of what is now fortunately a feature of the western world which is the prevalence of considerable unemployment. I hope that despite all our difficulties we will be able to preserve that and certainly the way in which we have approached this matter has been a realistic one and not purely a presentational one. It is no use a Minister saying: "Alright, I am prepared to cut off £20,000 from this vote", and then saying to himself: "Well, if I need more money I will come and get it". That is no use. If I may say so we learn by our own mistakes. Last year we were too drastic in some of the cuts we made and therefore this year the thrust has been at realistic ones and Ministers who were suggested certain cuts said: "No, I cannot cut here but I can give you more of what has been suggested in this one". In that spirit we have prepared the Appropriation Bill which I hope will now be considered and Ministers will reply as required.

MR SPEAKER:

Before I put the question to the House does any Hon Member wish to speak on the general principles and merits of the Bill? I will perhaps explain that at this stage of the Bill which is the Second Reading, Members might wish to speak on the general principles and merits of the departmental expenditure. When we get to the Committee Stage, of course, you will have occasion to enquire on particular items about which you may want information but now we are dealing with the general expenditure on each of the Heads.

HON CHIEF MINISTER:

May I just say one word. I am sure that the Hon Leader of the Opposition knows the practice sufficiently to have warned his Members, and I am not attempting in any way to take his role in this matter, but I might remind Hon Members that in Committee we can speak more than once and get up and come back to the point again much more informally than in general debate and if some Members want to go into some of the nitty gritty of it, I think Committee Stage is certainly much more flexible than the general discussion though, of course, the general discussion is open to them.

HON M A FEETHAM:

Mr Speaker, when I arrived yesterday at the House of Assembly I had already looked at the estimates in front of us and more or less in my own mind had concluded the line that I would be taking within the responsibilities which my Colleague the Leader of the Opposition had entrusted to me. Having heard the explanations and the statements by the Financial and Development Secretary and the Hon and Learned Chief Minister and to some extent what the Hon Minister for Economic Development had to say this morning, I have had to alter my line to some extent because it is important that when we begin to analyse the estimates that we try to draw from it the philosophy which has gone into these estimates at this point in time and why the thinking that emerges from there is in fact fair and what has happened to have led the Government to present the estimates the way they have presented it and supporting it by the statements that have been made to the House as an explanation. But first of all I want to refer to one of the two comments made by the Hon Financial and Development Secretary because one of the problems that I think that we have in the colonial situation that we are in fact living today in Gibraltar and will obviously continue for some time to come, is that we tend to import not the British disease but to some extent the colonial mentality of expatriates when they approach the problems of Gibraltar. I say this because being his first Budget speech, that he should quote from the Family Surveys and import data and make the point that in Gibraltar there are households with 80% with colour television and 76% have telephones and so on and so forth, it is inherent in the attitude, in fact, that was beginning to take place when the workers in Gibraltar began to militate against the discriminations which had existed many, many years against the workers in Gibraltar in, for example, in the UK Departments because in 1972, which is the period that the Financial and Development Secretary refers to, from 1972 to 1973, and he talked about the 30% increase in earnings etc; at that stage when the workers were beginning to militate against discrimination whereby the UK man who was working alongside him was earning twice as much and this came to a head before the general strike, I remember that the Chairman of the JIC, who was the Finance Officer of the Dockyard, told us across the table that the problem with Gibraltarians was, and that was the argument in those days, that Gibraltarians tended to eat too much, and today we are told that Gibraltarians have got too many luxuries. We have been restricted in Gibraltar for many, many years, to an area of less than half the area that is available to us and we have been living and my Colleague the shadow for sport and housing will no doubt deal with it, we have been living in a restricted area in overcrowded accommodation, with overcrowded buildings, with no hope whatsoever of house ownership, and the British Government's record towards the people of Gibraltar insofar as housing is concerned has been atrocious and which the Hon Minister for Economic Development has referred to in the past. When we analyse what we have in front of us today, Mr Speaker, on the estimates, we have to balance and we have to give credit where credit is due and

apportion responsibility to those who have got the responsibility. It is no good and I have to take the point of the Hon and Learned Chief Minister when he said: "I believe that Gibraltar has the potential to overcome the difficulties for the next two or three years. Whether it does or not will depend on a full realisation of the situation by everyone here and by a determination on the part of public bodies and individuals, to do something about it". Of course, we have all got to do something about it but let us get to the root of the problem and begin to apportion blame on those responsible, not call like Churchill did during the last war and he was very successful at it, create the spirit of going against the aggressor and asking people to make more sacrifice because Gibraltarians have made the sacrifices for many, many years, Mr Speaker; one way or the other. Fourteen years of a closed frontier has taken fourteen years of my youth away because I have only been out of Gibraltar on holiday on two occasions during that period of time. We have done our bit and a lot of people are prosperous at our expense on the other side of the frontier because Gibraltar as the Chief Minister has said, used to import but what has happened is that on the other side there has been massive investment and it has been the British tourist that has made that massive investment in the Costa del Sol whilst we have been stagnated in Gibraltar. It is not that I have anything against the Financial and Development Secretary, I have not, most certainly, what I would welcome one day is for continuation and because of the feeling that has to be expressed in the House I would like to see a Gibraltarian there as Financial and Development Secretary because he would know what the problems are and he would defend it from a Gibraltarian point of view, to some extent within the logic on the philosophy of the Government to otherwise. We have already got an Attorney-General, who I think is an imported Gibraltarian and I am prepared to accept him as a Gibraltarian because he has in fact shown himself to be very much in love with Gibraltar. Having said that, Mr Speaker, why have we got the estimates that we have in front of us today and why do we have the Chief Minister accepting, in fact, that the state of the economy, he said that he would not wish to minimise the seriousness of the Government's financial position. Why are we in that financial position? Has it been because Government has mismanaged the economy or has it been because circumstances have been such that we have had to import the measures and the thinking, in fact, not imported but perhaps imposed on us, the measure of thinking of a Thatcher Government in Great Britain which seems to forget the loyalty and the role played by Gibraltarians in the past and recent years. If we analyse everything that my Colleague the Leader of the Opposition has said, in fact, what has been Britain's contribution to Gibraltar? What has been the contribution in development aid to Gibraltar, Mr Speaker? It has been decreasing ever since the frontier closed. It is less now than it was when the frontier was opened and all along we have been making sacrifices. So when we go back to 1972 and workers militate and workers say we want more wages, it is because we have inherited a cheap labour situation for

many years and people have said it is no longer on. They say: "I want a video, if I have not got a video, because after all I cannot have a house". Having said that, Mr Speaker, let us get on to making a political analysis because this is what we are in this House for, we are politicians. Why are the estimates the way that they are? It clearly reflects Government policies, in fact, for the last four years against a difficult background. I am not going to stand here and apportion all the blame on the Government. They have tried to do the best that they have been able to do, they have tried to. But where, Mr Speaker, do we actually begin to apportion blame? I have always looked towards the Hon Minister for Economic Development, Mr Canepa, as far as the policy of the AACR is concerned because he reflects, as far as I am concerned, the thinking of the AACR on many, many issues and particularly on the role that the party should play in their philosophy of economic development. I remember, in 1981, because we have to begin to look at things more or less from that period because it clearly reflects on the estimates in front of us, I remember that in 1981, the Government took most of the credit for the relative buoyancy of the economy. They say they were very forthright and they were talking about, at the time, if I remember correctly, that they were going to back their financial and economic policies on prudence and they were looking towards a bigger degree of consolidation and that they were going to pursue this with determination. This was in fact the thinking of the Government at the time and I think to give credit as well, they began in 1979 to talk in terms of forward planning and I think that was a relief as far as my Colleague Mr Bossano was concerned because he has, and I know he has laboured on it, but I think he tends to labour because at the end he gets through somewhere along the line, he labours on economic planning, he labours on forward planning. Therefore, there was beginning to be something there that this party were beginning to find more and more acceptable on the part of the Government of the day and at that time of course we only had Mr Bossano representing us here but nevertheless at party level we were beginning to see that Government were in fact planning ahead. And indeed, in that meeting, in the 1981 Budget, the Government informed the House of the plan for the next Development Programme, for the five-year period 1981/86, in fact all they said was that the plan had been completed. But the broad objectives were, and this is where we have to begin to measure, what the broad objectives were then and how it has reflected itself on the estimates today and what is the likely outcome in the next four years. Because the Government were saying then that the broad objectives of their Development Aid Programme were to maintain an improved standard of living of the people of Gibraltar, to secure infrastructural self dependence, to diversify the economy and to promote more equitable distribution of income and wealth. And at the same time the Minister for Economic Development also informed the House in the 1981 Budget of the main recommendations of the Port Feasibility Study and explained to the House that the specific recommendations were that there should be a 10-year economic development plan for

the Port. And very, very important too, because certainly this side of the House associates itself with the reference made by the Minister for Economic Development when he said that there was need to be strong financially and that Gibraltar had to be strong economically if Gibraltar, which is very important, was going to be strong politically because everything there is inter-related and I couldn't agree more with the Minister opposite on that. The role of the Chief Minister was that he acknowledged the way that the British Government had honoured its pledge to support and sustain Gibraltar for as long as restrictions were imposed. So, therefore, whatever could be said now or could be said at the time, whether the general buoyancy of the economy was due to the sustain and support policy of the British Government or as we maintained all along, it was the effect of the settlement of parity, the fact was that for the first time in many years we were beginning to see a light in the distance which was very important for Gibraltar's future. But where I think the Government failed is that they failed to anticipate a subtle change in attitude by the British Government towards Gibraltar. I think that change in attitude was no doubt influenced by the thinking of the Foreign Office with regard to the future of Gibraltar and I think that I am entitled to say that the Government failed in its ability to stand against it with some determination because we are on record as saying at the time that the 1981/86 Development Programme was vital to keep the Gibraltar economy going and to maintain the standard of living of our people. I think it was rumoured, and it is fair to say that the proposed development by Government in that region was that they were thinking about £40m and would be seeking something in the region of about £20m in aid. However, in 1981 it was revealed in the House that, in fact, Government were facing difficulties in getting the Development Programme under way because of the lack of response from the British Government. And of course on the Port Development, which is also very important, there were two obvious limitations to carry out the recommendations and that was that one depended on the development aid because part of it was going to be met by development aid and, secondly, that the Port Study Report was carried out before the Defence Review and the question of the Dockyard cutback. And so it was clear to everybody in 1981 that there were major battles ahead in the fight for our survival. I think that from then on, Mr Speaker, there were bombs exploding all around, for a lack of a better word. There were literally bombshells exploding all around, there was a blitz. There began to unfold, really, a policy in my view towards Gibraltar which was and in my opinion it is still highly questionable. In May, 1982, in this House it was revealed how the British economy was being pressured on the question of aid. There could be umpteen analysis of why this was happening but in our view it was a direct attempt to undermine Gibraltar's position in the current discussions with Spain. And so, in December, 1982, Mr Speaker, we learned that only £13m was being given and this, of course, was a mere pittance, Mr Speaker. It was also revealed then that none of the projects submitted by Government since January, 1982, had yet been approved, and ODA

indicated, much to the shock of everybody in Gibraltar, that the £4m grant for 1982/83 had strings attached and could not be used for housing, education or social development. I think that the Minister for Economic Development was correct in describing the aid as being too little, too late. But what I cannot understand, in fact, was the contrast between that approach and that description and what the approach of the Chief Minister was who was supporting the British Government and, in fact, he was virtually sticking out his neck for the British Government. And, of course, what happened as far as the labour force was concerned? The unemployment figure for September, 1982, showed an increase since April, 1982, of 295, which represented an increase of 100%, Mr Speaker. And in March, 1983, the figure showed an increase of 120% over the March, 1982, figure. And what did this reflect and has continued to reflect and reflects again today in the estimates, in fact, it reflected the decline since October, 1981, of the construction industry and the virtual ending of the UK development aid, Mr Speaker. And it was clear to most, and I say most, that the treatment of Gibraltar's needs by the British Government was tantamount to the non-fulfilment of the sustain and support policy. And, in fact, Mr Speaker, despite the controversy that has taken place during the elections, the acceptance of the commercialisation of the Dockyard without a broad viable alternative and the time to re-adapt and the time to call upon the sacrifices of the people of Gibraltar, literally left Gibraltar without an economic base. And, again, despite the controversies of whether the private sector or some sectors of the private sector have complied or not complied with their duty towards Gibraltar or otherwise, the fact is, Mr Speaker, that the private sector was geared towards a Defence economy. And without an opportunity to adapt and without the development aid that was expected so that we could readjust, as the Minister for Economic Development has said, we need to readjust and we need time, and we need the aid. The British Government cannot have the bread buttered on both sides at our expense all the time, Mr Speaker. The private sector was, in fact, pushed deeper and deeper into economic desperation. That is what has happened to the private sector, and it created a complete lack of confidence and I would welcome the Financial and Development Secretary explaining when he talks about "that the conventional wisdom has it that a substantial amount of Gibraltar's private capital is invested overseas and, as I have a very high regard for the financial acumen of Gibraltarians I should imagine it is in very liquid form rather than in British industry or St Petersburg Tramways. My point is this; the capacity for investment exists". There are 7,000 households in Gibraltar and perhaps the Hon Financial Secretary could tell us whether he could pinpoint who has this capital invested overseas and whether they are the same people who owe Government the money that is owed by the private sector. I don't know but perhaps he could tell us. To some extent I believe that to be a myth and I say this as a socialist but, anyway, I just wanted to make that point. The situation today, Mr Speaker, and it is reflected in the statement by the Chief Minister and the Hon Financial and Development Secretary is a far cry from the confident ones that were being expressed by

Ministers opposite in 1981. It is a complete reversal because the situation today, Mr Speaker, is far worse financially, it is far, far worse economically and, obviously, it must be far, far worse politically and is a complete reversal of the aim of policy of the last term of office of the Government. Having made that analysis, Mr Speaker, of the situation since then which is reflected in the estimates, how can we then on this side of the House attack the British Government for the situation we find ourselves in? How can we possibly do that when the Chief Minister went to a General Election on a package which he said was sufficient and generous enough to meet the needs of Gibraltar? Mr Speaker, how do we attack the British Government from this side of the House when in fact, Mr Speaker, the Government has taken the responsibility for the present state of the economy? That was why, and it has been perhaps not totally understood by people at large, that we recognised that it was futile to go back to the British Government and to try to re-negotiate the package because it had already been agreed by the Chief Minister and therefore what we tried to do in the election was to present the people of Gibraltar with an alternative plan, an alternative package for the £28m because we realised that the manipulation that had taken place with Gibraltar by the British Government required drastic and forceful action and it required the Gibraltar Government taking the bull by the horns and instead of accepting the British Government telling us what to do and how we should spend the money, we had to take the lead and put the money into areas of the economy

MR SPEAKER:

Yes, Mr Feetham, but I am afraid I will have to call your attention. We are not talking about how you are going to spend the £28m that you are going to get from Appledore, we are talking about the Appropriation and Finance Bill. I have given you a fair amount of latitude up to now.

HON M A FEETHAM:

Thank you, Mr Speaker. Looking at the estimates, Mr Speaker, the Government has to show how they intend to expand and diversify the economy. I would accept in moments of great sacrifice and in moments when we have to rally the people, I would accept that sometimes it may not necessarily mean an improvement in the standard of living of the people of Gibraltar, it may not necessarily mean that because if we have to make sacrifices it may not necessarily mean that we expect an increase in the standard of living. But what the Government has to show and it does not show it at all in the estimates is how it intends to stop the decline. At least that the Government must illustrate to us. What they also have to show and it is not emerging from the statements made up to now is where there is anything for trade or for that matter for the depleted construction industry. Mr Speaker, before moving on to the Improvement and Development Fund and to expenditure in certain

areas of the estimates, I just want to make one point and one point alone for the future and that is that the estimates today reflect a situation which I consider to be highly dangerous and that is that we are becoming more and more economically dependent in the future on Spain or what happens or does not happen if the frontier opens or otherwise. That, in fact, Mr Speaker, is losing the responsibility which there is on one hand by the British Government, passing the responsibility to us, and us becoming economically dependent on the other side of the frontier. Not that I have got anything against Spain, neither should I be accused of being anti-Spanish, but it is because we have got a colonial situation in Gibraltar which we still have to overcome. That role and that part reflected in the estimates is perhaps precisely what the Foreign Office wants us to have in relation to the future of Gibraltar. The lifting of the restrictions, Mr Speaker, in the near future as we believe may happen or, indeed, will happen when Spain enters the EEC, is to bank on that as the possibility for regeneration of the economy in the future is in fact banking on something which is wrong because I cannot see anything in the estimates today or the thinking of the Government during the last four years and what is likely to emerge in the next four years that I think is going to distort the decline in our economy, Mr Speaker.

MR SPEAKER:

I imagine that you are going to take a little while on expenditure.

HON M A FEETHAM:

Yes, I will, Mr Speaker.

MR SPEAKER:

Perhaps this might be an appropriate time to recess until this afternoon at 3.15 when you can continue with your contribution.

The House recessed at 12.55 pm.

The House resumed at 3.20 pm.

HON M A FEETHAM:

Mr Speaker, before going into the Improvement and Development Fund, I would like to refer to Head 11 - Labour and Social Security which is on page 44 of the estimates, and in doing so draw the attention of Members opposite to the Employment Survey Report which has just been published, and equate certain aspects of the Employment Survey to the expenditure of the Labour Department. What the figures of the Employment Survey indicate, if they are in fact accurate, is that part of the situation has been up to now, which nobody can deny, the drop in employment,

in fact, has been relatively small and I would explain exactly what I mean by this. That there has been an increase in unemployment is obvious to everybody but what has been happening is that the economy has been stagnating and there are two reasons why the level of unemployment in Gibraltar has been limited. First of all, the number of immigrant workers has been declining and rather than going on the dole they have been leaving Gibraltar and, secondly, that the number of locals actually working has remained relatively unchanged. If we look at the figures, the situation could get much worse than what we have known up to now but experience shows us, as reflected in the Employment Survey, that it has not been hitting the Gibraltarians but it has been hitting in the main the immigrant workers who in turn have been leaving Gibraltar. So if the big drop in unemployment had been on local workers rather than on immigrant workers obviously we would have had a much larger unemployment queue. But the point I wish to make is that this process of the immigrant workers leaving Gibraltar is going to come to an end sometime and then, of course, Government is going to be faced with a more serious problem. I have started off reflecting on the expenditure for the Labour Department by saying this because the figures relating to the Construction Industry Training Centre do not in any way show any commitment to manpower planning at all because to plan manpower you have got to plan the skills that are required and there isn't any amount of money that we believe is necessary in the £46,000 which Government has laid aside for this year earmarked for that to produce the skills that are going to be required and make sure that the training facilities are there. £46,000 for the Construction Industry Training Centre in the context of the whole budget is, in fact, negligible.

HON CHIEF MINISTER:

Where is the Hon Member reading from?

HON M A FEETHAM:

I am reading from 44, Construction Industry Training Centre, Government estimates £144,000 and if we look under the Construction Industry Training Centre in fact we are estimating £98,700, so the difference is in the region of £46,000.

HON CHIEF MINISTER:

Thank you.

HON M A FEETHAM:

So in the context of the Budget and the impetus that is required and reflected by the Minister for Labour's statements recently, the impetus requires a much bigger sum of money to do what Government intends to do. I say this because, in effect, if this is where the money is going to come from to

meet the scheme that the Minister has made public recently for the payments to youths for up to six months and so on, then of course we welcome that the money is there because we have seen it but as far as this side of the House is concerned, we do not believe that that amount of money is going to meet the requirements neither the philosophy behind the Minister for Labour's recent statement. I wish to make that point because we believe it needs a bigger effort on a much bigger scale. If I could now move on to the Improvement and Development Fund and I note that Government had a surplus as at the 31st March, 1984, we note that there was £703,972 surplus in the Improvement and Development Fund and the surplus this year is estimated at £786,963. I am sorry, I have got something wrong somewhere, but in effect, the total surplus acquired would be in the region of £1½m. I have seen that there and, in fact, Mr Speaker, I wonder why Government isn't proposing to spend that money because by spending that money you are in effect creating employment and Government would be accruing revenue through taxation because people would rather be working and not being on the dole and at the same time I would think that Government would be creating economic activity. So by not spending this surplus they are depriving themselves of income, people from employment, and Gibraltar of much needed economic activity. If we, Mr Speaker, proceed to look at Head 103 of the Improvement and Development Fund, Tourist Development, page 95. I have already made the point that there is clearly no provision being made to have skilled and trained manpower available. And in the Improvement and Development Fund which is the Government's investment programme, there is no indication that had the training been there and would have produced skilled manpower, that in fact it would have been used because Government is taking away staff and not adding on to it. Therefore, I am not surprised that Government are not providing for training because they themselves are not providing the work that would be required. If we look closely at the Improvement and Development Fund, what is happening this year comparing it with last year is that Government have given up a number of projects that they said they intended to do, projects which they defended a year ago, as an indication of Government's commitment to attract tourism. I refer to urban improvements as being one of the points. Last year they had an estimated cost of a project of £500,000 of which £50,000 was going to be spent in the year that has just ended. If we look at urban improvements in this year's Budget we find that the Government instead of spending £½m on urban improvements is only spending £12,500 and instead of spending this year £450,000 they are going to spend £2,000. I pose the question whether some magic formula has come about and Government has found a way of achieving with £2,000 what they in fact originally estimated....

HON A J CANEPA:

If the Hon Member will give way. I think we are in danger of getting into too much detail and some of these are questions that should be asked in Committee later on. I only wish we had a magic formula. The answer is that the £½m earmarked as

being the total cost of the project was money that was going to come from ODA, and ODA so far have not given any indication that they are prepared to make that kind of contribution to schemes for urban improvement which are chiefly to do with pedestrianisation so the money was not going to be provided by the Government, it was going to be provided by the United Kingdom Government. But it is not a project that they are seriously prepared to consider and therefore we have had to fall back on our own resources and see whether we can make the small kind of contribution that is earmarked for 1984/85. But, as I say, these are details which more properly should be pursued in Committee. We are in a position that we cannot be getting up on this side of the House and asking Hon Members to give way in answering all these little details. The only thing that one can do is either to wait for somebody else to participate from this side in the debate or really, more properly, to wait for Committee and then in Committee we can get up twenty times and answer twenty similar questions.

HON M A FEETHAM:

Mr Speaker, the Minister can answer whenever he wishes either now or at the Committee Stage. We, on this side of the House, do not intend to pursue a process whereby we are going to be standing up every five minutes and debating matters. We want to bring it to the attention of the House and the Minister can answer when he wishes.

HON A J CANEPA:

The point, with due respect to the Hon Member, is that he is asking questions on matters of detail, Mr Speaker, and we are now in the Second Reading of the Bill where we are discussing general principles and not details, details are for Committee.

MR SPEAKER:

I think the Hon Member wishes to bring to the notice of Government matters on which he might require an answer so that the information is available at the Committee Stage.

HON CHIEF MINISTER:

The difficulty about that, Mr Speaker, with respect, is that if he develops an argument on the wrong basis because he has not had the matter explained then, of course, he might come to the wrong conclusions.

MR SPEAKER:

In any event, go ahead with your contribution.

HON M A FEETHAM:

Mr Speaker, I do not think it is a question of arriving at the wrong conclusions because the Government went to an election with a campaign that they were going to put a tremendous impetus in Tourist Development and this urban improvement comes under Tourist Development - Head 103, and here is an indication that they were going to devote £2m to this. I am not interested whether they have got the money or have not got the money or who is going to foot the bill and who isn't, it reflects on the situation which exists in Gibraltar today. They were going to devote £2m last year and it has gone down to £20,000 this year. This is the point I was trying to bring to the notice of the Government. If I may be allowed, with respect to the Minister for Economic Development, to continue to make two or three other points on the line of thinking that I have already made up my mind to pursue at this stage, Mr Speaker. If we look under Miscellaneous Projects - Head 104, last year you had under Miscellaneous Projects the Military Museum for which they provided an estimated cost of £387,000 of which they planned to spend £100,000 last year and £237,000 this year and, of course, this project has disappeared entirely. I don't know whether it was a good idea or not a good idea to have a Military Museum, it is a matter for debate, or whether it was a good idea and now they have not got the money to do it. If they have not got the money or if they have got the money, I just pose the question, when is this development going to proceed? This is what I am trying to say because it is important because they are not only not announcing new projects this year but they are taking away what they announced last year. These two areas of urban development and the Military Museum represented close on £1m of work for which the construction industry when these projects were announced were planning ahead and were planning their labour force, and were considering the tenders that were going to come out, were doing so on the assumption, Mr Speaker, that these things were going to happen. What the Government has to tell them is that there is no work for them because that is the message of the Budget this year, there is no work for the construction industry, Mr Speaker. If we move to Head 107 - Port Development, and of course the Minister up to a point had already pre-empted what I am going to say on the matter of the Causeway for which they were going to spend in the year which has ended a total of £1m and in fact the revised estimate is now £126,000. I remember a stage when there was a hold-up in spending money on construction because it was said that the construction industry had too much work and could not cope and there was bound to be slippage. Having gone through a period in the construction industry, perhaps the worst in its history and the lowest ever, is there a good enough excuse for anybody, whoever is to blame for this development not getting off the ground at this stage, for allowing it to be delayed to the extent that it has? That is the point I wanted to make because this was a major move in the redevelopment of the Port. Mr Speaker, having said these things in respect of the areas on which I have been asked to address the House by the Leader of the Opposition, it shows that we are facing a very bleak next twelve months and at least the next three years in Gibraltar, there is no doubt about it at all, Mr Speaker.

HON CHIEF MINISTER:

In the absence of the Leader of the Opposition perhaps the Hon Mr Pilcher will give us some idea whether there are going to be other, I mean not necessarily now, interventions in the general debate.

HON J E PILCHER:

Mr Speaker, I think this was made clear when the Hon Leader of the Opposition spoke on the Finance Bill. He was going to be the only one to speak from the Opposition on the Finance Bill but each individual Member of the Opposition will speak on the Appropriation Bill.

HON CHIEF MINISTER:

In the general debate.

HON J E PILCHER:

In the general debate, yes. We will all be speaking on our different shadow responsibilities on the general principles of the Appropriation Bill.

MR SPEAKER:

The answer is, do you wish to have Members speaking alternately?

HON A J CANEPA:

No, Mr Speaker, I do not mind trying to answer some of the points that the Hon Mr Feetham has brought up in the course of his intervention. The only problem is that I am not sure whether other Hon Members opposite are going to bring up matters later on which I am not going to be able to deal with because I will have lost my right to speak in the debate unless they were to give way or if they are matters of detail which can be pursued at the Committee Stage. I find, Mr Speaker, that I do not quarrel to any great extent, in fact, I agree with much of the analysis which the Hon Mr Feetham was making this morning, and I will mention precisely to what extent I agree and what in fact was happening from 1979 onwards which is relevant to the situation that we have today. He spoke about there being a certain degree of buoyancy in the economy in 1981, I think he said. I think we have to go back a couple of years earlier. We have to go back to 1979 and the 1979 Budget revealed a very serious financial situation for the Government. A situation when the former Leader of the Opposition enjoyed himself hugely, not that it has done him much good since then, but he was enjoying himself hugely because I think that the estimated balance in the Consolidated Fund was a paltry £89,000. The Government had a few days of working capital. It was a serious situation and some measures were

adopted to correct that. Let me say that part of the underlying reason for that situation was the fact that parity had not yet worked its way through the economy, the Government was having to meet very high increases in wages and salaries, it was having to meet a great deal of retrospection, a number of years retrospection, and increases one year of the order of some 50% in the process of moving towards 100% with the United Kingdom and then in 1979, the first year of the Conservative Government, the increases in wages and salaries in the United Kingdom averaged at around 30%. So again, we had to pick up that bill and the Government was finding that its financial resources were being very badly depleted though that did not mean that in Gibraltar generally that was the situation. We were saying the private sector is well off, it is being deriving the benefit of a great deal of spending because the purchasing power of those employed in the public sector had increased enormously, but this had not worked its way through yet so that the Government's coffers should begin to recoup the benefit of that expenditure. That was part of the underlying reason and we adopted a number of measures. We had large increases in taxation, very large increases, I think intended to raise something like £4m, I think it was, that year and we are talking of £1.2m this year and already the Tenants' Associations and the ACTSS and the TGWU are all up in arms. But in 1979 the situation was more serious because £4m then represented about one-tenth of expenditure. Expenditure today is over £50m and we are talking of £1m which is 2%. We set up an Expenditure Committee under my Chairmanship and between 1979 and 1980 very small supplementary funds were approved by the Government of the order of about £300,000 only for the whole of the year. The revenue raising measures and taxation measures that had been implemented in the event yielded somewhat more and by March, 1980, a combination of these factors, we found that in fact having budgetted for a surplus of about £4m, we had £5. something million. And then between 1980 and 1981 the situation continued to improve and by 1981 I think the Government reserves in the Consolidated Fund were at around £8m and 1982/83, the figure which you do see at the top of page 5 of this year's estimates, £11.9m, a very healthy financial situation for the Government. Another factor that was contributing and it is relevant to the point that Mr Feetham has been making this afternoon, was the performance on the Development Programme. We were meeting the targets that we had set ourselves, we had worked up a great deal of momentum. For some years the British Government had been saying: "Well, you cannot gear yourselves up in Gibraltar, you do not have the resources to spend all this money". Well, we had geared ourselves up and in 1980/81, 1981/82, we were spending over £10m a year so the target that we had set ourselves we had met. Some of the projects were labour intensive, there were good housing projects going on, St Jago's, St Joseph's, we were building over those two years, on average, about 100 units a year and the building industry was benefitting from that. And in turn that meant that the Government was recouping through taxation part of the capital investment that was going into the Improvement and Development Fund. In 1981 we were able to

carry out what at the time we thought was stage 1 of a massive restructuring exercise on income tax and we gave people back a great deal of money. It was not a mere - what was it the Chief Minister referred to yesterday - 70p a week, no, it was something really tangible. As I say, it was only the beginning of what we thought was going to be a process whereby the imbalance which existed at the time and which today has been aggravated further by increases in personal allowances in the United Kingdom, the imbalance as between the level of taxation for what I would call people in the middle income groups, let us say people up to £15,000 or £16,000 per annum, we were intending to eradicate that somewhat and pitch our threshold at a very much higher figure. That was the position in the Budget of 1981 and we in Government were very confident that we were in a position to meet any future relatively minor difficulties, that we could gear ourselves up to sort out the distortions in the economy which had become evident during the years of the closure of the frontier in order to be able to benefit two or three years later from the anticipated opening of the frontier having regard to the fact of the Lisbon Agreement had been signed in 1980. And in 1981 it was in cold storage, later on during the course of that year it became evident that the frontier was going to open and it would have done in April, 1982, but for the Falklands crisis. There was this dramatic improvement in the reserves, and what happened then? Lisbon did not come off and the frontier did not open in April, 1982. Before that, in November, 1981, we had been told that the Dockyard was going to close without any consultation and a year before that, in December, 1980, officials of Overseas Development were telling us: "You do not need another Development Programme". The Hon Member is quite right about the forward planning. Of course we were geared up for a massive Development Programme from 1981 to 1986. We had all the resources in the Public Works Department to cope with the implementation of that and we had made a very good case, a submission had gone to London in February, 1980, immediately that we came into office after that election we sent that along - no reply - the Hon Mr Isola having a whale of a time, enjoying themselves hugely at our discomfiture and in December, 1980, top ODA officials indicating: "You are too well off in Gibraltar, the frontier is going to open, the economy is going to boom and you have got so many television sets and so many cars per household". It is no wonder that in November, 1981, when without being given any notice Hon Members opposite should have seen how the Hon Major Dellipiani, Minister for Labour, reacted when the officials from the Foreign and Commonwealth Office, from ODA, and from the Ministry of Defence arrived in Gibraltar one evening and when we met them that first evening how the Hon Major Dellipiani reacted. We could hardly be blamed, and we told them that the message that they had to take back to the British Government was that Gibraltar could not cope with the situation in which the frontier was going to open, and in the event it opened under much worse circumstances than had ever been envisaged, and the Dockyard was going to close at the same time and we were getting no ODA development aid. And they were also saying "you cannot borrow", they were

not approving that the Government should borrow money commercially in order to be able to keep an Improvement and Development Programme going. Those have been the reasons, those have been the causes for the dramatic turnabout in the Government's financial situation which mirrors what is happening in the economy, generally. Therefore, if the Hon Member opposite talks about the Government putting more money into a youth training programme and putting money into urban improvements so that the building industry will have £2m of work, I ask the Hon Member where do we get the money? The fact is that we have not got it today. The fact is that for the first time since 1979 and in 1979 it only happened for a year for the reasons that I have explained and the underlying economic situation was good because parity was working. And we have been wrong up to a point and I say up to a point because perhaps the British Government may have been conditioned in its attitude to the Dockyard not just by, to date, yes, apparently they had defence considerations, in 1978 they were saying they wanted to close the Dockyard, the then Labour Government, for reasons of economy, and economy must have been linked to parity. But, anyhow, perhaps one should not go down that particular avenue. You now have this reversal and for the first time what is happening is that recurrent revenue no longer exceeds recurrent expenditure. Where recurrent revenue as in the last few years has been in excess of recurrent expenditure by £3m, £4m or £5m, not only has the balance in the Consolidated Fund improved dramatically from year to year, but we have been able to subsidise electricity, water and housing to a much greater extent than what we are able to do now. We have had increases, yes, but we have been able to cushion the effects of those increases by massive subsidies and we have now reached the situation that we have not got that. It is projected that in 1984/85, revenue is going to be £2m below expenditure before the measures that were announced yesterday. After those measures it should be £1m only. But if over the next twelve months there is a deterioration in the finances of the Government similar to what has happened in the last twelve months, at this time next year we are in trouble. I agree with the Hon Member opposite, we are in serious trouble, and that is the message that must get outside to people. And we have to increase rents and we do not like it. And we have to increase electricity and we do not like it because the alternative is to sack people and I am not prepared to have 1,000 or 1,500 people walking our streets without a job, I am not prepared to do that and I am prepared to tax people and face the consequences of taxation but we are going to keep those people in employment because taxation means that people have less disposable incomes but massive unemployment means the economic, the social, the political and the constitutional ruin of Gibraltar and I am not prepared to be involved in a Government which presides over that situation. Those are the reasons which lead the Government to have to take the measures that we do. Maybe our analysis is not correct, maybe we do not have all the answers, maybe we do not have any answer. We certainly do not have a magic economic plan, we do not. And it is a holding operation, of course,

and we may have to go to London for more. We may have to go to London for assistance to develop the tourist industry because I do not know where the Government is going to find the money to put into the tourist industry. What, introduce charges at the Victoria Stadium for us poor people who play badminton or squash like the Hon Lady opposite? What is that going to raise in revenue, £20,000? Where do we go with £20,000? We need a massive injection of funds into the private sector either on a grand basis, ideally, or at very low rates of interest, not more than 5%. And, perhaps, we can make a case to the British Government and certainly we have to tell them that they must not think that the £28m that we are getting is the answer to everything, that it is the end of the story because it isn't. And part of those £28m is for their benefit, to keep a commercial yard going which is to the ultimate benefit in a certain situation of the defence policy of the British Government and the defence of the West. I hope that the Hon Mr Feetham has got the message. We cannot find another £50,000 for youth training, we have not got £2m for pedestrianisation of Main Street and they are things that need to be done. And on the Causeway, I was only hinting at, this morning, what the problem was. As to the multi-storey car park, it is not ours, the land is not ours, they have not handed it over. There is provision in the estimates of the Port Department for £30,000 of rents to be paid to the MOD in spite of the fact that there has been a Treasury Minute in Parliament where North Mole is being transferred to the Gibraltar Government but by the time the Treasury, in the fullness of time, the Treasury in London, all things being equal, may eventually approve the actual transfer. But in the meantime we have got to continue to pay rent. In the meantime the Viaduct Causeway is theirs and we cannot spend £1. something million which the ODA has approved for that project. Those are the reasons for the delay. And we are having serious delays in bigger areas. There is a constant battle with the Ministry of Defence and no doubt they may have their own difficulties with the Treasury in London, I can accept that. And in spite of the fact that we have political support in London, the reality of the situation is that the Government machinery, Whitehall, does not move as fast as we would like them to. We are getting a certain amount of cooperation from Heads of Services locally. Perhaps not as much as one would like but we must be grateful, I think, for a considerable amount of cooperation. They are also frustrated by the delays because they cannot take decisions here in Gibraltar as quickly as they would like and that is all adding to our frustration, that is bedevilling and compounding the problems that we have and what must be understood by the Ministry of Defence in particular, by the Treasury, I hope that the first Lord or the first Lady of the Treasury were to be able to do something about it, what the Treasury in London must realise is that Gibraltar is fighting for its economic survival, this is what we are talking about and we are not being given the tools to be able to stand on our own two feet. We do not want hand-outs, and we do not want to be grant-aided because we would not be here in the House if we are grant-aided. But the message has, somehow, got to be got across that

decisions have got to come on stream quickly. There has to be a release of the sites that are committed, there has to be a release of other sites, notably, the land to the west of the Nuffield Pool. That has got to be developed because that is a suitable site, not a site in which you have got a tug next to it. We want sites which are of a real touristic nature and we cannot have a few Services families four or five months of the year enjoying for their benefit land which we need for our economic survival. That is the message that has to be put across.

HON J C PEREZ:

Mr Speaker, the position of the GSLP with regard to the presentation of Government accounts and the distribution of expenditure is that this should be altered so as to give a more accurate picture of the way money is spent in providing different services. Being the Opposition's spokesman on Government Services, I will be dealing with Departments such as Water, Electricity, Telephones, Postal Services and Public Works, and in doing so what one is effectively dealing with is the relationship between the Government and the consumer in the provision of these services. In looking at the services the consumer is being provided with, one needs to look at the cost of these services and one needs to decide, in a given level of economic activity, in what way the resources are to be distributed. For example, Mr Speaker, the amount of money that goes into Education or Medical Services, departments for which I have no responsibility, should be judged on contrasting it with how much money we are spending on other things and on how much money there is to spend overall on the economy of Gibraltar. What I am in fact questioning is whether one can do a thorough job of this with the way in which the accounts have been presented. Taking one particular point where the money comes under Public Works, the position of the GSLP is that in the presentation of accounts as at present, each department shows an item of electricity, water and telephone cost in that particular department. This we fully support. However, we are being asked to vote £700,000 as part of the Public Works Department expenditure on maintenance of Government property other than Housing. We believe that although this may be in keeping with the law as far as the Constitution is concerned, it certainly does not meet the spirit of the law which is Section 65 of the Constitution, where it states that it is not permitted to spend money other than for what the House of Assembly allocates it to. Therefore, Mr Speaker, by having a £700,000 vote for maintenance of Government property, we are giving complete freedom on how that money should be spent in respect of what properties should be maintained in this particular financial year. This is too big a vote to be allocated in this way. The money should be broken down and the House should vote whatever money it considers necessary for the maintenance of our hospitals, schools, etc and each of these costs should be allocated to that area. For example, in the same way as the Public Works Department is charged by the Telephone Department for the service it provides it with, the

Telephone Department should be charged by the Public Works Department for the maintenance of the buildings occupied by them. Ideally, we would like all maintenance costs to be charged to each department, leaving only the cost of maintenance of buildings occupied by the Public Works, such as stores and offices, to be covered by this particular vote. We think that if one is to reflect accurately the financial position of each department, this is something that is required. We would have preferred that this should have been done in this year's Budget, but if in fact it cannot be done because it represents a major reform, we certainly expect next year's estimates to be presented in this way. Similarly, we have a situation in the Post Office where that department is charged by the Funded Services for water, electricity and telephones whilst Government departments are given free postal services. In the last House, the Minister for Postal Services announced increased rates of postage on the grounds that each section within the department had to pay for itself. To be able to know whether or not there would have been a deficit in that particular section if postal charges had not been increased, the Post Office would have needed to charge Government departments for postage and this should have been reflected in the accounts. We would like to see this reflected in the accounts in the future. In keeping with the Government announced policy of trying to get each section within the Post Office to pay for itself it would be preferable if instead of having a vote for the Post Office and Savings Bank, these two areas were divorced completely so that one could have a better picture of the costs and profits of each section. Under this Head, that is, the Post Office, there is a discrepancy which I would like the Minister to clarify if possible. If we look at the Auditor's Report, Mr Speaker, on page 95 of the Auditor's Report, Statement 19, there is expenditure for the year 1982/83 which is for services rendered by sundry departments in respect of salaries and pension liabilities of £29,250. Following that, there is one for rent, rates and maintenance of £350, lighting and heating £250, and passage and travelling expenses £150. All these total £30,000 and this figure appears as revenue to Government in the final figure for 1982/83 as reimbursements on page 13 of the estimates under Subhead 4. However, I can only suppose that this is the same amount of money that we are talking about, and I stand to be corrected by the Minister if it is not. But if this is the case, there was an expenditure in 1982/83 on the same page of the Auditor's Report of £3,357.39 of overtime payments which I assume forms part of the expenditure shown as personal emoluments in the final figure for 1982/83 shown in this year's estimates. If my analysis is correct, it means that overtime worked for the operation of the Savings Bank does not form part of the reimbursement to Government and therefore by being allocated to the cost of running the Postal Services, it incorrectly shows these services as having lost more than they actually did. I shall now deal, Mr Speaker, with the accounts of the Telephone Department where it is my view that the fact that the Financial Secretary announced in answer to a question from me, that equipment from the IDD was to be charged to the

Funded Account over a 15-year period, represents a hidden subsidy to the said account. The Funded Account for the Telephone Service operates in a different manner to the other Funded Accounts in that it does not receive a contribution from the Consolidated Fund every year in the same way as Electricity, Water and Housing. This is because the Government took a decision several years ago to make the Telephone Service self-financing and, since then the deficit has been carried forward from one year to the next. It must obviously follow from this that in any particular year the size of the deficit is determined by the amount that is charged to that account in order to recover the cost of the IDD equipment. I note from the Improvement and Development Fund and the Debt Servicing Costs in the Consolidated Fund part of the estimates that this equipment was installed on credit from the suppliers which bears interest on repayment phased over five years. This means that the general Budget bears the cost in five years and will presumably recover it over fifteen years when it will show up as revenue payments. However, this implies two things. Either extra charges in the ten years after the equipment has been paid to show the true cost of the equipment or, alternatively, hidden subsidies of which I was speaking about earlier. Additionally, in an area such as this where there are constant technological advances, it pre-supposes a fifteen-year life for the equipment which may prove in the future to have been unjustified. Should the Telephone Department be faced with the need to re-equip in the future it would then be faced with a serious financial problem in having to bring into its accounts the outstanding costs of what would then be obsolete equipment. I would welcome any clarification from the Minister on the points that I have made. If I can just briefly return to the Public Works Department, I think that this department which is in the estimates the largest single vote, has been in previous House of Assemblies the target of criticism at Budget time, precisely because it is shown as the biggest money spender. Firstly, there is little sense in having two Public Works votes, one dealing essentially with personal emoluments and the other with a whole range of services covering, on the one hand, what used to be the old side of the City Council and on the other hand, services to other Government Departments. In assessing the value for money and the utilisation of the Public Works vote, I have to return to the theme that I and other Members of the Opposition will develop on the allocation of costs to present a truer picture. In many respects it can be said that the PWD has a semi-contractual relationship with other Government Departments in that it is providing a service, not to the public, but to other Government Departments who in turn deal with the public. A move in the direction of making the presentation of the accounts more accurately reflect this relationship and would enable us to make better use of the resources of that department and also demonstrate where criticism of its performance is unjustified. In this respect we have the model of the relationship between the PSA and the MOD which has a similar client/supplier relationship. I hope that the ideas that I am putting forward on GSLP thinking will enable Government to bring about necessary changes in this area

the need for which has been recognised by Government itself in the move they made a few years ago in setting up a Committee of Inquiry, which in practice has changed nothing at all. Still on the Public Works vote, Mr Speaker, I think this side of the House would also like to see a better breakdown by departments within the Public Works Department vote because as I said before, when there is criticism levelled at the department, the department is so big that one cannot judge whether that criticism is justified because one cannot actually pinpoint in the estimates which are the real big spenders within the department and I would warn the Minister that in the cuts that he is expecting to implement in the department, that some of this could prove counter productive in that I have heard that some of these cuts involve materials and that if the materials is cut there are instances where, because the material is not available, workers have to do patch-up jobs and these patch-up jobs come back to the department and need to be repaired again and if the material is not there the job is not well done and the expenses incurred might be higher than what they might be if the right material is there to repair a given section of the department. Still on the Public Works vote, Mr Speaker, I have noticed that although the House is being asked to approve expenditure in the nature of personal emoluments for the MOT Vehicle Testing Centre and although the Minister said in the last House that the Centre would become operational at the beginning of April, there is no revenue whatsoever in the estimates in relation to this. I would have thought that if it is still intended that the Centre becomes operational this month, that the revenue from that area should have been approved as part of this Budget and not be brought to the House as separate legislation in the future. If the Government is estimating revenue in that field, then we should know about it and I would like the Minister to clarify whether this is the case. Mr Speaker, there is nothing in the Water Account to show that it is being charged with the cost of the equipment for the new distillers. I am not saying that the cost should be passed to the consumer but if we want to establish what the real cost of water is, this should be done. Another point I have noticed is that the personal emoluments for the water production shown in the special fund have gone down compared to the figure for 1982/83. If this is also reflected for industrial workers then it is hard to believe what the Minister for Public Works told me in answer to a question in the last meeting of the House and in fact repeated this morning, that one of the distillers will be operational in August and the other possibly, in November. I would therefore ask the Minister to clarify whether the cost of manning the new distillers is reflected in the estimates if it is in fact still intended that they should become operational this year. On the question of the measures announced yesterday in relation to water, as my Colleague, the Hon Leader of the Opposition said yesterday, this will produce more revenue in fact for the Government rather than less and cannot be considered as a decrease in water charged but rather an increase in most cases if consumption continues at its present rate. The Minister said this morning that two-thirds of consumers would be expected to benefit by the measure and at

the same time he said that even without taking into account the excess heat of the Power Station for the new distillers and having calculated the cost of the new distiller with fuel oil, the account reflects the lowest deficit budgetted for many years of £45,000. How can one explain that the accounts should reflect the lowest deficit for many years and at the same time be a measure that will help or that will in fact decrease the bill for two-thirds of the consumers unless the other third is going to bear not only a large amount of the increase but is going to very heavily subsidise the other two-thirds that according to the Minister are in fact, taking advantage of the measures. Perhaps the two-thirds are well known to the Minister because of all the people that we know on this side of the House, all these people are affected the other way, not the way the Minister says. I now come to the Electricity Undertaking where I am glad to see that no provision has been made for further payments to the Chairman of the Steering Committee. Although the Minister for Municipal Services in the last meeting of the House said that his work had not finalised and he was expected to return to sign the final agreement the details of which are now being dealt with departmentally, it is obvious that in making no provision for extra payments, the Hon Member opposite or whoever is responsible, has finally come to his sense and taken the advice offered by the GSIIP representative in the last House of Assembly and in fact by myself in the last meeting of the House, that agreement through the normal negotiating machinery could have been arrived at without the help of the appointed Chairman and possibly much sooner. It is for this reason that we on this side of the House will be voting against the extra provision being included in the estimates for the manning of the Waterport Station by Hawker Siddeley. I would, nevertheless, ask the Minister to inform the House whether the £110,000 provided for in this year's estimates for Hawker Siddeley are free of tax and, if so, whether the Minister has now taken account of the criticisms made by the Auditor about the payments and what is he going to do about the 1982/83, the 1983/84 and now the 1984/85 payments? I will remind the House that the Auditor says that there is no legal authority for the waiver of income tax. I would also ask the Minister what is the purpose of acquiring the new generator as shown in the provision of the Improvement and Development Fund and whether if the ODA does not authorise the purchase, it is intended to borrow money for this purpose. Another important omission, which perhaps partly explains the acquiring of the new generator, is the effect in the estimates in providing water, telephones and electricity to the Gibraltar Shiprepair Company on commencement of operations. It is logical to assume that since the owner of the company is the Gibraltar Government, that the services to the company will be supplied by the Government and not by the MOD. In services of this nature, Mr Speaker, the higher the level of utilisation of installed capacity the cheaper the unit cost. Therefore, I would have expected extra provision for revenue to have been made in these three Funded Accounts unless, of course, I am wrong in thinking that the Government will be providing these services.

I invite the Minister to clarify this matter. Mr Speaker, my Colleague, the Leader of the Opposition yesterday referred to the Coopers and Lybrand report on water and electricity in relation to the announced increases in these two areas. He in fact questioned whether the way in which the increases in electricity charges are intended to be effected had been recommended by the Report and also questioned the cost of the Report. In the last House of Assembly the Government committed itself to making this Report available to the previous Opposition and one would have expected to have seen the Report before the revenue raising measures were announced unless, of course, the Government has completely disregarded the Report and would now like to keep it secret as has been the case with so many other Reports some of which have cost the taxpayer a substantial amount of money. Again I invite the Minister to comment on this. Finally, Mr Speaker, if I may, I would like to comment, generally, on the Budget as a whole which, as my Colleague said yesterday, will have the effect of placing the burden on those who regularly pay their bills, will most probably result in an increase in the amount of unpaid bills next year because there are clearly certain sectors of the community to which the substantial increases in housing and services will represent a large chunk of their household budget. If, Mr Speaker, we were being told in this Budget that the announced revenue raising measures have specific targets to meet which next year or the following year will be producing extra wealth for the economy, then even such a harsh Budget as this one might have made sense in that context. But no, Mr Speaker, we are not being told that the Government has planned the economy in such a way that there is a guarantee that we will not be subjected to a similar balancing exercise next year, all the indications are that the opposite is true. This is not a Budget that will stimulate the private sector or create employment and none of the measures announced reflect the impetus on tourism or the Dockyard which the Government said were the two pillars of the economy for the future but this will be expanded on by others of my Colleagues. Nor is it a Budget, Mr Speaker, to change the trend of spending vis-a-vis Spain. On the contrary, if the household budget decreases through increases in charges etc, the most probable result is that those who now buy in Spain will find it even more necessary to buy there because it is cheaper and they have less money to spend. Unless the Government realises that it must plan long term and that it must explore avenues to attract wealth into the economy, then all we are in fact doing is reducing the amount of cash that is circulating in the economy and there is a limit to how far along this road we can go because there is a limit, Mr Speaker, on how much people can carry on paying.

HON M K FEATHERSTONE:

Mr Speaker, I noticed that the last Hon Member comments that this is a harsh Budget. I feel to be a little constrained like the Red Queen in Alice through the looking glass who would have said: "If this is harsh, I have seen harsh Budgets which make this one almost a soft Budget". I don't think that it is

really a harsh Budget. It is not a soft Budget, it is a Budget which regrettably but necessarily has to put up certain increases but as my Hon Colleague Mr Canepa said, we are asking for about £1m this year which is 2% of the expected expenditure or revenue and in 1979 we asked for £4m which was 10%. So if this is a harsh Budget, well, then I don't know what the one in 1979 was. Now, Sir, the Hon last speaker has made a number of points concerning the department for which I am responsible, the Public Works Department. I will try and talk about our plans for the Public Works Department for this coming year and at the same time try and answer to some extent to the best of my ability, the questions he has raised. This year, as far as the Public Works Department is concerned, is in consonance with the rest of the Budget, a holding year, a year in which the expenditure has been kept to the same figure allowing for inflation as last year. It does not intend to drop in services to any great extent. In some areas we have cut out certain measures, in other areas we have increased the amount of money available and I shall mention those specifically as I go along. But it is mainly a holding Budget, it is intended to keep the services up to the same standard as last year. The Hon Mr J C Perez mentioned the question of the Maintenance vote in which we put some £700,000 for the maintenance of offices and buildings, and he comments - "would it not be better if we were to say the Education Department is going to get £35,000 that should appear in their vote, the Port Department is going to get £20,000 that should appear in their vote, etc". Yes, Sir, this is quite a possibility but it would have one disadvantage. It would have the disadvantage of removing flexibility because throughout the year, although we have a planned scheme of what we would like to do in all the different departments, certain things do come up which necessitate money from this vote and it is often obtained by doing a little less in one area than was originally envisaged and doing a little more in the other. I will give a very simple example. I think it was two years ago we had a rather disastrous fire in the Deputy Governor's Office. Well, the result of that was that the Public Works Department had to go in and had to put the office back into decent order and that cost something around £10,000 to £15,000. If we had put a specific vote for the Deputy Governor's Office as such in the year's estimates, he would have had to have come to Council of Ministers for a supplementary to do that vote, it would have been time consuming, it would have meant a lot of complications financially, we were able to do it straightaway out of the general blanket office and buildings vote and all that was done was some other area had a little bit less work done. It might have some practical use although I cannot really see it, to departmentalise down to the last penny where every amount of this £700,000 is going to be spent, but I do think it would remove flexibility and I cannot see that it would be basically the best answer. Flexibility is also needed to a reasonable extent because when you get a request from a department to do a certain job, it is costed to the best of our ability but until you start actually doing the work, your costings cannot be accurately obtained. I will give you a simple example. If somebody says: "We have a tap in this place which is getting a bit scruffy, could you please change

it", and we go and we look at it, it would be costed for a very simple measure a \$25 job. But when you go there you find that the tap is not only so rusted in that when you take it off it breaks the whole of the pipe, you then need to renew a reasonable length of pipe, put the new tap on etc, and instead of costing you \$25 it costs you \$75. There you would have a \$50 overshoot which had not been allowed for in the estimates. Where are you going to find the money? Are you going to come to Council of Ministers? Are you going to come to this House for supplementaries for each and every time you get something costing more than you would expect? And that is why it is put under a blanket vote to allow a measure of flexibility - I am willing to give way in a moment, Sir - to allow a measure of flexibility although we do have in our original intentions a certain amount of money allocated to each and every department which we try to keep to within the limits specified.

HON J C PEREZ:

Mr Speaker, the idea precisely is to get rid of the flexibility so that if a political decision is taken by that side of the House to paint the hospital one year, that we are sure that the hospital is painted with the money that we have voted here and not that something different happens. If, as you say, the Deputy Governor is unfortunate in that his office is burnt down, then that can certainly be brought to this House as a supplementary expenditure in the same way as we have done in the last year with hundreds of other votes and water, electricity and everything else. But the idea is not to inhibit the department in their work as in the example that you gave but to actually inhibit the flexibility on how that money is spent because I think there is a political responsibility how that is spent and that should be decided in the House at Budget time.

HON M K FEATHERSTONE:

I cannot agree with the Hon Member, Sir, because then if you remove that flexibility from my department and give it to the House, the House is almost going to become the Director of Public Works or the Maintenance Engineer of the Public Works Department, they would be asked to decide on each and every item that has to be done. And, of course, although the programme that we set at the beginning of the year is set, priorities do come up in the year, we even get priorities from certain departments who have said: "You told me you were going to paint this wing of the hospital but I need that wing painted instead, will you please change it over, etc". I do not think that is the sort of detail which should really come to the House of Assembly. Sir, as I mentioned earlier, I would comment on the strategy of the department as I went along and the first strategy would appear under Head 19, in which we deal basically with the non-industrial side of the Public Works Department and there the main strategy is very similar to last year. The expenses have basically been the same, there is one small area but it can be an area in which

it will annoy certain people. We have cut out this year all furniture for residences and if some Government Officer feels that if he wants a piece of furniture changed this year, whereas in previous years he has been able to apply to the Public Works Department to get a new refrigerator or what have you, he is not going to be able to get it with such ease as he has in the past. Otherwise, basically, it is the same as last year. We are putting in for ten apprentices. I would make the comment, as I have done on previous years, that apprentices is a public service that we do but which causes us a certain amount of discomfort when the apprentice finishes his indentures because he automatically assumes that he has a job with the department as a craftsman. And this, if we do take on these apprentices as we have done in the past, without dismissing some other craftsmen and allowing for natural wastage has tended to make the number of craftsmen that we have grow greater and greater, especially compared with the number of labourers who service them and this means that we are getting an increasing imbalance of labourers to craftsmen. I would issue the warning that although Government sees it is part of its duty to help train youngsters and give them the benefit of an apprenticeship, it may one day in the future not automatically mean after the end of their indentures that they become a craftsman in the department as an automatic right, they may have to apply the same as anybody else. Sir, on the Public Works Annually Recurrent Section, the expenditure on housing on maintenance does include one specific item that I feel I ought to mention and that is the replacement of the balconies at Tankerville. These are balconies which have been in a very bad state for a considerable period of time, they are going to be replaced, they are going to be replaced with an enclosed balcony, and this will give a new lease of life to those buildings and will, I think, remove a lot of apprehension from the persons who are living in that area where they are seeing the balconies getting into a rather bad state of repair. This will be a specific contract job. It is something that the Public Works Department themselves cannot undertake and it will go out to contract. The areas where we have recued expenditure are areas where it is not an absolute essential to have the expenditure such as rock safety measures and coastal protection. We are taking a calculated risk. We know that the sea makes encroachments into our coastline every year, and we normally spend a certain measure of money in creating protection for it but we are reducing it this year by some £10,000. We will hope to bring it back next year to the full amount and we hope that we do not get too many easterly storms which create a great amount of difficulty for us. Another item where we are removing an amount of money is the subsidy to shipping and as I said this morning we are reducing the cost of water to shipping and therefore there is no need in these estimates for the subsidy to shipping. A third area where we are making a considerable reduction is by the provision of no car parks for this year. We have over the past years provided a reasonable number of car parks. Some of them are heavily used, some of them are not so heavily used and for one year, as we need to show economy in our Budget, we are cutting out car parks as such. One area where we are

increasing considerably the expenditure is the disposal of refuse. This, I think, was mentioned by the Hon Leader of the Opposition when he made his speech yesterday and we are putting in a full two-shift system at the refuse destructor which should be able to allow the section there to cope with all the refuse we are getting. I have heard it said that the quantity of refuse produced by any community is a measure of its wealth. Well, I must say that as far as I can see, Gibraltar is a very wealthy community because we do produce a very considerable amount of refuse. I cannot really understand how such gigantic quantities, especially of metal refuse, are actually produced by so small an area as Gibraltar but we seem to obtain old washing machines, old refrigerators, bedsteads, what have you, with alarming regularity and we have up to now had certain difficulties in getting rid of them. We hope with the new two-shift system on a full basis we will be able to clear that up completely. The Hon Mr J C Perez asked why don't we charge other departments for the work that we do for them. Well, once again, I think this would create a lot of administrative difficulties. Are we to charge the Education Department for the removal of their refuse? Are we to levy a specific rate on them? I do not think Government rates itself for its own buildings and its own offices.

HON J BOSSANO:

Government does rate itself for its own buildings, it is shown as a Head of Revenue.

HON M K FEATHERSTONE:

Yes, I think that is for the housing etc, but I do not think it is for the offices.

HON J BOSSANO:

No, apart from Government housing, Government buildings are rated. They pay a general rate. The thing is that the general rate is not shown, for example, by Head of Expenditure but there is a global sum of rates shown in the estimates.

HON M K FEATHERSTONE:

Well, then I stand corrected. If that is so, then it would be incorrect to charge these people for these services that we give them because they are paying it in their rates as such.

HON J BOSSANO:

Mr Speaker, if the Hon Member will give way. What we are talking about is something that the Minister, in fact, did several years ago in respect of housing, where the Housing vote was charged with Housing Maintenance and then the vote was moved back to Public Works. What we are talking about is

that if we are saying Public Works costs so much, that is, in fact, a misrepresentation of the facts because if it costs £X to maintain schools, that is part of the cost of providing education in Gibraltar, not part of the cost of providing a Public Works Department. That is what we are talking about.

HON M K FEATHERSTONE:

That, I think, is something that could be looked into but it is, again, as I say, perhaps a difficulty in the accountancy system. If you are going to split each and every building that the Government owns into its own little entity and have it as its own almost ledger page as such, I think you will find that you will probably have an army of clerks working out the accounts as such whereas under a global figure in the Public Works Department you do save that to a great extent. The question of the distillers, we are not charging the cost of the distillers to the Water Account. The cost of the distillers has been given to us by the ODA and it has not been considered the correct method to put their cost into the Water Account as such. The Water Account would charge interest on any loans or any capital expenses that they have paid for themselves but if we were to charge the cost, £7m-odd, of the distillers themselves on to the Water Fund, then I think you would find that water would go up very considerably indeed.

HON J C PEREZ:

I said that I was not talking about passing the cost on to the consumer. I was talking about doing this exercise to be able to find out exactly what water would cost us, not to pass the amount on to the consumer.

HON M K FEATHERSTONE:

We do know what water would cost thus allowing for the basic cost of the distillers and that is in the marginal cost of water that we have had calculated by Messrs Coopers and Lybrand. Regarding the Vehicle Testing Shed, as I said, I think, in the meeting in March, we are still recruiting staff for this and it will start work in due course. That is why it has not been put in at the moment as any specific item but I can tell the House that they will start testing lorries and public service vehicles as from April. The other question that was mentioned was the cost of distillation. The present cost of distillation with the very expensive distillers that we have at the moment, especially the VTR, which works at an efficiency of something like 40% to 45%, does give a marginal cost of water very considerably in excess of what we hope the marginal cost will be with the new distillers and that is why we have been able to budget this year as we hope for a reduction in the price of water based on new distillers working on a 90% to 95% efficiency factor. We have, of course, in the Public Works Department estimates put in an importation of water element but this is basically an importation of water

from local sources, Morocco, with only one tanker from the United Kingdom. But, as I said, should it be necessary to keep the water supply going as we have done always up to now to bring tankers from England, we may have to consider some type of surcharge to cover any such tanker. I think that is basically the rundown of the Public Works Annually Recurrent Expenditure that I would like to talk about at the moment but, of course, when the time comes I shall answer any questions that are required. To turn to the I&D Fund, the situation again this year is to do as much as we possibly can within our own resources because as my Colleague Mr Canepa has said, the ODA has cut very considerably the amounts of money that they were willing to allow to us for housing, for schools and for social amenities and as the Hon Mr Michael Feetham mentioned earlier, he talked about the Military Museum which was put in last year and has been taken out this year, it was put in last year because ODA when they did comment that they were willing to give us a certain measure of money, some £13m for the latest development schemes, they commented that this money should be spent on infrastructure and revenue producing measures and we considered that the infrastructure to tourism by a Military Museum which would have an entrance fee and would produce revenue was a good opportunity to submit to ODA to obtain funds to get it off the ground. However, ODA did not seem to be very receptive to the idea and since it appeared that they were not going to countenance the scheme and we did not have the money ourselves to do it, that is the reason why it has been removed this year. As far as we are doing this year, we have the on-going housing projects, the final stage, Stage III of Rosia Dale, which is due to finish some time in July or August this year. We have the schemes which were started very early in this actual calendar year at Castle Ramp and Tank Ramp and we have a new small scheme in which the voids which were used at the Boys' Comprehensive School will no longer be needed for the Education Department and we will turn them into small flats or bedsitters. Another scheme which we have had sitting in the wings for the last two years is the actual work on recladding the Tower Blocks and the first Tower Block, Constitution House, will be recladded starting about June this year. The education side of the I&D is basically to refurbish St Margaret's School as a Junior School or a Primary School so that St Mary's First School can move there and there will be the finishing off of the Bayside School which is due to finish within a couple of months. I also take the point of the Hon Mr Feetham about the £2m for urban improvements, this was as has already been said one more of the tourist infrastructure schemes that we did put to the ODA and which apparently has not fallen on receptive ears and therefore the only amount that we have available to finance ourselves for urban improvements is some £12,500 to put the fountain in the Piazza. We have not lost sight of the need for urban improvements as such and it is our intention to continue with the pedestrianisation scheme even though the spending of money on such a scheme will not be possible. The spending of money, of course, was to repave Main Street and to put in street furniture to make it look prettier, that is something that we shall have to wait and see if we have money next

year or the year after. It is a scheme that we had thought ODA would take up but unfortunately they did not seem to want to do so. On Miscellaneous Projects in the I&D Fund there are three projects that I think are worthy of mention. The first is, as the House will probably know, we had a rather disastrous fall of rock in the Quarry area at Catalan Bay and there are signs that further falls of rock are possible and we are going to build a bund wall actually made of some of the larger rocks that have actually fallen, to contain any further falls so that there is no danger of a rock rolling right through the Quarry area into the Catalan Bay housing area. I am sure the Catalan Bay residents will be happy to learn that this bund wall is going ahead. At the same time in that Quarry area we do have our asphalt plant. It was damaged in the actual rock fall and we are putting in a sum of money this year to move that plant from that rather dangerous area to a more safe area, safe not only for the plant itself but more important than that, safe for the workmen who have to work there. We have not been working the plant for the last three months as we feel it would not be reasonable to ask men to work in an area where such a rock fall is likely to occur at almost any time. Another feature that we have put in the Miscellaneous Projects is the building of a new furnace to burn wood, etc, at the refuse destructor site. This was something I promised the Hon Mr Joe Bossano would be looked at when he brought up the question of safety at that area in the House some time last year. The other measures in the I&D Fund are mainly measures of CDA responsibility such as salt water mains, pumping mains and the termination of the distiller contract. It is hoped that we will be able to get the Viaduct Causeway off the ground sometime this year. The cause for the delay has, as has been already stated, definitely not been in the hands of the Gibraltar Government, it is something which has been the subject of very considerable discussion between the MOD and another entity and it is hoped they will come to a final decision and that we can get going with this in due course. Sir, I have said in previous statements that the PWD is a service department, it is our job to give service to the community to the best of our ability. I think, in the main, we do this on 364 out of 365 days, perhaps, one day we do fall down. Unfortunately, it is that one day that seems to be the target of people who levy complaints against the Public Works service but if one considers carefully where in the world do you get a refuse collection service every day of the year, where in the world do you get a cleaning up service, such as we give, on a seven day a week basis? I think that basically the service that Public Works do give to the community is something worthy of comment and worthy of praise but we must not be complacent, we must try and give the best service that we possibly can, wages are not bad, we must exact from the men who gain these wages the maximum, consonant with reasonable conditions, that they can give us. I do hope, Sir, that the coming year will see Public Works once again giving good service to the community and I think I can give my pledge that as far as Government is concerned it will see that this is done.

HON J BOSSANO:

If the Hon Member will give way. Can I just ask him to confirm that in fact there is no cut in the numbers employed in Public Works in this year's estimates?

HON M K FEATHERSTONE:

There is no cut in the numbers employed, there may be a number of persons who leave by wastage who for some period of time may not be replaced.

HON DR R G VALARINO:

Mr Speaker, Sir, in their opening speeches both the Chief Minister and the Hon Financial and Development Secretary have covered in wide detail the Government's policy in the Finance Bill. Electricity tariffs were last increased in 1982 and were not affected in the last Budget. We did, however, and in fact I did so during the last Budget debate, announce that it would be necessary to review the tariff structure for electricity and that a study would be undertaken to this end by Coopers and Lybrand, who would be taking into account the effects of the construction of the new Power Station. The benefits of providing waste heat to the distillers will have a cost advantage to the Electricity Account Fund but, of course, at this stage this is not reflected in the estimates because the new distillers are not in operation. The reports were completed and the Government has adopted the policy which will be more consonant with developing Gibraltar's industrial and commercial potential. The effects of the consultant's recommendations on tariff levels and structure have already been announced.

HON J C PEREZ:

If the Hon Member will give way. Is this exactly what the consultants recommended and may I remind the Hon Member that I have asked him about the consultants report on the question of water and electricity.

HON DR R G VALARINO:

The question about the Coopers and Lybrand Study I have been informed that the Chief Minister will deal with it and will answer it in his intervention. Logically, if unfortunately, Mr Speaker, whilst Government is in the transition period of transferring generation completely to Waterport Power Station, the operating costs will be greater because the department has to operate two totally different Stations and this cannot be avoided. It is not economically possible to provide total generation in the new Station because of the very substantial capital costs involved in acquiring new engines. This will have to be done progressively over the years but it will be in the general interest to achieve this in the shortest possible

time and in keeping with the realities of our economic resources. Some of these extra costs can be absorbed by savings in fuel due to the higher efficiencies of the new plant. I would now like to explain briefly the reasons behind some minor differences in the draft estimates for the Electricity Department before the House this year which compares with the same estimates for the last financial year. The House and in particular my opposite number, will note that the presentation is the same as on the last few occasions but whereas previously it has only been possible to make token provisions for the operation of Waterport Power Station, we are now able to make a more realistic presentation of these costs - page 30 of the expenditure. The reason for this is quite simply that personal emoluments and wages have been based on the gradings and manning levels discussed and included in a draft document of agreement. Equally, experience of operation of both Power Stations over a full financial year has allowed a realistic assessment of the funds required to cover the costs of maintenance, spares and engine room consumable stores. A further point which needs special mention is, of course, the major single item of expenditure in the draft estimates for the Electricity Department, namely, fuel and lubricating oils for both Stations. As I recall, for several years now, we have lived in the expectation that the cost of heavy fuels would decrease due to expected surpluses of the oils following generally mild winters and the economic recession which inevitably depresses demand from both industry and shipping. The anticipated lowering of costs has not materialised for a number of reasons and whereas it serves us no purpose to analyse them, I would like to expand on one particular effect of this. In effect, our estimates have been based on the assumed lower fuel prices which never materialised and have proved to be unrealistic. Consequently, and in fact it has been mentioned before by the Chief Minister, it has been necessary year after year to seek supplementary provisions in this House for substantial sums of money to cover the shortfalls, which at times have been augmented by levels of generation which have been in excess of that estimated and by further increases in the cost of fuels. This year the House will note that Government is intent on presenting a realistic picture and is seeking provision for some £600,000 more than was approved last year and, in fact, you can see this from King's Bastion and Waterport, Subheads 4, 5, 8 and 9.

HON J C PEREZ:

Surely, if the Hon Member will bear with me, if what is happening is that the Waterport Power Station is increasing in capacity and the King's Bastion Station is reducing in capacity, why are we asked to approve more fuel for the King's Bastion Station than for the Waterport Power Station if the City Electrical Engineer in front of you only last week when I visited the Station told me that at night King's Bastion is shut?

HON DR R G VALARINO:

Mr Speaker, Sir, I think I can answer that one. I can briefly answer this question and I may be wrong but I will check on it when we get to the Committee Stage. The figures are different because of the costs of the fuel, because the fuel costs at Waterport are cheaper than the cost of the fuel at King's Bastion whereas we use far more light marine diesel at King's Bastion than at Waterport, therefore, the difference in cost is reflected in the estimates provided. But, as I said, this year Government is intent in presenting a more realistic figure and these are figures which were reduced but we have had to come later to the House to ask for supplementary provision and that does not make sense as far as I am concerned. I think we ought to cater here for what we intend to use this year and the full amount is in those four subheads.

HON J BOSSANO:

Will the Hon Member give way? Can he explain why it is that last year the fuel in Waterport was more expensive than in King's Bastion and this year the fuel in King's Bastion is more expensive than in Waterport?

MR. SPEAKER:

I think, perhaps, you can do that in Committee.

HON J BOSSANO:

Well, perhaps, if he knows we want to know he can get the information.

HON DR R G VALARINO:

Yes, Sir, I will deal with it in Committee, it is a minor point. In other areas we are limiting expenditure, wherever possible, consistent with maintaining the level of service. There are three points that the Hon Member touched on in his contribution. One was the Chairman of the Steering Committee, the second was the third engine at Waterport and, lastly, was the question of income tax. On the question of the Chairman of the Steering Committee, he can see from the estimates that we have never made any provision in our estimates to pay the Chairman of the Steering Committee, it would have been shown as an approved 1983/84 or a revised 1983/84 estimate. He has never been paid from our vote, in fact, he was never appointed by the department and any costs incurred were not paid from funds controlled by the Electricity Department, that is why nothing appears there at all.

HON J C PEREZ:

If the Hon Member will give way. The Auditor says that this cost should be included in the Electricity Accounts. Whether that is to be done or not, I don't know, I am asking the Minister, but in any case if it does not come under the Electricity Department it must come under some vote because the Government does pay the Chairman of the Steering Committee and a lot of money at that.

HON DR R G VALARINO:

Mr Speaker, Sir, if I remember rightly, what the Auditor said is that it should form part of the Electricity Fund Account and it should be reflected in the Electricity Fund Account which is a completely different thing.

MR SPEAKER:

What you are being told is that the expenditure has to appear somewhere because it has to be authorised by the House. You are being asked where does this appear?

HON DR R G VALARINO:

It appears under Secretariat and it does not appear in our vote, Sir. But what the Auditor feels is that it should be charged to the Fund Account and in fact the Accountant-General agrees with this and we are going to do it. Let me deal now with the new generator in the Improvement and Development estimates. The new generator or the acquisition of the new generator is in the hands of the ODA of which an official was here a short time ago. We are optimistically hoping that we will get the third generator from ODA and we may know probably within a month but no other consideration has been given at this time should this not prove to be the case.

HON J C PEREZ:

If the Hon Member will give way.

MR SPEAKER:

No, with respect, this is a debate on the general principles.

HON J C PEREZ:

With due respect, Mr Speaker, the problem is I am not getting answers to the points I have raised either from the Minister for Municipal Services or from the Minister for Public Works.

MR SPEAKER:

Order, that is a matter which we all suffer from and I accept that but this is a debate. You will have occasion, most certainly, at the Committee Stage to be able to elicit information.

HON CHIEF MINISTER:

I was going to say, Mr Speaker, that in the statement of the Hon J C Perez there were quite a number of suggestions and ideas that could not be even answered in Committee Stage, I think we shall have to wait until we get Hansard because he makes proposals about changing the pattern of accounts and so on and that can hardly be the subject of a discussion in the House on matters of presentation. I think the Minister for Public Works has already explained about the bulk vote but he has made quite a number of suggested changes, I will put it that way, on which I don't think he will be able to get an answer in Committee now because he has read out a statement with quite a number of suggestions which will have to be looked at and answers given, of course.

HON J C PEREZ:

If I may, Mr Speaker, just to clarify a point to the Chief Minister. I do not expect to get an answer on the question of the presentation of accounts. I said that we would hope to see this reflected in next year's estimates. What I would like to get answers to is, for example, the MOT Testing Centre which Mr Featherstone did not answer and all these issues raised in my speech which I was asking the Ministers to answer, if they do not answer, fair enough.

MR SPEAKER:

With respect, I think due to the exigencies of debate you may not perhaps be getting at this stage the replies to the questions that you have put but I think that you will have an opportunity when we get to the Committee Stage to insist and to request an answer.

HON DR R G VALARINO:

Thank you, Mr Speaker. In fact, I do feel I have answered the question about the new generator and that we are hoping that ODA will be forthcoming in this respect. As far as the income tax problem is concerned, this is still under consideration and I do not have any further information to give to the Hon Member at this stage. Maybe the Financial and Development Secretary may do so if he does have it. Sir, in conclusion, let me state, as I did in my contribution to the Finance Bill last year, that it is Government's intention to transfer all generation to Waterport in long term and as early as economically viable. Now, Sir, I would like to deal

with the Telephone Department. The financial year 1983/84 saw the consolidation of the staffing restructure which took place on the 1st January, 1983, following the introduction of IDD in October, 1982. On the technical side, the Department now consists of External Plant, Exchange and Special Services Section each under its respective Head of Section. The administrative side is composed of the General Office and the Accounts Section which both come under the responsibility of an HEO who is assisted by an EO. The responsibility of the Accounts Section was taken over from the Accountant-General and now forms an integral part of the Telephone Department. The Operating Section was also restructured and now consists of three Telephone Supervisors and ten Telephone Trunk Operators. The arrangement is working well and any queries can now be handled on the spot. The External Plant consisting of the Lines and Cable Sections performed well throughout the year. The Lines Section which employs forty-six industrials, was responsible for the connection of 445 new telephones during the last financial year. They performed 560 advice note works and completed 789 wirings thereby taking advantage of new cable plant. Other miscellaneous work was also carried out. This Section is also responsible for the maintenance of the line plant and subscriber apparatus. The Cable Section was responsible for the laying and installation of new cables, distribution boxes and cabinets in various locations throughout Gibraltar. A large re-distribution project was completed at the Moorish Castle Estate. The average fault rate for the year was 1.25% compared with 2% the previous year, showing a substantial improvement in the number of faults. The number of faults during the month of March stood at between 32 and 40, representing roughly 0.4% of the total plant and, in fact, I did say last year and I was referring to a graph that went up as high as 1,000 faults. These came down to about 150 at the beginning of 1982 and at present in March of this year the total number of faults including cable faults and line faults are below 100 and in fact we have reduced that even further. This has been due to the extensive work carried out in replacing old cables by new cables and other new materials used in this connection. The Special Services was responsible for the connection of International Call Accounting Equipment for one of our top hotels involving the recording of call data in all rooms and also connected Stored Programme Control PABX's and Electronic PMBX's to various large concerns, together with the introduction of the latest Call Digital Switching System for a local bank followed by another two large installations. The Section connected 53 Portable payphones and 32 renter type payphones including 2 public call boxes and one at the frontier and one at Casemates Square. From this short account it is obvious that all augurs well for the Telephone Department, that development is taking place in every sphere of its work and that the future of telecommunications can be faced with confidence. There was one question from the Hon Mr Perez about the payment of the crossbar. If I do remember correctly and in fact the Financial Secretary may in his speech correct me if I am wrong or add to it, if I remember correctly the extension to the crossbar equipment was bought under ECGD terms over a period of eight years but the cost itself was amortised over

fifteen years. Fifteen years is the minimum life of a plant, in fact, it is recognised that plant of this nature will last well over fifteen years and in fact, if I may say so, the previous crossbar equipment that we had at the Telephone Department was installed in 1973 and that was eleven years ago and it is still working as well as it did at the beginning. I feel that I have answered that question from the Hon Member.

HON J C PEREZ:

That was not the question but I am prepared to raise it at Committee Stage as well if the Hon Member prefers, Mr Speaker.

HON DR R G VALARINO:

This is a financial matter and I am sure the Hon Financial Secretary can probably help you more if you yourself are in a quandary about shillings and pence. As in previous years the City Fire Brigade - I think that the Hon Member has said nothing about the City Fire Brigade -

HON CHIEF MINISTER:

He is not the spokesman.

HON DR R G VALARINO:

Well, he may not be the spokesman but he is wearing a tie of the City Fire Brigade - the Brigade have continued an excellent service.

HON J C PEREZ:

If the Hon Member will give way.

HON DR R G VALARINO:

I will not give way, Sir. During 1983, the Brigade attended 769 emergency calls as well as carrying out over 1,700 inspections and visits of a fire prevention nature. The service is proud that it can provide the expertise and the professionalism required to meet a very wide variety of demands. This is possible because they are a dedicated group of men who are themselves motivated and encourage others to attain a genuine dedication towards the future of the service. This is mainly achieved through training which is meaningfully devised and cost effective. The Fire Brigade always look forward and tackles all challenges with enthusiasm and determination. Their responsibility will increase as developments within Gibraltar take place. It is these changes that create the incentives for them to work hard whilst enjoying adequate working conditions terminating in personal job satisfaction and excellent performances all for the benefit of Gibraltar and its people. Thank you, Sir.

MR SPEAKER:

We will now recess for tea.

The House recessed at 5.25 pm.

The House resumed at 6.00 pm.

HON MISS M I MONTEGRIFFO:

Mr Speaker, looking at the Medical and Health Services there is a nominal increase of £2m as compared to the amount put in last year's Budget but, of course, that amount proved to be inadequate and this has been the experience of many years in the House of Assembly that amounts provided in the votes, not just in the Medical Department but in many other departments, have been completely unrealistic and have had to be increased by supplementary estimates in the course of the year. So we feel, Mr Speaker, that in looking at the provision that the Government is making for the next twelve months, a more accurate way to judge that provision is by comparing it, not with the amount that was put in last year's Budget, but with the amount that has actually been spent during the course of the year, as shown by the latest available figures, which is the revised estimate of expenditure. If we do such a comparison then, instead of the Government providing £2m more, what we have is a situation where the Government is providing £128,000 less. The amount of money being provided is, in fact, being cut back more than this figure suggests because the total for this year includes higher electricity, water, wages and salaries, which are costs which do not indicate more resources being devoted to the Medical Services. The argument, no doubt, that the Government will produce is that the Medical Department is getting as much as the Government can provide in a very difficult economic climate and therefore it is a matter of judgement and a matter of policy, how much one thinks should be devoted to Medical Services as opposed to being devoted to something else. Mr Speaker, it is the way the Government distributes its expenditure in other areas that is particularly responsible for the limits that have to be imposed in essential areas such as in the Medical and Health Services. But one thing, Mr Speaker, that the Opposition is clear about is, that unless we move to more realistic accounting systems which allocate costs accurately, we are not going to be able to determine whether the proportion of the resources being devoted to a particular service like in this case the Medical and Health Services, compares well or badly with what is normal in other communities in Western Europe, and in this context and against the background of the policies explained by the previous GSLP speaker and the commitment in the manifesto of the GSLP in the recent election campaign, we want the Government to move in this direction and one clear area where the move is required is in showing the amount of money devoted to the maintenance of the buildings used by the Medical Department. Mr Speaker, I assume that at present the vote of £700,000 under

the Public Works for the maintenance of Government buildings, includes any money spent on maintenance within the Medical Services. But of course, Mr Speaker, it is important to tell how much of that £700,000 is used for the purpose of maintaining the buildings in the Medical Department and how much is used for maintaining other buildings. Mr Speaker, we feel that the Government should be answerable to the House of Assembly for their priorities within this £700,000 vote and that therefore the Opposition would have an opportunity to question why, for example, more money was being spent on maintenance in, say, the Chief Minister's Office than in the Operating Theatre. But, Mr Speaker, I am not saying that this is happening, what I am giving you, if you like, is an exaggerated example to illustrate the point. Another example, but this time one which is happening, is the works presently being carried out in the Hospital to provide a senior consultant with a new office. I presume, Mr Speaker, that expenditure for this is included again in the £700,000 vote for maintenance under the Public Works Head as it is not shown under the Medical one. Mr Speaker, we would want the Government to give effect to these proposals within the current financial year. It would have been preferable if it could have been done for the provisions of the approved estimates of expenditure but it may not be possible to do this if, in fact, the House is voting the money under the Head of the Public Works and not under the Head of the Medical Services but, Mr Speaker, I would still ask the Minister responsible to keep me informed of how much money is being devoted to maintenance within his Department from that overall sum and I hope that he will agree with me that if it cannot be done sooner, then certainly for the next Estimates of Expenditure the change should be introduced. One way it could be done, Mr Speaker, would be to reduce the vote in the Public Works and increase the vote under minor works, for example, which is Subhead 22 - Medical Services, and for which at present there is a sum of £2,000 and that can be a move straightaway in the direction that I am proposing. Mr Speaker, when we come to Committee Stage I will be asking for some clarification on certain items of expenditure where the reasoning behind the item is not apparent. Turning now to my other responsibilities, Sport and Culture, I notice that in Recreation and Sport there is a reduction of £3,000 in contributions to sporting societies, that is, from £13,000 in the last Budget to £10,000 in the new one. Mr Speaker, I see this as a very mean economic measure where we are talking about £3,000 against the background of a Budget of £52½m. There has also been a cut with regard to financial assistance to Youth and Cultural Activities, here the cut is £7,000. The Government admits but they must remember that we must try to encourage people to stay in Gibraltar rather than spend their money across the border and by improving the facilities for recreation, sports and culture in Gibraltar, not only do we improve the product for visiting tourists but for our own residents giving them less of an incentive to look outside Gibraltar for leisure activities. We believe, Mr Speaker, that more money spent in these two areas would have been money well spent. Mr Speaker, to a question I put in the last meeting of the House of Assembly to

the Minister for Sport on the GASA swimming pool, he replied that whether work on its structure is to be commenced in the 1984/85 financial year will depend on the presentation of the annual estimates. Well, Mr Speaker, I have looked at the estimates and I cannot find provision for this and I would therefore like the Minister, later on in his contribution, to confirm whether or not I am correct in my assumption. Finally, Mr Speaker, I hope that the Government will take positive action on something which they gave tremendous importance to during their election campaign and which, incidentally, was mentioned in their manifesto, and that is the question of restoring Gibraltar's historical assets and for which, so far, very little is reflected in this year's estimates. Moreover, Mr Speaker, any delay on their part is inconsistent with the impetus they now wish to give to tourism.

HON G MASCARENHAS:

Mr Speaker, the Hon Member, Mr Perez, spokesman for Government Services, touched several points on the Postal Services, very good points which I am entirely in agreement with. Of course, the situation is a bit more complicated than that. The question of electricity bills, water accounts, income tax, of course, we do not charge the other departments for delivering these. Perhaps it might be a good idea to do so but what he must remember is that I have inherited the system and whilst I might not agree with it I quite understand that at the end of the day it might be a pointless exercise to do that. When I did say that I do not consider that the main Post Office should lose money, it was within the context of the present expenditure and not taking into account whether the electricity bills, the water bills or the income tax returns should have to be charged. I noticed that there was a discrepancy of about £55,000 - to be exact £54,500 - in this coming year, 1984/85, in the main Post Office and the 17p increase to 20p would, hopefully, cover that in the coming year. I do not agree with the question of the Philatelic Bureau being merged into the whole structure of the Post Office because

HON J C PEREZ:

If the Hon Member will give way. We have not suggested that at all. I was talking about separating the Savings Bank from the Post Office vote so that each of the two would be separate and one could reflect the profits and the costs of the Savings Bank separately from the Postal one.

HON G MASCARENHAS:

They do, it is quite clear.

HON J C PEREZ:

Not in the estimates.

HON G MASCARENHAS:

Yes, it is. If you care to look at them I will tell you which page.

MR SPEAKER:

We must not talk across the floor of the House.

HON G MASCARENHAS:

The main Post Office produces a revenue of £478,000 whereas the loss this year would have been £54,500 whereas if we include the Philatelic the profit would have been £89,000 overall. I think that it is better to keep the Philatelic as a unit on its own and present it in the estimates separately because it is separate and the profit shown there which is quite substantial, it is, I can assure you

MR SPEAKER:

You will speak to me and not to any individual Member.

HON G MASCARENHAS:

I am sorry, Mr Speaker. It is quite substantial, the profit of the Philatelic Bureau, which if merged into the main Post Office Accounts might create a situation where you have a highly motivated staff producing a lot of revenue for the Government and I would not consider appropriate to do that in the future, I think they should be kept separate in the estimates. Mr Speaker, many of my Hon Friends who have already spoken have mentioned the question of expenditure and cuts in expenditure and the Post Office has also suffered cuts. The way we are going to tackle these cuts, hopefully, will not affect any of the existing services. I am glad to report that the Director has managed to work out arrangements to the satisfaction of the men in order that the existing services are maintained. The question of sport, Mr Speaker. The reduction in the cultural contributions to the Associations, we had to make some cuts again in this department. At one stage it looked as if we had to cut opening hours or close on Sundays. As it was, we managed to salvage these without affecting any of the existing services at the Stadium but cuts have to be made elsewhere and it is my considered opinion that most of the £13,000 made to Associations is a waste of money, I would have cut it even further. The £3,000 that we have cut is not very meaningful from within £13,000 and I am reviewing the policy when the applications from the Associations come in, which will be very soon, to see how we can distribute the £10,000 now available. I consider it to be a waste of money and my new policy will take into account who should receive that money, on what merits and whether the same procedure as has hitherto been carried out will be continued. The £7,000 on

culture that you mentioned is not under my vote so I will let the Minister for Education answer that for you. The question of the GASA swimming pool, you will not find anything in the estimates, of course, because the Public Works Department will be taking it out of their vote and I can tell you that we have earmarked £5,000 this year.

HON MISS M I MONTEGRIFFO:

If the Hon Member will give way. Could you tell me what they intend to do with the figure of £5,000?

HON G MASCARENHAS:

Well, I am certainly not going to keep them, Mr Speaker.

MR SPEAKER:

What you are being asked is what particular works within the construction of the pool are going to be carried out.

HON G MASCARENHAS:

I can tell the Hon Member that the Minister for Public Works and myself went to GASA swimming pool last Thursday to see what the progress was. We were quite satisfied with the progress in the question of reclaiming of the land. We have got to the stage where we have to legalise all the arrangements going on down there because on the one side you have Calpe Rowing Club who are complaining that we are eating away into the entrance to their slipway and on the other hand GASA are claiming that the slipway is theirs and they ceded it many years ago to the Calpe Rowing Club, so we have a situation where we have to legalise the whole matter and the Minister for Public Works considered that we should meet with GASA and the Calpe Rowing Club and we had that meeting last week and I think we have solved the matter satisfactorily up to now. What actually we are going to do with the £5,000 I cannot tell you. What I can certainly tell you is that apart from the money being made available to GASA it is also receiving a lot of assistance from the Public Works on the question of materials and the use of machinery and facilities generally, which you cannot quantify and I know that for a fact, and I am sure that GASA - I cannot speak for them - but I am sure they can tell you that they are grateful for that. I cannot, however, tell you exactly what is going to be done this year with the £5,000.

HON MISS M I MONTEGRIFFO:

Mr Speaker, will the Hon Member give way? Can I give him notice that in the Committee Stage I would like to be informed what is going to happen to those £5,000?

HON G MASCARENHAS:

I do not think anybody knows, Mr Speaker, that is what I have been trying to explain at the moment, we do not know what the next step will be. We are trying to legalise the situation at the moment.

HON R MOR:

Mr Speaker, I am very much in the same state of perplexity as my Hon Friend the leader of the Opposition as regards the Government's economic policy. But, Mr Speaker, after having heard what the Hon Minister for Economic Development had to say, I am glad that he also shares our perplexity. Mr Speaker, if I may comment, generally, on the Government's policy, to my mind I would say that the correct way of doing things would be to study any particular policy first and then decide whether to follow it or not but it seems the Government has an inclination to do exactly the opposite. For example, they first tell us that one of the pillars of our economy will be tourism and now, six months later, they decide to study the tourist industry. Mr Speaker, I have never studied Latin but I know that "quo vadis" means "Where art thou going?" and I think at this point in time it would be most appropriate to ask Government this: "Where art thou going? Quo vadis?" I would suggest, Mr Speaker, that if they wish to reply in Latin that they first find out what the Latin word for "disaster" is because I am quite sure that that is where we are heading for. Mr Speaker, I have been familiarising myself with the Department of Education and I have no doubt whatsoever that education in Gibraltar is of a high standard and this is reflected by the examination results obtained by our schools. In fact, when I asked how we compared with education in the United Kingdom, I was assured that if a list were to be drawn up in order of merit, that we would rank quite highly on this list and probably only after places such as Oxford and Cambridge which, as we all know, are world renowned for their education system. In this respect, Mr Speaker, in line with the policy of this Opposition, we are quite prepared to give credit where credit is due and I would congratulate the Hon and Learned Brian Perez and the Director of Education and all under him, for having such an efficient department. However, Mr Speaker, as the jewellers said recently "All that glitters is not gold", and if we look at the estimates as regards the Education Department you will soon see what I mean. Mr Speaker, I submit to this House that the proposed estimates for 1984/85 with regard to the Education Department are not what these appear to be and that the efficiency and standard of our education system is being put at risk because of the irresponsible manner in which these estimates have been prepared. Mr Speaker, I am not simply saying this for the sake of saying it, I have analysed the expenditure and I have prepared a comparability exercise with last year and the year before and with your permission, Mr Speaker, I have arranged for copies of this exercise to be distributed to all Members so that they may be able to follow exactly what is being said. In the meantime, Mr Speaker, if we

look at the Estimates of Expenditure for Education on pages 27 and 28 of the Draft Estimates, you will find that these can be classified under two different headings, namely, related expenditure and direct expenditure. By related expenditure, Mr Speaker, I mean that expenditure which is related to education services but which does not have an influence or effect on the performance of our schools or of the Education Department in general. These expenditures, Mr Speaker, can be identified as scholarships, financial assistance to youth and cultural activities, education of children outside Government schools and rent of accommodation for teachers. I have also added to this list personal emoluments because as Government is committed to parity, then I cannot consider that increases in personal emoluments is a matter for debate since Government will just have to pay whatever is agreed in the United Kingdom. In any case, Mr Speaker, it is also questionable whether this item necessarily has to be charged directly to education since it could equally come under a central vote covering all personal emoluments. So we are now left, Mr Speaker, with what I consider to be all direct expenditure, which is the other heading I mentioned. This heading covers books and equipment, examination expenses, school furniture, educational field trips and all other items which are important to the running of the schools and the Education Department and which if reduced, could bring about an erosion of the standard and efficiency generally. So, Mr Speaker, if we look at the comparability exercise - I have three different headings which correspond to 1982/83, 1983/84, and 1984/85 with their corresponding total expenditure. From this total, Mr Speaker, I have extracted the related expenditure which, as I mentioned before, scholarships, financial assistance to youth and cultural activities, etc, so that the end product, Mr Speaker, is the direct expenditure on education and if you notice the direct expenditure on education you will see that the balances are declining, there is a decrease in expenditure, there is a definite decrease on direct expenditure on education. The two bottom lines, Mr Speaker, show the balance in pounds and what percentage this represents on the previous years. Of course, to this you would have to add inflation as well, which I am quite sure that the Financial and Development Secretary will agree with me, is running at about 6%. So if we look at the bottom line, Mr Speaker, you can see that the projected expenditure for 1984/85 will eventually be about a 10% decrease in expenditure. Also, Mr Speaker, if we look at the Estimates of Expenditure

MR SPEAKER:

You are adding the 6% to the 3.9%.

HON R MOR:

Which gives you 9.9%. Mr Speaker, as is clearly demonstrated in the comparability exercise, whereas there is a clear attempt to paint a rosy picture by showing global yearly increases, that is, just over £4m in 1982/83; over £4.3m in 1983/84; and

nearly £4.5m in 1984/85, the fact is, Mr Speaker, that if we look at what is really being spent directly on education, we find that we are actually spending less and less money every year. This means, Mr Speaker, that if we spend less money on books and equipment, if we spend less money on educational field trips, if teachers cannot have the proper tools and equipment to perform their work effectively, then, Mr Speaker, I submit that our children will suffer, our education system will lose its credibility and we will lose the high standard we have achieved throughout the years. Mr Speaker, this is totally unacceptable to this Opposition and I am quite sure it is also totally unacceptable to the rest of the people in Gibraltar. Mr Speaker, I have two more points to raise on education. Firstly, I would like to refer to the College of Further Education. The Government has indicated, Mr Speaker, that once agreement is reached as regards the handing over of the Dockyard and Technical College, that they will be coming back to this House to ask for money. Mr Speaker, this would seem immediately contrary to what we were told in this House earlier on. In any case, Mr Speaker, I think we need to draw attention to the fact that now is the time to make provision for the expenditure and not at any other time because otherwise how are we going to raise whatever money is needed? Are we going to raise rents, rates, electricity, water and everything else yet again when the Government decides to take over the College? Or perhaps are we going to introduce an entrance fee for our schoolchildren when they go to school and a parking fee for their bicycles? No, Mr Speaker, if the Government is negotiating a price for the College then now is the time to make provision for this and details of the estimated cost should have already been made available to this House. The second point I wish to raise, Mr Speaker, is as regards the awards of scholarships. This Opposition feels that the awards of scholarships locally should be comparable to local authorities in the United Kingdom and consequently we consider the pointage system should be amended accordingly. In this way, Mr Speaker, at a time when there is a surplus of manpower and at a time when there is fierce competition for jobs, we feel more opportunities should be given to our students to become as highly qualified as possible and that the opportunity to achieve this should not be any less than what it is in the United Kingdom. We therefore feel that more money should be made available in this respect. Mr Speaker, if I may now move on to briefly comment on Social Services. First of all, this Opposition welcomes the move from Government to grant credits to unemployed persons over the age of 60 as regards social insurance contributions and that we will be hearing a statement at the next meeting of the House. However, Mr Speaker, this issue now dates back to December last year when the Government agreed to implement this following a motion which was moved by my Hon Friend the Leader of the Opposition. I therefore feel, Mr Speaker, that whenever the Government decides to implement this, that credits for social insurance contributions should be back-dated to at least the 1st January, 1984. During our election campaign we committed ourselves to bringing down the Elderly Persons Pension from 65 to 60 and I

understand that the governing party also did say during their election campaign that they would also do this but that it was a long term policy for them. Mr Speaker, I think we all understand what the problem is in this area. In most cases you find that a person could be retired at 60 and, if lucky, he could have an employer's pension which at the most could be half of what he was earning before retirement. This means, Mr Speaker, that he would then have to survive during the following five years under tremendous financial pressures and considerable hardship before he receives his Elderly Persons Pension. Since it is Government's policy now to retire everyone at the age of 60 in order to curb unemployment, I would submit that it is intolerable that the Government should not bring down the Elderly Persons Pension to 60 as a matter of urgency. I will be very interested to hear why the Government has not taken any steps in this direction. Lastly, Mr Speaker, those unemployed persons who are in receipt of supplementary benefits are being paid less than what is being paid in similar cases in the United Kingdom. You therefore have the situation here in Gibraltar that Government employees who deal with these persons are deriving the benefits of parity whereas an unemployed person is in an inferior condition. This Opposition, Mr Speaker, considers this is immoral and totally unacceptable.

HON J B PEREZ:

I would like to begin my contribution to the general debate by first of all congratulating the Hon Mari Montegriffo on her maiden speech in the House. I think she has given it a lot of thought and I think there are quite a number of points which will be of benefit to me in my capacity as Minister for Health and I would like to thank her for bringing these points to my attention. Although I must say that I have to take her up on a number of matters which she has in fact raised, I think most of them will be by way of clarification. The first point she made, I think, was that the estimates in her opinion appeared to be in the past, that is, looking at the estimates for 1984/85 comparing them with the revised and the actual approved estimates for 1983/84, she said they appeared to be unrealistic. Let me assure the Hon Member and the House, Mr Speaker, that in fact many, many hours are spent by members of the Medical Department in preparing estimates for the next financial year but the Medical Department is one in which it is very, very difficult to actually estimate the exact amount of money one is going to require for the year in particular areas which are really the ones that have forced me to come to the House in the last year for supplementaries and the first one, of course, is the Group Practice Medical Scheme. We can only go more or less on previous years' estimates but we cannot really say how many prescriptions doctors are going to give throughout the year, what the cost of drugs is going to be, what the number of items prescribed are going to be and in fact in the medical field there are new drugs coming into the market virtually every single day. Most of these drugs are sometimes very expensive, Mr Speaker, and it is something that the administration side of the department really cannot control because that

is left to the discretion of the doctors at the Health Centre or the doctors at St Bernard's or at KGV to prescribe what they think is the best treatment to give to a particular patient. It is in fact a very difficult exercise that one has to carry out. Not only that, not only are we talking about the question of prices of drugs but also it is very difficult to estimate the number of Gibraltarians who are going to make use of the Centre as well. We can only make a guesstimate of what is going to happen, so it is very difficult on that side for the Medical Department to plan ahead for the year. The other question also as far as estimates are concerned is a question of sponsored patients. How can the Department estimate the number of people we will have to sponsor throughout the year? Again it is very difficult so what we have done this year and in previous years is that we have put in a token provision for sponsored patients under Subhead 23 - Specialised Treatment of Patients outside Government Hospitals - estimate 1984/85 is £15,000. That is only a token provision because if you look at your revised for last year that was £50,000 but I am pretty certain that there are still a number of bills that we still have not received from last year from the sponsored patients that we sent to the United Kingdom and in time I will have to come for supplementaries for that amount because we still have not got the bills from the NHS so therefore we cannot quantify. It is very difficult to estimate and I think I have highlighted some of the areas. Therefore I think it is not a valid comment to say that the Medical Department's estimates are unrealistic for the reasons that I am giving. The next point she made was that this year we appear to be spending less than last year. That is not so. I think Members on this side of the House will confirm that possibly the Medical Department is the one that has come out better than any other Government Department in this year's estimates. For example, we had increases in staff, a substantial increase in staff from 420 to 432 in senior nursing staff and I will come back to the other increases later on. Medical equipment; we are going to spend this year £62,000 last year we only spent £40,000. So we have a substantial increase in staff and a substantial increase in expenditure on medical equipment. We are keeping more or less the same amount of money for visiting consultants which again is difficult to estimate because we do not know how often we will need them to come over to Gibraltar. The standard is being kept but I am going to explain why I think the estimates have misled the Hon Member and the reason is very simple, by looking at the revised figures. If you take, first of all, the personal emoluments, page 52. The estimated expenditure for this year is £3.3m and don't forget that this year we have an increase in staff of twelve people. But then you say: "Look at the revised, you spent £3.4m last year so you are showing you are going to spend less". But the answer to that is very simple - I must confess I had problems as well when I saw the estimates but it was clarified by Mr Yeats - the answer is that when we paid retrospection as of last year, the retrospection was for more than one year and the amount of money that was paid by way of back money, the increase in wages, went into my revised so that is why you find that £3.4m last year now becomes £3.3m but

nevertheless that £3.3m is much higher, more people employed and more wages and you can see that by looking at the establishment of the Medical Department with an extra twelve bodies. We have more resources and we are putting more money into medical equipment, we are keeping the same amount of money for visiting consultants, the sponsorship scheme we have just put in a token vote, there is no restriction at all, and later on I will come to deal with the criteria and the policy behind the question of sponsored patients. On the contrary, Mr Speaker, if anything, now that I think I have explained, the estimates of the Medical Department clearly show the high priority that this Government gives to this department and it is something that not only are we maintaining the same level but in fact we are increasing and we are improving all the time and I am sure that this is the policy that will be carried out throughout the term of office of this Government as it has done in the past. The other question that was raised by the Hon Mari Montegriffo was where is the money for the new office of the senior consultant? Let me explain how the new office came about, first of all. We are talking about the office for Dr Maskill. His predecessor was, as you probably know, Dr Giralddi. Dr Giralddi had an office in the Hospital and when he left that office we got some money given by Barclays Bank and his office was converted into a library and common room for all the consultants. The money was in fact from last year, it is not shown in this year's estimates because we voted the money last year to convert a room for an office for Dr Giralddi's successor because in fact Dr Maskill has been working at the Hospital without an office and the money came from last year that is why it is not shown here. The final point that the Hon Member queried was the question of maintenance. Let me say that as far as my experience goes as Minister for Medical and Health for five years, I have really no complaints about the service that I get from the Public Works Department as far as maintenance is concerned. Admittedly, I do not get the work done as quickly as I would like it to be done but nevertheless as far as this particular department is concerned, I congratulate the Public Works Department, I think they do the work. For example, this year we have just painted the Napier, Godley and Lady Begg Wards, the kitchen and the operating theatre, that has only been done recently but, as I say, we have a painting programme and, unfortunately, due to the fact that Public Works may have to do other works which are of a more urgent nature, the Medical Department has to wait but I think in all we get extremely good service from the Public Works Department as far as maintenance is concerned. I was asked what figure have we put in this year's estimates. I can give you the exact amount at Committee Stage but I think it is in the region of £60,000 to £70,000 that has been allocated to the Medical Department in the Public Works vote but I will give the exact figure in Committee Stage. The procedure for that is very simple, what we do is we get all the senior nursing staff of each particular ward to put in bids of what is needed, the Hospital Administrator and the Director will go round, obviously, they know what is needed, the Matron goes round and then we look at the list, it is given to Public Works to cost and then at the end when they cost the bids made by all

Government Departments and they may be cut down, then they will distribute the money accordingly. I am quite happy with the service that I get from Public Works Department, in fact, I cannot say anything else otherwise I won't get the repairs done but, seriously, I think the Medical Department cannot grumble with Public Works on that. I think, Mr Speaker, I have covered most of the points that were raised. I wish to highlight a number of points.

MR SPEAKER:

Could I ask out of curiosity because I have just noticed it and I am rather foxed and I hate to be foxed. How does the department lose public funds? There is an item under Other Charges headed - Losses of Public Funds.

HON J B PEREZ:

I will tell you what happened in the Medical Department. That was revised estimate for 1983/84, £50. When any person goes to the Hospital and makes an appointment to go privately to see a consultant I think they have to pay £2 and that is in fact collected by Records and then apart from that people who go to the Hospital, in fact, have to pay when they go to the private corridor but mainly the sum of money here is a question of payments made for appointments. There is a fee for appointments.

MR SPEAKER:

I was wondering, thank you.

HON J B PEREZ:

Not at all, Mr Speaker. The points I wanted to highlight in my estimates are these. First of all, let me say that as far as I am concerned to work with the Medical Department for me is a privilege and a pleasure because the Department, in fact I wouldn't exclude anybody of that Department, are very conscientious and hard working. I think they are very dedicated people, they in fact put the patients before themselves and that is very good. Do we get complaints about the service? Of course there are complaints. If you realise that at least 300 people are seen daily, as much as that, 300 people are seen through the Health Centre, through KGV and through St Bernard's. I always tell my staff when they say: "We do our utmost and yet we get complaints". Even if I got ten complaints a day I would still say that we are doing extremely well but I do not even get that, we get even less than ten complaints a day so that shows that the efficiency of the Department is there and it is a department which works extremely well. I now come to the question of staff. I have already said that the extra staff was twelve extra bodies for this year. These are as follows; they are mainly senior nursing staff and, of course, junior nursing staff. Apart from that we have, in fact, one MacMillan

Nurse who will cater for cancer relief patients who require domiciliary help, that is, people who are dying of cancer, and that is a new addition to the Department, that is an improvement and an extension to the service that we provide and we are in fact sending another nurse to recruit to become a MacMillan Nurse, an example of improvement. Also if you see the Health Centre, you will see that we are sub-dividing part of it in the front entrance; that will be used for the MacMillan Nurses and also to extend the District Service, so again the service has not been cut this year, on the contrary I reiterate it has been improved upon. The GPMS; I am sorry I have to announce that we have no choice but to increase prescription charges and they will be going up on the 7th May from 7Op to £1. This is due to the fact that the cost of that keeps on escalating and it is something that, as I explained before, it is indeed a very difficult thing to control, it is something that I do not particularly like to do but it is something that I am of the firm opinion that we just have to do that. Drug abuse, yes, I think people in general tend to when they go to see a doctor they tend to insist that they get particular tablets and sometimes I can appreciate that it is very difficult for the doctor not to give the tablets that are being requested and people who go in and say: "Whilst I am here can we have some panadol's", and although the doctors are not supposed to give them the panadol's, I suspect that panadol's are freely being given. By putting it up to £1 per item I think it is going to discourage some people to ask for panadol's because they can probably go to the chemist and buy it for 7Op.

HON MISS M I MONTEGRIFFO:

If the Hon Member will give way. Perhaps if you want to discourage people on the question of drug abuse the Government should actually bring up the POM list to discourage people.

HON J B PEREZ:

I am coming to that now. I am grateful for that, I had that down. Perhaps I can explain a bit the delay, the delay of the prescriptions only is really that we have to try and itemise all the different drugs that are available and the exercise is quite an extensive one and here I would like to thank the new Attorney-General, the Hon Mr Thistlethwaite, because the list is now in fact ready and should be published within the next month. It has taken a long time but the compilation of that in itself necessitates hours, months and in cases even two years because you have to keep on adding new drugs that come into the market but let me say one thing, Mr Speaker, the question of the prescriptions only list was not the idea of the Gibraltar Women's Association, it was the idea of the present Minister for Health and perhaps it was my fault for coming out in public saying I was going to do it without realising the time that was required to actually bring this out but nevertheless I am pleased to say that now

it is ready. But once the list comes into force it will have two beneficial effects. The first one is that it will prevent chemists from giving out medicines without a prescription, that is the fundamental idea of that Regulation and that is the point that the Women's Association came out in their Annual Report, they are really concerned with that because I remember on one occasion that I asked them to try and bring me some evidence as to that and in fact there are two members of the Association who came to see me with the medicines and gave me the names of the chemists who had prescribed. We then referred the matter to the Attorney-General's Chambers and due to the law those chemists could not be prosecuted but they were warned. The second beneficial effect of the prescriptions only is this, that it will stop or it will enable doctors when they see particular patients who want a hair tonic or I will say something more popular, vitamins, they will say: "You do not require a prescription for vitamins, I will give you a prescription but you go and pay for it yourself". I think that is the point that the Hon Mari Montegriffo has raised and I am grateful for that because that is the next step once we publish the prescriptions only and I am grateful because I was not sure whether I would get the support from the Opposition on that but I can see that the support is there and, of course, as soon as the Regulations are put forward the prescriptions only will be introduced in Gibraltar and I think for those two reasons that explains the deduction in my subhead of the Group Practice Medical Scheme because I am taking into account the increase from 7Op per item to £1 and I am also taking into account what I intended doing which is the question of the prescriptions only and in fact if things work as one anticipates, I think that I will not need to come for any supplementaries under the Group Practice Medical Scheme, subhead 9, so I am quite hopeful that £545,000 - that is why the revised estimate was £633,000 from the approved £490,000 and my estimated expenditure for 1984/85 is £545,000. On the question of the increase of prescription charges let me say straightaway that those people who are exempted whose means are below the level of the Old Age Pension on application to the Minister are exempted and they do not pay so they are not affected, neither of course are people who are on the district service, that is, people in receipt of supplementary benefits. And, of course, as I said in the past, cases of hardship, if there is a particular patient who just cannot because he needs a regular supply of particular drugs, these patients I have said so before, should be brought to my attention and we will see how we can help because the general policy is that the doctors should only give two weeks supply. I know that some of them are giving up to a month's supply but the policy is that it should be two weeks supply for obvious reasons. There are ways and means of helping people who may suffer hardship as a result of the prescription charges but let me say that two years ago, I think, when we increased prescription charges from 45p to 7Op, there was only one case that was brought to my notice of hardship and that is in the last three years, just one case, and that case was because the person concerned didn't know that if they applied and declared their earnings

that he or she would have been exempted from paying and, of course, when that case was brought to my notice the person was exempted and no hardship was suffered. Mr Speaker, I would like to say a few words about the question of visiting consultants and the sponsorship scheme. These are two areas which complement our present medical services, they work hand in hand with the service that can be offered locally. As far as visiting consultants are concerned we in fact have two new consultants who are coming over to Gibraltar who didn't come before covering two different fields. Again another example of this Government's policy of improving our medical services. We have one who is coming for plastic surgery. Of course, not for plastic surgery to make one look prettier but for people who require treatment arising out of accidents who require plastic surgery. So we have that service which is being given this year and will continue to be given. We also have a brain specialist who is coming out to Gibraltar. All the time we really are trying to increase, perhaps one must take into account that there is a great deal of specialisation in the medical world nowadays. I would say that perhaps in years to come you may have a specialist for the common cold, perhaps it is a good idea because a cure has not yet been found but the medical world is really moving to specialisation to a very, very large extent and as a word of warning let me say that the day our main surgeon retires we are going to have tremendous problems to recruit one person to take his place because I do not think we will ever be able to find a replacement for our present surgeon. I think the recruitment would have to be of two specialists because nowadays those people do no longer exist unless we want to try and find somebody retired from the Royal Navy, if that is what we want we can recruit but that is not the way that we have been working in the last couple of years. We feel that the amount of money that is being paid which is the same level as in the United Kingdom, the salaries of consultants are over £22,000 or £23,000 per annum and it is felt that with that amount of money every time we try and recruit there are ample people of experience and of the necessary calibre that Gibraltar requires and I think Gibraltar deserves. That we are continuing and again, as I say, it is a very, very difficult item to control because it may well be that you may require, let us take Mr Shaw, the ENT specialist, he may be required to come every two months, we don't know until the need arises and the need is established. The question of the sponsorship scheme, again let me say straightaway that the Minister does not decide whether a person is sponsored or not, in fact, the Minister does not intervene at all and let me dispel certain rumours that have been going round to the effect that due to the Government's financial constraints we are not sending people to UK. That is not so, that is not being applied because, as I say, it is not a question of financial constraints, the token is there and if somebody needs to be sent to the United Kingdom that patient will be sent. What is the criteria? The criteria is very simple. What we cannot do is send somebody for treatment to the United Kingdom when that treatment can be given locally because otherwise why pay the consultants the amount of money we are

paying them so it would be stupid to do that. They must be recommended by the consultant concerned and countersigned by the Director of Medical and Health Services, that is the procedure, it is very simple. You may say, and I do not dispute this because I have had people coming to see me and they have been saying: "My daughter needs to be sponsored", and when you listen to people you feel sorry

MR SPEAKER:

Let us not get bogged down in details. You have explained what the policy is.

HON J B PEREZ:

It is just a very small point, Mr Speaker, if you will allow me. One sympathises with the people who come to see you and who complain because they want to be sponsored and they say: "Well, because in UK they may get better treatment", and my answer to that is: "Well, why ask to go to Harley Street, why not ask to go to the best clinic in Paris?" The criteria is quite simple, if the treatment can be given here it is right that that person should not be sponsored but my experience has been that the Department has been quite liberal on the question of sponsorship of patients and the new agreement which we arrived at with the National Health Service only this year provides us with a quota of forty patients free of charge and any other patients over the quota of forty this year we agreed that we would only pay at the National Health Service rate. In the past we have been having to pay at the full private patient basis. Now that has changed so I am quite satisfied with that and in fact I think we try and renegotiate every year on this but I am quite happy with the agreement that we have and the service that is being given by the National Health Service. Mr Speaker, I now come to the question of equipment which I already pointed out. Under sub-head 18, we are now going to spend £62,000 for medical equipment as compared to £40,000 last year and the previous year. That, I think, is a substantial improvement on the question of medical equipment. And speaking of medical equipment, Mr Speaker, I wish to take the opportunity of thanking all those Associations and bodies and individuals who have helped to donate so much equipment and so many things to the department, their generosity is really tremendous, but I wish to take the opportunity and I sincerely hope that this is reported in the press and that is - because I cannot say this during presentations - I urge all Associations and all bodies who wish to set up a Fund and to buy particular equipment for the Hospital for God's sake liaise with the Department because we have a list of priorities, we know what is needed, we have all the items priced so any Association should not just go on the whims of particular senior nursing staff or doctors because there are many things which are given to us which I am sorry to say are not really used all that much by the department. It may be used once a year and it may be a very expensive item of

equipment but I urge organisations to please contact the department and ask us what we want, not to go to individual people and, as I say, during presentations although I say: "Thank you very much", Mr Speaker, as you can well imagine I cannot tell them I do not need this particular item when I know so many people have given generously but I think this is an appropriate time for me to mention this. The question of the Royal Naval Hospital I think I ought to mention. As far as the Royal Naval Hospital is concerned we are in fact looking at the possibility not of a merger that I think has been announced and I have said on previous years, we have now gone away from that and we are now looking at the possibility of moving the whole of St Bernard's to the Royal Naval Hospital or to part of the Royal Naval Hospital which is completely underutilised and which we feel we could make extremely good use of that but that really, Mr Speaker, is at a very, very preliminary stage and I will undertake, of course, to keep the House informed of anything that were to transpire. Mr Speaker, I think that is all I have to say on the Medical and Health Services. I now come, Mr Speaker, to deal with Education, the other department for which I am responsible, and on this occasion I would like to begin by thanking my Hon Colleague, Mr Mor, for the compliment that he paid both myself and my Director for the high standard that Gibraltar has achieved and I am very grateful to the Hon Member for those comments.

MR SPEAKER:

And the staff, too, I think he said.

HON J B PEREZ:

Yes, certainly, and I am very grateful for that. But then he said that things were very good but he felt that by a close scrutiny of the estimates of the Education Department for 1984/85 he felt that the efficiency of the department was being put at risk by the sums of money that we were budgeting for for the next year. He has circulated a comparability exercise. I think we all know, Mr Speaker, that with statistics we can play whichever way one wants. Let me say one thing straightaway which I cannot agree with, one assumption that is made in this particular comparability exercise in the sheet I have in front of me. The first one is, Mr Speaker, how can you say that personal emoluments totalling \$2.6m is only related expenditure to the Education Department, I am afraid, Mr Speaker, I just

HON R MOR:

Mr Speaker, if the Hon Member will give way. The reason why that is a related expenditure is because the personal emoluments is purely for the benefit of the teachers and not necessarily directly involved to the advantage of the pupils.

HON J B PEREZ:

Mr Speaker, I think I am going to convince the Hon Member with my answer as to how wrong he is in saying that because of course it is not concerned with the teachers, it is concerned with the whole question of teacher/pupil ratio which is one of the fundamental things of education. Surely, personal emoluments are not just related expenditure, in fact, I would say it is the most fundamental thing in education and that is the ratio between teachers and students and let me say that here in Gibraltar we have a much higher average ratio than in the United Kingdom. Anyway, let us say it is much better than the average ratio in the United Kingdom so therefore on that assumption alone, even on that alone, I would say that I cannot agree with the comparability exercise that has been put forward but nevertheless I will proceed with further arguments. We are also leaving out the question of wages of industrials, that has been left out also entirely. The other point is scholarships, Mr Speaker. How on earth can you say that scholarships are related expenditure for education? I would have thought that that is a direct expenditure on education.

HON R MOR:

If the Hon Member will give way. Scholarships is not a direct expense involved with the running and efficiency of the Education Department with respect to the children who are being taught at present.

HON J B PEREZ:

Mr Speaker, that is a matter of judgement. In my view I think that in the same way as personal emoluments are totally directly geared to the education so is scholarships, to my way of thinking that is fundamental so based on that I do not think, really, with respect to my Hon Colleague, that his argument holds much water. I think what he has done quite cleverly is that the ones in which there have been substantial increases he has put in under related and not under direct expenditure. I just cannot accept the assessment that is being made and I can assure the Hon Member opposite that in the same way that the Government gives high priority to the Medical Services this Government also gives high priority to Education and although I am not going to say that I am happy with the money I have got for education because I could have done with double what I got, I am quite satisfied that taking into account the present financial constraints I think the Education Department has not come out quite badly as you will see from going item by item during Committee Stage. In fact, as I say, I hope that the efficiency of the department is not put at risk, it will definitely not be put at risk by the estimates that are being presented for 1984/85, that I can assure my Hon Colleague. The other point that has been made is that it gives the impression that we have presented a rosy picture in the estimates. On this point, Mr Speaker, let me

assure my Hon Colleague that as far as this side of the House is concerned we do not present estimates to put forward a rosy picture at all. The estimates are prepared after many, many hours of consideration and of study and of meetings and then we present what we consider to be, first of all, the money that is available and according to our policy to subdivide. He also mentioned that educational field trips are being reduced and that we are not giving enough money to enable children to go on these trips.

HON R MOR:

If the Hon Member will give way. I did, actually in fact, mention educational field trips in conjunction with books and equipment, examination expenses, etc.

HON J B PEREZ:

Yes, I am coming to that now, that was the first one that I had down which is educational field trips. With respect to my Hon Colleague I can see quite clearly that he has only been Shadow Minister for Education for a very short period of time but let me correct him and put him right straightaway. Educational field trips in the estimates are only for those 'A' level students who require, as part of the 'A' level course, to go on a field trip. In other words, it is part of the examination so the estimates that we put in depends on the number of 'A' level students that we have at the time. In other words, they are part and parcel of the 'A' level syllabus, educational field trips.

MR SPEAKER:

I am assuming that you have not long to go yet. If you have then, perhaps, we should recess now until tomorrow morning at 10.30.

The House recessed at 7.10 pm.

THURSDAY THE 12TH APRIL, 1984

The House resumed at 10.40 am.

HON J B PEREZ:

Mr Speaker, yesterday prior to the adjournment, the last thing I dealt with, the point that had been raised by the Hon Robert Mor, was the question of educational field trips in which I explained that this particular vote only corresponds to those children who require to take this field trip in connection with examinations in two areas, namely, geography and in biology. The next item that I would like to comment on which has been raised by the previous speaker is the question of

books and equipment. I think the Hon Robert Mor said that in his view the amount put in the estimates this year could well put the efficiency of the department at risk and I think I will now show that that is not the case. There are two primary reasons why there is no depletion in that vote even though you may take inflation into account. The first one is this, that one must understand, Mr Speaker, that when you buy books for a particular year you do not throw those books away at the end of that school term, in fact, books tend to last for quite some time and of course the money that is voted is really by way of replacement of books. That is the first point, in other words, it is not an annual burning of books and purchasing of new ones neither does that apply to stationery. The other point I think which is of fundamental importance is that surprisingly it is in the field of books as far as educational books are concerned and also as far as stationery is concerned, that we are dealing in a very competitive market in the United Kingdom. I think the Hon Robert Mor will recall when he visited my department only a month ago he saw the number of new publications which he saw in the Teachers' Centre which were by way of samples. Prices have in fact remained stable and even in some cases we find that prices of books have come down from one year to the other so these are two points which must be considered. How is this vote estimated? Is it just that Government comes up with a figure and says: "Well, we think we are only going to need £170,000 for the year 1984/85"? The answer is, no, Mr Speaker, because it is all based on what is called a capitation grant, that is how we arrive at the figure put in the estimates and the capitation grant is as follows. It is really based on the actual number of pupils on the roll in September and we provide for primary schools, you take the First Schools we gave them £20 per pupil; for the Middle Schools we gave £27 and for the Secondary Schools we gave £35 per student for the first and second years and £50 for third and fourth years and £50 for sixth formers. St Martin's and St Bernadette's children, in fact, are given a capitation grant of £70 per student. In fact, this year we are increasing by 2½% the capitation grant to First Schools. Clearly, the estimates for 1984/85 do not show a reduction of previous years but is based on the capitation grant which provides, in my view, sufficient funds not to hinder the education system. Again, as I said yesterday, of course if that amount was trebled I would be much happier and so would the Headmasters or Headmistresses but that is a realistic assessment of what is needed and is based on a capitation grant which is a similar system that is used in the United Kingdom except that, of course, our capitation grant in Gibraltar is even higher than in the UK for one simple reason and that is freight and insurance charges, we have to take that into account so our capitation grant is higher than those of local authorities in the United Kingdom. The next point that I would like to deal with which was mentioned by Mr Mor is the question of scholarships. I think he said that his policy was that our system should be - he used the word 'comparable' - to local authorities in England. I was not quite sure what he meant by using the word 'comparable' but I will take it to mean, Mr Speaker, that it should

be exactly the same, on an identical basis as local authorities. I think the Hon Mr Mor is falling into the same trap, being a newcomer to the House and to the education side, the same trap that Mr Loddo fell into and many other people in Gibraltar do so because they say: "Well, in the United Kingdom any student who is able to obtain a place at University is entitled to a scholarship". But the position in the United Kingdom is not as simple as that because the central government exercises a great amount of control because they will tell the Universities the quota of UK students that they can take and the quota of non-UK students. In other words, if you take a University which may have, for the sake of argument, 200 places or 1,000 places, although the local authority will tell the student: "If you find a place you go", nevertheless the central government will tell the University: "Out of your 1,000 students that you can enrol you can only have, for example, 500 UK residents and the remaining balance of 500 will be overseas students", and that, therefore, is the fallacy in the argument in saying that the UK system is much better than our own and that is without taking into account, of course, Gibraltar's financial constraints. I do not think it is fair to say: "Do the same as the United Kingdom", because the control undoubtedly is exercised by the central government to a very, very large extent and if one reads The Times Educational Supplement you will see that this crops up every year and people in fact say: "It is all very well to have this policy but on the other side you are curtailing the number of entrants".

HON J BOSSANO:

If the Hon Member will give way. I am sure that he will recognise that that policy is one that I have defended here for twelve years so one does not have to be either a newly elected Member like the Hon Mr Mor or a recently elected Member like Mr Loddo because I have been here many years before he was and I have been putting the same argument. The philosophy is that if a school leaver in a local authority in the UK can get a place in a University he then gets a statutory grant if he meets the minimum entrance requirements. If that same school leaver with the same limitation on places placed by the British Government whether they are for UK residents or for residents from overseas, is born in Gibraltar and cannot get a grant because he needs a point then in fact he is getting less opportunity and we have had examples in this House. I remember very well one many years ago where that particular child was able to get a place, was told he could not get a grant, his father had to go through a great deal of hardship in the first year to pay for it and then the Government relented and gave him the grant in the second year and then the child did so well even with the minimum entrance requirements that he finished up getting a doctorate. That is the point that we have been making for twelve years in this House.

HON J B PEREZ:

The point is, Mr Speaker, I was referring to the comments of the Hon Robert Mor who spoke and not to the comments of the Hon Mr Bossano.

HON J BOSSANO:

The same philosophy.

HON J B PEREZ:

Yes, I accept, Mr Speaker, the philosophy but what I am saying is that the UK system is not as favourable to the student as one would tend to think because of the control of the central government. That is the point and I think the point is clear. As far as the example given by the Hon Mr Bossano I can also tell him of examples in which I know of students in UK who have been unable to get places with high grades, so there are two sides to that. The other point that he did say was that, yes, we have to give more opportunities to local students and that, Mr Speaker, is precisely why I announced earlier on the Government's policy in the previous House of Assembly of starting a College of Further Education and that is part of the Government's policy of giving more opportunities to students who would want to qualify in other subjects but need not necessarily wish to go to University and that is the statement I made in the last House of Assembly. That is one avenue which the Government is pursuing and I will come to that later on. Mr Speaker, I think I have dealt with most of the points that were raised by the Hon Robert Mor and I would now like to take the opportunity of highlighting some points as far as my estimates are concerned for Education for this coming year. The first one which I have already touched upon and that is the question of the teacher/pupil ratio and I said that in Gibraltar we have a very reasonable ratio, in fact, the ratio is 1 to 15, there is one teacher for every fifteen students in Gibraltar and that is well above the UK average on teacher/pupil ratio. The second point I wish to make is that in the department we have got a new post which has already been filled in of the General Education Adviser and I think he will provide a better liaison between all the schools, in particular as far as curriculum development is concerned. This year we are also embarking on giving a special allowance mainly to the Secondary Schools so that they can have computer studies and in fact, Mr Manasco, a local teacher, was sent last year to a University for a special course on computer studies and he is due to return to Gibraltar in July of this year, so I therefore think that at least in Bayside with the money that we are giving them this year to buy better computer hardware, I see no reason why students should not have the opportunity of taking 'O' levels in computer studies.

HON R MOR:

If the Hon Minister will give way, Mr Speaker. How does he propose to buy all this equipment if he is not allowing any provision for that?

HON J B PEREZ:

Mr Speaker, I am allowing that provision in my estimates. This is what I was trying to explain before under the books and equipment side because the books and equipment vote is not just merely books, it includes the schools psychological services, it includes photocopy, but this is perhaps a matter that can be raised at Committee Stage and I can give a full breakdown of the vote. I take the point that sometimes for Members opposite when they come to look at the estimates it tends sometimes to be slightly misleading but on the other hand that is precisely the function of Committee Stage, one cannot itemise for every particular subhead all the things that you are buying.

MR SPEAKER:

Then, perhaps, you will explain at Committee Stage.

HON J B PEREZ:

But the point is that provision has already been made, in fact, both Bayside and Westside already have computer hardware which was purchased but it is felt that the ones that were purchased two years ago are not to the standard of 'O' levels or 'A' levels, in fact, the sum which is needed is only £2,000 per school and that allowance is already included in the estimates for this year so when Mr Manasco returns, as I say, I am hopeful that students will have the opportunity at least for this year, at least Bayside pupils will have the opportunity to take 'O' levels in computer studies. My policy on the matter is that I am hopeful that within the next two years or at least for next year we will be increasing computer studies as far as the curriculum development is concerned to the Middle Schools as well. I think really it wouldn't be adequate for Infants but that is the intention within two years because when the Secondary Schools buy the more sophisticated hardware which is necessary for 'O' levels then, of course, the previous hardware can quite easily, I think, be passed on to the Middle Schools and that is further curriculum development. As far as the scholarships are concerned, you can see from the estimates, Mr Speaker, that we are maintaining the same level, we are continuing with the mandatory and non-mandatory system which I think gives an equal opportunity to all able students irrespective of their parents means. In fact, a word of warning I think I ought to sound and that is that this year as far as the non-mandatory awards are concerned, these are going to be strictly confined to areas in which there is a need in Gibraltar and the idea

is that at least the student obtaining a non-mandatory award will have a very strong possibility of being able to return to Gibraltar and find employment. In the past we have been rather relaxed on non-mandatory and the criteria which has been used is similar to mandatory and that is if a student obtains the necessary points then if he wants to be an astronaut or study for something like that then he is entitled to go and of course Gibraltar as a community derives no benefit, the benefit is derived by the pupil but the criteria for non-mandatory has been to some extent on that line not perhaps to the extreme of the example that I gave but this year I can tell you quite clearly that that is going to be changed and on non-mandatory awards we will identify areas of need in the community and the advertisements which will appear will in fact state non-mandatory awards will be considered in A, B, C, D and E areas. The other side of policy which I wish to highlight is that we are now embarking on a total replacement of contract teachers. This is another area in which we want to give and lend our full weight on that but let me say straightaway that it will be impossible to do away completely with contract teachers, that is quite obvious, but the policy is there and we are really going to make an effort in the next few years to try and recruit local people. In particular what we are doing is keeping in touch with the number of students who are in the UK with scholarships and we are trying to identify, in fact, we will try and encourage six-formers this year to look at areas, we will tell them: "These are the areas in which we have contract teachers", and at least try and encourage them to go into those particular areas so that when they finish their courses in the UK they can come to Gibraltar and take over from the contract teachers but that can only be done by encouragement and in certain cases persuasion of students concerned. Another point that I feel I have to highlight, Mr Speaker, is the question of school transport. To be perfectly honest, Mr Speaker, I do not really know the reason really for having introduced school transport in the first place and I am being very honest with that but we are stopping school transport this year except for those children of Catalan Bay and children of North Gorge until better arrangements can be found as far as children of these two areas as far as the bus service is concerned but I must also say that we are excluding the school transport subsidy which we are paying to those children who are attending Service schools, that is being stopped as well as from September of this year. As far as the schools themselves are concerned, Mr Speaker, and this again shows that the Government is ploughing money into education as far as school projects are concerned. I am very pleased to inform the House that it is expected that the extension of Bayside will be completed in May of this year and therefore should be ready for the beginning of the term in September. I think the extension will be of great value to both the teachers and to the pupils at Bayside School and I sincerely hope, Mr Speaker, that they will look after the extension in a better way than the school in general.

HON R MOR:

Mr Speaker, if the Hon Member will give way. How does he propose to furnish this new extension if he hasn't allowed any increase in school furniture?

HON J B PEREZ:

Because the money required for school furniture is included at the time when we put in the money to build the extension, that has already been catered for, it does not appear this year. I would refer the Hon Member to Head 102, page 94 in the estimates which is the Improvement and Development Fund and he will see there the cost of the Bayside School extension, the estimated cost of the project was £2m and as I say that will be completed in May. The other aspect of capital being put into the schools as far as building is concerned, he will see also on page 94, subhead 2, St Mary's First School, the total project is £371,000. That, in fact, was included in my party's manifesto at the elections and the idea is that we will be vacating St Mary's School in Hospital Ramp and also the Annexe in Line Wall Road and both these schools will move into the remodernised old school. All the plans are ready and estimates have been done and we are very nearly going out to tender on this particular project. The other point that I wish to highlight is the question, Mr Speaker, of the Technical College. The Hon Robert Mor said that he found that we had inserted monies in our estimates which he found to be inconsistent with what I had said in the previous House. The position is this that - well, if he didn't then I withdraw that - but the point is that we have to make provision at least for this year in the same way as the Ministry of Defence has made provision to continue the Gibraltar Dockyard and Technical College. The position is that the Gibraltar Government pays for 50% of the running expenses of that particular school. When final agreement is reached, and I am hopeful that by the next meeting of this House, Mr Speaker, that the negotiations will have been finally completed, I think they are very nearly coming to an end, but the provision must necessarily be made in this year's estimates because although we may agree to take over, we may agree on the sum, we will then decide when we wish to take it over, you just cannot take it over overnight because you require to start recruiting teachers as far as the College is concerned. That point must be borne in mind and that is that we must make provision even if at least the College continues as it is today for the whole of the year.

HON R MOR:

If the Hon Member would give way, Mr Speaker. The point I raised was that the Hon Minister had said that once the negotiations had finished as regards the College that he would come back to the House and ask for more money. The point I made yesterday was that that was inconsistent with what the Hon and Learned Chief Minister had said and the Hon Adolfo Canepa.

HON J B PEREZ:

The point is, Mr Speaker, I do not think it is right to say it is inconsistent because how can we put a sum for the taking over of the College when the sum has not yet been agreed so what we thought was that the best way of going about it is put it under the estimates of the Education Department for the whole year and that is what we have done. If we knew the sum, if final agreement had been reached by the time of the estimates or by today, I would today be proposing an amendment to that particular vote but we will have to come to the House to seek the supplementaries for that vote, that is absolutely essential otherwise we cannot take it over. Even if we did take it over and there was not a penny paid to the Ministry of Defence for the Technical College I would still have to come for a supplementary because the estimates in my vote only corresponds to 50% of recurrent expenditure, the other 50% is met by the Ministry of Defence and let me tell the House that the Ministry of Defence have already estimated for the full year on the 50% share so it may well be that even if we agree on a price today I would still be advising my colleagues on the Government side that we should not take it over until the end of the year for obvious reasons, recruitment of teachers, plus recurrent expenses of this year. I do not think, with respect, Mr Speaker, that it is fair to say that it is inconsistent. The point raised by the Hon and Learned Chief Minister and the Hon Financial and Development Secretary is that in presenting the estimates this year we have tried to be realistic, it is no good for presentation purposes to put in estimates and then having to come later for more money but, surely, this is an area in which supplementary funds would not only be justified but obviously essential. Finally, Mr Speaker, let me again assure Hon Members opposite that the efficiency of the Education Department is definitely not put at risk by the estimates presented this year.

HON J I BALDACHINO:

Mr Speaker, in speaking on behalf of the Opposition on Housing, I am talking about what is, without a doubt, the most important area in the whole of the Government expenditure from the point of view of what is the most difficult problem to resolve and what has proved to be the most controversial subject of debate in the past years. Mr Speaker, the GSLP has been advocating a comprehensive policy for private and public dwellings for a considerable time. It featured in our manifesto in the recent elections and it was brought to the House of Assembly in the Budget of 1981 by the now Leader of the Opposition following a motion moved in the Assembly of the Gibraltar Socialist Labour Party of that year. Mr Speaker, the Government today is not only failing to provide a comprehensive approach covering both, but in fact does not even have a policy on either of the two. Let us take what has been happening to the private sector housing. In 1979 the Chief Minister announced in the Budget that measures would be introduced to control rents of post-war dwellings in the private sector. I will not take up the time,

Mr Speaker, of the House in going over all the details of what this policy announcement was but only that it was never converted into a reality. I will simply say that five years later the Government pushed through the House of Assembly, before its dissolution, a Landlord and Tenant Ordinance which we are committed ourselves to repeal if we get into Government. Now, four months later, the Landlord and Tenant Ordinance is still a dead duck. Mr Speaker, we don't know whether this means that the Government became convinced of the folly of their policy by listening to our arguments during the election campaign and that therefore they intended to pursue our policy and repeal the Ordinance. That, Sir, may appear a rash conclusion but what other conclusion, Mr Speaker, am I to draw from the fact that the Landlord and Tenant Ordinance will not be put into effect until there is a Rent Assessor and that the Government is not providing for the employment of a Rent Assessor in 1984/85? There has been no indication of what the Government's policy in this is so far and I am insisting that the Government should make a policy statement on this matter. They should say, Mr Speaker, whether they intend to proceed with the implementation of the new Landlord and Tenant Ordinance or whether they intend to repeal it and keep the old one. Mr Speaker, as we say in our manifesto, we disagree with the provisions of the new Ordinance, however, the creation of a Rent Assessor was a positive element and so was the requirement for a proportion of the rent to be devoted to maintenance and repairs. The situation today is the worst one possible, Mr Speaker. Landlords are unwilling to rent their properties without knowing whether they will be caught by the old law or protected by the new one. Tenants, at present, illegally being charged more than the old controlled rents, are afraid to complain to the Rent Tribunal under the old Ordinance in case they find themselves unprotected by the new one. And, maybe, Mr Speaker, that will answer one of the questions asked last night in television on the programme 'Highlight' and the question was: "Why are there empty houses in the private sector?" Mr Speaker, this state of uncertainty created by the Government's delays is one which can only make the housing situation worse than it is. Let me now diverge slightly from this point to draw the attention of the House to the information contained in the Abstract of Statistics. Here we see a welcome increase in the number of owner-occupiers but clearly the proportion - and it is in Table 30, Mr Speaker, lucky for some unlucky for those tenants. There, Mr Speaker, clearly the proportion of the housing stock in the Government's hands is even higher in 1983 than what it was in 1970. And here again, Mr Speaker, we see the complete failure of the Government's declared intention to make home ownership an attractive proposition in the past and I trust that the recent announced measures on home ownership will prove more successful. Mr Speaker, may I comment on the speeches made by the Hon Financial Secretary and the Hon and Learned Chief Minister. If I take first the speech on page 15, paragraph 14, Mr Speaker, of the Hon Financial Secretary. We have a reserved welcome, Mr Speaker, to the proposals of the Government even though we think that the Government at least is going in the right direction not only to

solve but at least alleviate the problem of housing that we have in Gibraltar. I see two proposals and intentions and if we require administrative action, I hope, Mr Speaker, that when we vote we, in the Opposition, will support at least this part of the Bill and we support it, Mr Speaker, because it has been the GSLP policy and it was stated or reflected in our manifesto in the recent election that home ownership could go a long way to solve the housing problem. I hope, Mr Speaker, and I can only go by past records of the Government, that proposals and intentions which are to the Government as 'ifs' and 'buts' goes further than that and it is implemented. I hope so, Mr Speaker, because housing is one of the worst domestic problems that we have in Gibraltar. I do not measure like the statistics mentioned by the Hon Financial Secretary in his speech on the percentage of what one has but on what one hasn't and if we are rich or wealthy in videos and televisions we have poverty in housing and if the Hon Member does not believe me then I will be willing to take him round some of the houses in Gibraltar. Mr Speaker, as I said, we support this because we are not an obstructive Opposition and I think that the Hon Leader of the Opposition said so in his speech at the Opening of the new House. We are a progressive and a pushy Opposition without any doubt but not an obstructive Opposition, we will not obstruct the Government, we will go with the Government if we think that it is right for the people of Gibraltar. Mr Speaker, if I move now to what the Hon and Learned Chief Minister said in his Budget speech - before I go on to that, still on the Hon Financial Secretary's speech, page 15, paragraph 14, I wish the Hon Financial Secretary the best of British luck in his exploratory expeditions with the banks because I think that will go a long way to solving the lower income people in Gibraltar. Page 6 of the Hon and Learned Chief Minister's speech, paragraph 13. Mr Speaker, the introduction of that paragraph is in line with what the Financial Secretary said but with less detail. The next sub-paragraph of that paragraph - the Government increases house rents - Mr Speaker, I predicted that before it was announced and inclusive even to the last penny, not because I had an equal clairvoyance to that of the last Deputy Governor, but looking at the financial situation that the Government find themselves in, that had to come. I may also say that I agree with the Hon Minister for Public Works that the Government has done a holding Budget but that does not mean that my Hon Friend J C Perez is wrong when he says it is a harsh one. It depends, Mr Speaker, on what side or on what scale of income you are in Gibraltar and maybe it is the situation that we find ourselves financially is what the Hon Mr Canepa said which might be true and I agree with him entirely, I thought he was a GSLP member when he was speaking, Mr Speaker. But, anyway, I agree entirely and the Government has made a political decision on this one and therefore they will have to take a political responsibility. Mr Speaker, going on to the last sub-paragraph of paragraph 13 of the Chief Minister's speech and may I quote, Sir: "A major scheme for development of the old Gasworks site for home ownership by Gibraltarians at a reasonable cost will shortly be announced".

Mr Speaker, I would like clarification from the Hon and Learned Chief Minister when the interpretation that he gives - I am willing to give way now or he can do it when he sums up for the Government - because I am not worried, Mr Speaker, on the paragraph as such, I am worried on one word only and that word is, Mr Speaker, on the interpretation that he gives to the word 'shortly' because if the interpretation he gives to the word 'shortly' is the same interpretation that the Hon Minister for Housing gives to 'temporary' then we have got to be here twenty years and people will be waiting for the houses. I hope, Mr Speaker, that 'shortly' here means in this financial year because there are a lot of people, Mr Speaker, who pin high hopes on this policy of the Government because there are a lot of people living badly in Gibraltar, Mr Speaker, there are people living badly and this is an in-road at least not to solve the problems of housing we have but at least to alleviate the problem that we have.

HON CHIEF MINISTER:

The Hon Member asked me he would give way if I replied. I wanted to answer, generally, but when he is generous enough to think that he hopes it is within this financial year I think it would be an insult to the intelligence of the House if 'shortly' did not mean within this financial year, whether it is at the beginning or at the end.

HON J L BALDACHINO:

I agree entirely with the Chief Minister, Mr Speaker. I have not been long in this House and I hope that the Hon and Learned Chief Minister will forgive me if on occasion I am not as ethical in this House as one should be.

HON CHIEF MINISTER:

You are very efficient.

HON J L BALDACHINO:

I can only go by past records of the Government and, Mr Speaker, this Government sometimes plays with words. I am only giving the example, Mr Speaker, I am not trying to insult or trying to question the intelligence of the Hon Chief Minister which is well established in Gibraltar but the Government sometimes plays with words, Mr Speaker, we have had it, 'temporary Glacis Estate'.

HON CHIEF MINISTER:

We all play with words.

HON J L BALDACHINO:

We all do, Mr Speaker, but the difference is from this side of the House and that side of the House, Mr Speaker, that if they play with words it affects more people than if we play with words. Mr Speaker, I hope the Chief Minister accepts that I did not try to insult him in any way which I have no intention of doing now or at any other time in this House but words must be clarified, Mr Speaker, and especially with the Government because they have played with them before, in my opinion. Anyway, Mr Speaker, I hope from the bottom of my heart that they are successful in this, at least in this, because it will solve many people's problems and I hope they are just and fair and if I may comment on the justice and fairness I am not in any way saying that the Government acted maliciously when they awarded the last tenders. If you look at it from the outside as a layman you cannot blame anybody for thinking there is a mix-up, you cannot blame anybody for thinking there is a mix-up and I am not referring to any tender awards, you cannot blame anybody, Mr Speaker, because the Government has not got a clear policy to whom or how those tenders are awarded and I hope, Mr Speaker, that in this project which I think is intended by the Government to alleviate or reduce the housing waiting list, they have a crystal clear policy so that people can judge and can say that it was done in good faith. I am not saying they haven't been done in good faith, Mr Speaker, but if you are a layman then you have doubts. I hope, Mr Speaker, that in this as well as when the Government awards tenders, they should have a clear policy to whom they are willing to award it or how they are going to award it.

HON A J CANEPA:

Mr Speaker, if the Hon Member would at a convenient moment whenever he wants to in his intervention give way because I have not got an opportunity to intervene in the debate again and if he will give way I think I might be able to provide an answer.

HON J L BALDACHINO:

I am willing to give way to the Hon Member.

HON A J CANEPA:

The policy on the redevelopment of Crown Properties was clearly stated by me in a statement which I made here in the House and I think copies of that statement could be made available to the new Members of the Opposition, I think the date was October, 1981. Anyhow, I made a clear Ministerial statement and it is on the record and the criteria on which we would base our awards of tenders were laid down in that statement. Subsequently, in questions by Hon Members of the Opposition on clarification arising from the report that I

made, it was the present Leader of the Opposition himself who was the first person who intervened, I was checking on this the other day because I knew that Action for Housing had asked to see me and I wanted to be clear of my facts - it was Mr Bossano himself who suggested to the Government whether the question of people handing in accommodation which the Government could then use to reallocate should not be a factor that should be taken into account and we in the Government discussed the matter and in the Land Board and we thought it was a very good suggestion. What has happened in the intervening period is that we have never been able to put many properties out for tender that have attracted people who have been willing to offer accommodation in exchange so the issue has not arisen because if you have been putting out to tender a pre-war small and semi-derelict property in Devil's Gap Steps or in Lower Castle Road or what have you, people who live in Humphreys Estate or Varyl Begg are hardly likely to offer a four room or a five room flat in order to acquire that property. But when you put up a quarter such as Gowland's Ramp, then another issue arises altogether because Gowland's Ramp is a very large quarter, a very good quarter, it didn't require, relatively speaking, very huge sums of money to be spent in putting it into a good condition. So two things have happened in the intervening two years. First of all, we are for the first time putting out a quarter, what was a Government quarter and that has attracted forty-something tenders. How can you not expect the other forty-one people who were unsuccessful not to have a grievance? The other point that has slightly changed the situation and has made it even more important for the Government to try to recoup housing is that two years ago we were building St Jago's, we were building St Joseph's and the Government was itself therefore able to provide housing but today we have come to the end of the road. There is Tank Ramp, Castle Road/Road to the Lines, Rosia Dale, after that, nothing, so that we should acquire a three and a four roomed flat worth £80,000 - because that is what it would cost to build - is significant. That we should acquire a five roomed flat in exchange for a property which has been empty in Engineer Lane for years is also significant. These are the factors but I can assure the Hon Member opposite, if he will read the statement that I made, and I do not mind having a meeting with him and giving him a rundown and explaining to him what the allocations have been over the years, that the criteria are well laid down and that they are clearcut. Well, clearcut in the sense that we in the Land Board know what they are. What is not the same is to go to the Housing Department and look at the housing list and see that so and so has got 900 points and so and so has got 300, the person that has got 900 has a better chance but when you are weighing up a tender sum, the housing situation of that family, what they are handing in, the plans that they are submitting as to how they wish to redevelop that property, when you have got four or five factors to take into account in awarding a tender, someone who just examines barely the tenders that have been received finds it difficult to understand how it has been done. We are, I think, in the advantageous position that we have been building

up cases over the years and criteria which, by and large, have worked. There has never been criticism until now of any particular awards but if you have seventy-seven tenders for seven properties, people are bound to be aggrieved. But, anyhow, I know that Action for Housing have asked for a meeting, if they come along to the meeting with a constructive and positive attitude which this young man showed on the television discussion that night, I think, if anything, we can arrive at even better arrangements for the future. - But I can assure the Hon Member that the most meticulous care is taken and I hope that he will understand what are the new factors, new up to a point and not so new because, as I say, the Hon Mr Bossano first suggested, and it is a very valid point, that the Government should be able to acquire a flat to reallocate to other people on the housing list. Thank you.

HON J L BALDACHINO:

Mr Speaker, I welcome the Hon Minister for Economic Development's intervention and his explanations. Nevertheless, Mr Speaker, I was not putting in any way any doubt on the good faith of the Government.

HON A J CANEPA:

May I say, Mr Speaker, that not for one moment did I take it that there was doubt, I just thought that it was an excellent opportunity to explain publicly here this morning what has been happening and I am very grateful to the Hon Member for giving way and I can assure him that not for one moment did I think that there was any indication of a lack of good faith. I think, without being patronising, if there is anything about the manner in which this House is conducting its affairs, I think that there is a basis of good personal relationships which are being built and I know that other extraneous factors are not coming into our deliberations.

HON J L BALDACHINO:

Mr Speaker, and so it should be as the Hon Member has stated because we are here, the Government and the Opposition are here, to look after the welfare of the people of Gibraltar. I know, Mr Speaker, there are people who think I shouldn't be here because I am a fireman but anyway it is

HON CHIEF MINISTER:

Very important.

MR SPEAKER:

We might have to call on you to put a few fires out.

HON J L BALDACHINO:

Would the Hon Member put the honourable fire out? Anyway, Mr Speaker, it is an honest profession as any other profession.

HON A J CANEPA:

We had a garage mechanic here for many years.

HON J L BALDACHINO:

Yes, but not everybody thinks the same. Anyway, Mr Speaker, as I told the Hon Minister responsible for the Fire Brigade that he should be proud of the Fire Brigade we have today not because we say it or because the Government says it but because somebody has said it and I gave the reason to the Hon Minister for Municipal Services in the Ante Room why he should be so proud. I do not mind saying it in the House but I think it is irrelevant to my responsibility to this House in the Opposition and I most probably will have clarified to the Hon and Learned Chief Minister that I am not the spokesman for the Fire Brigade.

HON CHIEF MINISTER:

I made a mistake.

HON J L BALDACHINO:

My Hon Colleague Juan Carlos Perez is the spokesman for the Brigade; I would be very proud to be the Opposition spokesman for the Fire Brigade. Mr Speaker, going back to my original speech, there is one other interesting statistic in the Abstract of Statistics and this is that the number of privately owned rented houses is lower in 1983 than it was in 1970 thus contradicting completely the argument used in the last House of Assembly that to introduce controls for post-war properties would kill the private sector rented market. Where is that private sector rented market when there have been no controls for post-war dwellings and yet the numbers are lower in 1983 than they were in 1970? Mr Speaker, turning now to the question of public housing, it is obvious that very little has been done to build more houses since the end of the 1981 Development Programme and the end of the provision of British Government money for building houses. In 1981, the then - I had better stress this, Mr Speaker - the then Financial Secretary announced that in a situation where local houses would in fact have to be financed from commercial borrowing in the future, the cost of the houses would be passed on to the Housing Fund by a charge which reflected not the actual interest of repayment of the loan but the depreciation of the new buildings over a 60-year period and for this purpose a charge of 3% of the value of the house was considered adequate. Mr Speaker, in line with the GSIP policy of improving the accuracy of accounting methods so

as to give a more realistic picture of true economic costs on which to base policy decisions, I must question the validity of applying this thinking of 1981 to such things as the Varyl Begg roofs, the repairs to the external walls of the Tower Blocks and the modernisation of old properties, none of which can seriously be considered to be capable of a 60-year life over which the expenditure can be reflected. Mr Speaker, I would ask for confirmation from the Minister for Housing that in fact these costs from the Improvement and Development Fund are being treated the same as expenditure on new houses and that he agrees with me that in order to give a more accurate picture of the financial implications for the Housing Fund of the expenditure in the Improvement and Development Fund, the charge to the Housing Fund should be on a different basis for the new houses and for the other areas of expenditure such as the ones that I have listed. I would point out, Mr Speaker, that in fact very little of the money is going into new housing. I accept fully that this will not alter the overall financial position of the Government but in fact will give a truer picture of the real costs being borne by the Housing Fund which at the moment are masked by the much longer period over which the costs are spread. Mr Speaker, the Budget of 1984/85 makes very little provision for resolving Gibraltar's chronic housing shortage and, in fact, what is worse still, it is clear that the Government has now virtually exhausted its authority to borrow money and that the borrowing is nearly all committed, anyway, so that not only do we see a very limited attempt at improving the housing situation, but an attempt that is due to end in a very short space of time. Against such a background, Mr Speaker, the problems that the Government faces with the deterioration of the housing stock, with people living in substandard accommodation and condemned dwellings which if owned by a private landlord would lead to prosecutions, puts the Government in an exposed position of having difficulty in exerting pressure on private landlords to improve the quality of the houses they provide when the worst landlord in Gibraltar in this context, Mr Speaker, is the Government itself. Mr Speaker, the Government has got no answers for this problem as it has no answers for any other areas of the economy for which this Budget is a fiasco as we predicted in the election campaign that it would be.

HON MAJOR F J DELLIPIANI:

Mr Speaker, may I congratulate the Hon Mr Baldachino on a very well balanced maiden speech. I have enjoyed his analysis, his tone and the obvious desire that he has to work with Government even though they might not agree with us on some things, for the good of Gibraltar. Mr Baldachino made a remark that the Government plays with words, I think all politicians play with words, but there is no more able politician who plays with numbers than Mr Bossano. Mr Speaker, I am not only going to touch on my own Ministries but at the risk of the wrath of my Colleagues because I think it involves my own Ministries indirectly, I am going to touch on some of the Ministries of my Colleagues and I hope that I

will not be lynched afterwards. One of my favourite programmes is 'Yes, Minister' and one likes to think that does not happen in Gibraltar, maybe it does happen in my departments and my Directors are even cleverer than Sir Humphrey and I do not even notice but I do not think so. But I certainly get the impression that it happens with the UK Government in respect of policies which affect Gibraltar. I remember when Mr Ian Stewart was here, when we had some very tough bargaining on the question of land, how impressed I was by this gentleman and I came away from the negotiations quite satisfied in respect of the deal we had made on land. Unfortunately - and I say so in my private capacity if I am allowed to - I have not been impressed by the enthusiasm that Mr Stewart showed in the handing over that land by the expatriate mandarins in Gibraltar and some of them wear uniforms. Unfortunately, or maybe, fortunately, I did not have the privilege of meeting Mr Lee, maybe my Colleagues decided because of the way I say things it would be best for me not to meet him but I am not impressed with the way the local UK administration are cooperating with Gibraltar, no matter how sincere the Ministers in UK are. Unfortunately, they still want to maintain the same standard of living that they have enjoyed in the colonial past and they have not realised that the wind of change has also come to Gibraltar, not only to Africa. We cannot have a situation where the Admiral - and he is a lovely guy, he really is, he is probably one of the best of the lot - has an area which is double the size of the area of Humphreys, of all the buildings in Humphreys, I am not quite sure but almost double. It is certainly double the area we have at the Gasworks so you can imagine how many flats we could build there and, as I say, the Admiral is a lovely guy but he probably wants to keep it for the next Admiral. The other thing that I am rather disappointed is a statement that was made recently, I don't know who but certainly not on our part, was that the Coaling Island was not negotiable, they wanted it for themselves and that's it. It is a very comfortable situation to take: "We want this bit of land because it is essential, but we will give you this little bit in between, it doesn't matter that if you develop this into a lovely tourist scheme, you are going to have a dirty looking submarine sticking out or a destroyer, it doesn't matter, we need it", it is a very comfortable situation to be in. It still serves because we need their defence but when they don't need the defence requirement of Gibraltar I wonder what their attitude will be because they might say how valuable Gibraltar is as a Naval Base but things change. They send us a guardship and the next day because it was more viable for their NATO commitment, probably in the North Atlantic or in the Baltic Sea, whatever it is, they have taken away the guardship. They didn't consult us, they just took it away so the time will come when they won't consult us and take away the Naval Base and then all the tourist development will be absolutely haphazard because we haven't had a planned tourist development because of all the little bits and pieces that they are still leaving behind. I am sorry if I have dwelt on this problem for long and I have taken it

from my Hon Colleague's Ministry but it is something that I feel very strongly about. The next question that I am touching, because the Hon Mr Feetham brought it in his intervention, is the question of job creation. I am touching the question of education and the College of Further Education. The College of Further Education is becoming more and more essential to Gibraltar for the development of the manpower requirements of Gibraltar and I say this because at the moment in one particular respect where I can see a gradual increase in the economy of Gibraltar is in the Finance Centre groups and offshore banking, etc, etc. But we are not producing the right type of personal assistance that these people require because unfortunately the trend now, and certainly it applies to the Girls' Comprehensive School, the trend now is that the people who go for the secretarial type of work and they only end up learning how to type and copy-typing at that, is that the lower academically inclined people go for this type of occupation and the brighter ones aim rather higher to go to the UK or end up as Clerical Officers, when there is a real, I think, need for Gibraltar and a very remunerative profession if you can produce a really good personal assistant and by personal assistant I mean a secretary who can audiotape, who will know how to deal with computers, with word processors, telex, etc, etc. And there is this need because everybody who comes from UK either poaches from existing people or bring their own. There is a growth area but that can only happen when we have the Business Studies of the College of Further Education on its proper footing and we can encourage the young people of Gibraltar that if they want to stay in Gibraltar they have to realise that they have to gear their occupation or profession to what the needs of Gibraltar are. If they do not want to stay in Gibraltar they can carry on being nuclear physicists and astronomers but if they want to stay in Gibraltar they have to set their sights on what will become available in Gibraltar in the future. I think we should develop this because we must become as self-sufficient in labour as possible and this area of self-sufficiency must cover the whole spectrum of our economy because if we look at the hotel and catering trades the proportion of local labour, and some of the jobs are very remunerative, there is hardly anybody there. A good chef will get a lot of money there are no local chefs, nobody is interested. What I have said before I will say again, we need to change attitudes. If they do not want to stay in Gibraltar by all means they can choose the occupation they want and leave Gibraltar but if they want to have jobs in Gibraltar they have to gear their occupation to the requirements of Gibraltar. I asked for the young people to give me what their requirements were, what their likes and dislikes were, and I ended up with about forty or fifty electrical fitters. What the hell do we do in Gibraltar with an extra forty or fifty electrical fitters? There is no job for them; twenty or thirty beauticians; forty hairdressers; there just isn't that market for it. The attitudes must change if they want to stay in Gibraltar, that is all I am saying, and I hope that it should be certainly our own attitude in the House that we must encourage our young people to stay in

Gibraltar because otherwise in the long run we will lose the right to keep our identity as Gibraltarians. I hope Hon Members will agree with me that it is not just a question of educating for the sake of educating so that they can go away from Gibraltar. There must be an element of career orientation towards the needs of Gibraltar if they want to stay in Gibraltar and if we want to keep Gibraltar for the Gibraltarians because it is quite ridiculous that we have occasion to bring expatriates in because people have not trained in the particular field that we want them to. I also extend a welcome to the Hon Mr Feetham. I didn't hear his radio broadcast but without having any knowledge of what I said to the young people of my schemes - that still have not been approved by Council of Ministers - that they are, in my own words and with due respect and modesty, quite sensible and I would welcome Mr Feetham to come to my office if he has any other ideas to produce to give to me, I will incorporate them in the schemes that I have and I will share and I will discuss the schemes in proper detail with him and if he comes up with a better scheme or he comes up with good suggestions I will announce it in the House that it was Mr Feetham who gave me the idea. I have done it before, I will not take credit where the credit is not mine because I know we are both working for the good of Gibraltar. May I now come to the question of the contribution by the Hon Mr Mor. I will be announcing in May or at the next House of Assembly, I hope it is in May, that the credit system that we introduced through the motion by the Hon Leader of the Opposition for the people from 60 to 65 will come into force as from January, that was the decision that the Government took. May I also say that even though the motion was brought by the Hon Leader of the Opposition it was something that we had discussed in the Manpower Planning Committee at earlier stages. It was something that I, in fact, felt like him that there was a need to bring in the question of credits to a realistic manner because of the problems that we had which did not exist before, it only came about because people were being forcibly retired and when we became aware of the problem we discussed it and I kept telling him: "This is one of my biggest problems" and he brought the motion which helped me to convince the Government to bring the credit question into it. Yes, it will be backdated to January, to the first paying week of January. The question which is a hot potato for everybody of the retirement or old age pension from 65 to 60. Yes, it is still my aim of policy but if I brought it now we would probably be paying £10 a week in contributions. It really is an aim of policy, it is something that the left side of me, the socialist part of my heart wants to introduce but the centre part of me stops me because I am realistic, I do not think we are in a position where we can afford to at this moment. The same applies to the supplementary benefits. Of course, I would like to increase supplementary benefits but unfortunately I am not like Mrs Thatcher, I haven't got the oilfields that she has where she can afford to have over three million people unemployed indefinitely. I would love to increase supplementary benefits, we do increase them on a

yearly basis based on the formula that we have for the old age pension. On the question of home ownership I think the Government has made a start and I would agree with Members opposite that if we have enjoyed having television sets and videos and all the rest, it has been because the people of Gibraltar have never had the opportunity to be able to buy houses because there has never been the land to buy those houses, the land has always been owned by the colonial power. I think the Financial Secretary mentioned that videos have gone up by 50%, maybe when it goes up to 100% then the people of Gibraltar will start thinking: "We cannot buy anything else, we will go now into buying our own houses", but, unfortunately, I think the computer stage is coming in now and they are buying computers. I hope that the attitude of people and certainly young couples are changing. They are realising that the most important thing that they must have is a roof over their heads and not an expensive car and the latest computer or the latest video. If there is one thing, and I am not as much as a socialist as Members opposite, that I have always been tempted in doing is to nationalise one of the banks in Gibraltar. I think it is disgusting that on two occasions that the Gibraltar Government has gone out to borrow money, two outside banks have given us better terms than the local bank. I think it is absolutely disgusting with the money they have made in Gibraltar over the years. And if there is one bank that should make a real effort in helping young people to acquire their own homes it is this bank and I wish the Financial and Development Secretary the best of luck. The question of - gosh, I am talking so much, I have never talked so much in my life but I have three Shadows, Sir. The Government will be going ahead with the Landlord and Tenant Act, we hope, sometime in July. The delay has been because of the Rent Assessor which we have now agreed to, not only a Rent Assessor but because of the impact that the Ordinance will have we have also allowed for a temporary Assistant Rent Assessor so that the process can be hurried and done more properly under a shorter term and also in this bureaucracy we had to print a lot more forms now, lots of forms have to be printed with regard to the Ordinance and this has not been done but we hope that it is done and it will be introduced in July.

HON J BOSSANO:

If the Hon Member would give way. Can I ask him one thing? In the implementation of the thing will in fact the Rent Assessor on his own initiative be assessing rents or will he only do it if he gets a complaint from either the landlord or the tenant?

HON CHIEF MINISTER:

He has a statutory duty to do it the first time, then after that on request.

HON MAJOR F J DELLIPIANI:

I think I have covered most of the points raised by my Shadows on the opposite side. I would like to end with a question for the opposite side because they have closer contacts with certain trade unionists who like to use the words 'working class' and he mentioned it in reference to the increases in rents that the Government has announced, that it was an onslaught on the 'working class' of Gibraltar. I really do not know what 'working class' means because I know of somebody who maybe qualifies as 'working class' who works in the Generating Station who earns more than all of us, he earns £16,000 a year and he wears an overall and he is 'working class'. Certainly he earns more than I do so maybe Members opposite who have more contact with him can clarify what 'working class' means because in this day and age, certainly in Gibraltar, I do not know what 'working class' means.

HON J L BALDACHINO:

If the Hon Member would give way. I am quite in agreement with what he has said about working class but the clarification I give is not on working class but on what scale of pay one is. You can be a working class and be in the highest paid scale or you can be a lower paid working class. I will try not to refer to working class but if I ever do all I am referring to is the scale of pay you are in but I think nearly all of us are working class.

HON MAJOR F J DELLIPIANI:

I am grateful to the Hon Mr Baldachino. I can assure him that I know the way he thinks but it is just that some people who live in the past and use the language of the trade unions of fifty years ago still use this language because it sounds marvellous but it doesn't mean a thing. Fifty years ago it was necessary to talk about working class and bang on the table. In conclusion, may I apologise to the House for speaking too much, it is usually not my way.

HON J E PILCHER:

Mr Speaker, I would like to concentrate my contribution not on specific issues although I will be making specific references to actual expenditure and pointing out to the Minister and giving notice to him of things that I will be asking in Committee Stage, specifically about tourism which is one of the departments that I shadow, but I will be referring to the wider implications of the Budget and how it reflects on the matters which are affecting Gibraltar at this time. The Budget, Mr Speaker, is all about coordinated planning behind how the Government taxes and borrows and how it spends and invests thereby helping to generate employment and redistribute wealth. These words, Mr Speaker, must

undoubtedly be familiar to the Government benches. It is, in fact, a direct quote from the Hon Mr Canepa's intervention of last year which he repeated in much the same terms this year. It is as untrue this year, Mr Speaker, as it was, indeed, last year. There is no coordinated planning, no coordinated expenditure or investment. It is, in fact, the same kind of Budget that we have had since I, at least, can remember - what I have always called a shopping list Budget, Mr Speaker, similarly to that used by a housewife in her approach to her every week shopping - balancing expenditure to income. The Government does this in reverse - balances income to expenditure - but the principle is the same although I would add that if the housewives balanced their weekly budget like the Government has balanced this Budget, the arrears of the Government would certainly be much higher as the husbands do not have enough money to pay their bills, expenditure being £52,519,100 and income being £50,339,500, £2m difference, £1m if we take into account the measures of revenue advocated by the Government. This is obviously draining our limited reserves and I say limited advisedly because we have already stated when we discussed the Auditor's motion and in fact the Hon Leader of the Opposition has stated it in his contribution in the Finance Bill, the actual state of the reserves do not reflect the exorbitant amounts owed to Government. Mr Speaker, having said this, I will refer to the Hon Mr Canepa's intervention who said that this kind of Budget - a 'holding Budget' he called it, and I do not know what we are holding and how long we are holding it for and when we are going to start moving, Mr Speaker - was a direct result of the extreme financial difficulties which if unchanged would result in economic chaos by this time next year. Mr Speaker, the Hon Mr Canepa, with all due respect, seems to be getting senile. He put the blame on the British Government and he said that the £28m is not enough and that anyway part of that money is going back to the UK and that the land question is not moving quickly enough with the underlying suggestion that projects like the Causeway are meeting so many obstacles as to being pushed back and the timetable suffering consequently. Mr Speaker, we welcome this speech although I do not think that the same is true of his own Colleagues sitting beside him as I was studying their faces as the Hon Mr Canepa was delivering his speech. But I say that the Hon Mr Canepa is getting senile in that he is mistaking the arguments of one side of the House with the arguments of the other, Mr Speaker. I could understand this, Mr Speaker, if this speech had come in 1986, 1987, but it is only two months ago that the election campaign was fought and that the GSLP was saying this and that he was defending the opposite by saying that the package was the best that Gibraltar could get and that this was due to the statesmanship, qualities which we all accept, of Sir Joshua, in fact, we accepted that the £28m is all we were getting. Is he now echoing the DPBG policy during their election campaign who said that they could get more and that after all he would have to go back to the UK Government which is exactly what he said when he was referring to the economic programme as regards tourism and he said that we will have to go back to the UK to get more money for tourism?

MR SPEAKER:

But I think, in fairness to Mr Canepa, he distinguished the aid being given insofar as the Dockyard was concerned, the £28m, to the ODA element which he has failed to obtain but I do not think he equated one with the other in any manner or form.

HON J E PILCHER:

I realise that, Mr Speaker, but he was speaking of the financial difficulties as regards the estimates this year and the picture has not changed at all for the past two months, there is no great change between two months ago, in January when we were fighting the election, and today, the financial picture is exactly the same and what I am referring to is the fact that this financial picture was not painted to the electorate in this way. Be that as it may, Mr Speaker, I take your point and I will not go into that again, the fact is that we are at this stage discussing the Budget which reflects a very gloomy economic picture and yet, Mr Speaker, the Government is over-borrowing and I will explain this, Mr Speaker. If we go to page 92 we will find that the total expenditure in the I&D Fund is £8,703,344, that is the total expenditure. If we take out of that the total ODA received which is £4,972,000 we find that the Government is using £3,730,000 of its own money and yet it is borrowing £4½m which leaves a surplus of over-borrowing of £769,163, Mr Speaker. We find that we are having to pay interest on money which the Gibraltar Government is not intending to spend in this financial year and thus compounding their own plight. There is no logic to their madness especially if we take into account that the I&D Fund has already got a surplus of £703,000 brought over from the last financial year. Is this synonymous of coordinated planning? At least in my mind it is not synonymous of coordinated borrowing. I think that this is a good moment to answer the point made by the Hon and Learned Chief Minister when he said that we in the Opposition and more specifically the Hon and Numerate - and this is I think how the Hon and Numerate, obviously suggesting that we should call him the same - Leader of the Opposition should reveal or at least help the Government in letting them know what our economic plan is or at least what direction we should give the economy. Firstly, let me say that certainly that is not the aim of an Opposition, Mr Speaker, the aim of an Opposition is to replace the Government and, secondly, Mr Speaker, the Government know what we mean by this and are capable of producing their own economic plan and I will prove it. In the Tourist Report - I know we are not discussing the Tourist Report, Mr Speaker, but in the Tourist Report, just beside page 71, Appendix A, the Government have briefed the writer of the Report, Mr Pitaluga, have given him a realistic brief 'To examining the past and current tourist industry of Gibraltar against the background of the European and (particularly) UK holiday markets with a view to recommending long term policies that will positively affect the economic

and social life of Gibraltar'. This is, Mr Speaker, what we mean by an economic plan, this is the philosophy behind the GSLP, in using Government revenue to aim it and to direct it at a specific policy whether it is tourism, I won't say that the GSLP would do the same, but if it is tourism then we agree that that is the Government plan and this is the way when the Opposition talk of an economic plan this is exactly what we mean, we do not have a readymade economic plan, it is using the philosophy behind where you want to gear your economy and using it accordingly. I think it is the Government's responsibility to do this because they have the resources and they have the expertise and perhaps if the Hon and Learned Chief Minister could convince the Hon Financial Secretary that instead of giving us literary debates and talk of Shakespeare and Orwell and Dickens he concentrated in preparing an economic plan for the Government perhaps we would not have this situation. I refer to page 70 of the same Report which says - and I know this is referring to PA Consultants in January, 1971, but I think the argument is the same: "Many previous reports have suggested improvements in the tourist product and many of these improvements have not been implemented". This is the history of the Government. They have the reports, they have the resources and the expertise but they just will not bother to gear their economy towards any specific point. And it seems to me, Mr Speaker, that it will not be the tombstone of the Hon Leader of the Opposition that will be the one that reads: "Here lies Joe Bossano who went to his grave without revealing his economic plan", but rather one that says: "Here lies Sir Joshua Hassan who never learned what an economic plan was". I would like to concentrate on the main problems facing Gibraltar and how these are tackled by the Government as far as expenditure is concerned, unemployment being one of our big problems, at least big in comparison to other years and certainly frightening in the proportion that it could reach if the present trend does not change. We welcome the statements made by the Hon and Learned Chief Minister and other Members opposite that Government will not curtail expenditure by cutting back on jobs and we heard the Hon Chief Minister in the Official Opening of the House give us a synopsis of the measures that are going to be implemented to curtail unemployment. We reserve our welcome to this until we see in what way and when this will be put into practice. The estimates, however, Mr Speaker, do not reflect any movement towards job creation in major projects or, indeed, and although there is a vote for the Technical College as far as lecturers is concerned this is still pending and there is no movement in educating our youth for job diversification so important in fighting unemployment. Mr Speaker, last year the Hon Mr Canepa said that the Government would be transferring money from the Improvement and Development Fund to boost the construction industry, £1.5m, in fact from the Consolidated Fund to the Improvement and Development Fund, I am sorry. Although this was not entirely correct as part of the money was passed to the I&D Fund to cover the deficit of £3.2m, notwithstanding the £1.5m were passed to the I&D Fund but this did not stop the decrease in

the industry as shown by another 100 jobs, in fact, a 20% of the industry shown in the Employment Survey 1973 but it might, Mr Speaker, have curtailed any more collapse of the construction industry and yet we find that this year we have a surplus of £1.5m roughly, the same as was passed last year from the Consolidated Fund to the I&D Fund and yet we are not spending this money to put it into projects to curtail unemployment.

HON A J CANEPA:

Mr Speaker, if the Hon Member would give way. £1.5m have financed the building of thirty-something flats at Rosia Dale, that is what that money has gone for.

HON J E PILCHER:

The money that was passed last year, £1.5m.

HON A J CANEPA:

Has gone to build Rosia Dale.

HON J E PILCHER:

I take the point, Mr Speaker, but the point I am making is that this year we have £1.5m surplus so we will have £1.5m of surplus which, as I have explained, comes from slight over-borrowing and we are not using the money for any specific purpose.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, if the Hon Member will give way. I did in fact propose to cover the points which the Hon Member and I think the Hon Mr Feetham earlier made on the balance as at 31st March, 1985, in the Improvement and Development Fund and that is the only reason why I have not intervened before now.

HON A J CANEPA:

I think, Mr Speaker, it is worth pointing out again, if the Hon Member will give way, I think Hon Members opposite other than Mr Joe Bossano seem to have a misconception as to how the I&D Fund works. They do not seem to understand how it works and I think there is a danger in developing that argument by successive speakers which I am sure that the Financial and Development Secretary will explain to them how it is working but I think that they have got a misconception, it is an on-going thing from year to year. It is a capital account.

HON J E PILCHER:

I take the point made and perhaps we will be enlightened when the Financial and Development Secretary replies. I would like the Hon Financial Secretary to put us right if we are wrong but the point still remains that there is £1.5m surplus in the I&D Fund as opposed to £3.2m deficit last year which is not being spent this year, Mr Speaker. This brings me to commercialisation and I will remind the Hon Financial Secretary that he told me in the last House that he was going to give me the terms and conditions under which the new managers, Messrs Appledore, have been contracted with the Government. This has up to now still not been forthcoming and just to remind him that I have not forgotten and perhaps it is because he does not know himself but that is beside the point. It brings me to commercialisation because it appears to me that this is the area in which the Government is pinning all its hopes, its hopes in the increase of construction, in job creation, wealth, etc, and I think that the Government is mistakenly putting all their eggs into the one basket irrespective of the fact that they said that this was not the case during the election campaign. One word of advice at this point, Mr Speaker, and I am repeating what the Hon Leader of the Opposition said in his intervention, I think, on the Finance Bill and that is that the Government is the owner of the Gibraltar Shiprepair Limited, Mr Speaker, and as such are responsible to the people of Gibraltar. It is alright giving Appledore a free hand in negotiations but when problems occur, Mr Speaker, and it seems to me that the negotiations between Appledore and the Transport and General Workers Union are getting very near to deadlock, then it is the Government's responsibility to step in and liaise in order to ensure that this free hand which they have given Appledore is not in fact working against the people of Gibraltar. The visit of Mr Lee - and I am talking about commercialisation and the package which was granted to the Government - highlighted all the obstacles in the path of the Queensway development echoing what we, in the GSIP, have always said. He was, in fact, saying that the project would need years, and I think Mr Canepa will agree with me, would need years to get off the ground if at all. I think if I may just turn to last year's Hansard, page 158, the Hon Mr Canepa was saying: "I always say, Mr Speaker, that I am a frustrated Minister for Economic Development because I keep on bringing projects on stream and because of what I would call the crisis of confidence surrounding the non-event on the one hand", and he continued to talk on the Dockyard closure. We on this side of the House, Mr Speaker, have no crisis of confidence, what we have is realism, Mr Speaker, we have our feet firmly on the ground. The Hon Mr Canepa was delirious over last year's projects like Casemates, the Command Education Centre, pedestrianisation of Main Street, which do not appear in this year's estimates, by the way, the pedestrianisation, the plot of land beside St Martin's School, etc. Not one of these projects has materialised, Mr Speaker, so he comes back this year with the same projects adding on the Queensway development and the Rosia Bay development. Quoting his own

words, Mr Speaker, he must really be frustrated if he thinks that from this side of the House we are going to believe that any of these projects, or at least very few of these projects, will materialise at all. None of these projects if they do materialise will come in time to save the impending doom which the Hon Mr Canepa was referring to yesterday in his intervention on the Budget. I must say that the development of Queensway will get off the ground, Mr Speaker, late this year or early next year but when I say this I do not refer to the Queensway development, there is a difference, Mr Speaker. The development of Queensway is what the MOD are referring to in the expansion of Coaling Island and the expansion of No. 4 Dock to meet the new Naval Base era whereas the Queensway development is what the Gibraltar Government mean by the 10% of Queensway they are getting to develop as far as tourism is concerned. The MOD are replacing all their berthing and docking facilities in Coaling Island and No. 4 Dock, as I said. I cannot see, Mr Speaker, anybody coming in to develop a site which is sandwiched between a Naval Base on the one hand and a commercial Dockyard on the other and obviously the many pre-conditions that would be put on a developer given that the area would be an operational area for frigates, submarines, etc. To develop Queensway would be an asset for tourism, Mr Speaker, given that according to Government's own statistics, the Tourist Statistics for 1982, 15% of the overall tourist expenditure was from visitors on yachts, in fact, it was £1,710,000 but I am afraid, Mr Speaker, that the Queensway development, at least for the foreseeable future is pie-in-the-sky. "It is vital that if the Dockyard closure proceeds that the alternative should provide a firm foundation for our economic future" - again the Hon Mr Canepa. The Dockyard is closing and the Hon Mr Canepa must admit that the Queensway development will not appear this year or the next financial year, it is in fact a long way off hence what does the Government have to say when their acceptance of commercialisation was hinged on the Queensway development and we all know that the Dockyard commercialisation will not substitute the MOD Dockyard? I refer to the Ceremonial Opening of the 5th House of Assembly where the Hon and Learned Chief Minister said - talking on the Report of Tourism - that the Government were in fact going to look into tourism and make it the other pillar of the economy of Gibraltar. I think the Hon Chief Minister pre-empted statements I was going to make on this, in fact, I was going to mention whether the Tourist Report was going to be kept secret but, obviously, since we have been handed it in this House I cannot say this. But it does not make any difference whatsoever, Mr Speaker, in my intervention at all because again if I can refer to the Report, in page 64, the Report says: "In formulating them" - and it is talking about the Report - "I have ignored the financial constraints on the Government. If they are approved they will have to be costed and ways and means found of providing the money". This, Mr Speaker, together with the intervention of the Hon Mr Canepa yesterday who said that the only way of funding tourism would be to go back to ODA and we all know that ODA has in fact not approved many a venture on

tourism, seems to indicate that we won't have this tourist boom, Mr Speaker. In fact, if it was anything different I would still continue with the same argument because as you rightly pointed out to the Hon Mr Feetham yesterday we are discussing this year's expenditure and in this year's expenditure there is absolutely nothing, Mr Speaker, on tourism. If I can refer to the areas of tourism as such, tourist expenditure, Head 24, page 79 - Advertising and Field Sales £250,000 as opposed to £231,000 of last year, obviously taking into account levels of rising cost of living and rising advertising and things like that are not an increase. If you go to the I&D Fund you will see that there is absolutely nothing that reflects any thrust in tourism and I think that my Hon Colleague, Mr Michael Feetham, did in fact mention the urban development which is an on-going process and not something new that is being pushed as far as tourism is concerned. I have to refer to statements made by the Hon Chief Minister, I am getting worse than the Hon Leader of the Opposition, Mr Speaker, with so many papers, the Hon and Learned Chief Minister when he was talking to the Institute of International Affairs when he said that one of the aims of the Government was to make Gibraltar one of the most popular and rewarding places to visit but he did qualify this by saying: "We are not taking into account the possible reopening of the frontier", and I think this was echoed by the Hon Mr Canepa when he said: "I have never pinned our hopes on an economic bonanza with an open frontier". So the impetus is, I take it, the impetus and thrust given to tourism without taking into account an open frontier and this, Mr Speaker, is not, as I said a moment ago, is not reflected in the estimates although I realise that perhaps the answer would be: "Well, we are studying the report to the Chief Minister on the tourist industry", but as I said before, it is very depressing to hear what the Hon Mr Canepa said as regards having to go back to ODA in order to be able to fund any thrust on tourism. On a last note, Mr Speaker, although I realise that this has not been the case in this House although this was mentioned by the Hon Financial Secretary and the Hon and Learned Chief Minister when they referred to the adverse conditions of an open frontier, we are convinced, Mr Speaker, that when we look at the statistics, the statistics do not properly reflect the state of the financial movement of capital towards Spain. We are convinced that the state of the economy is a direct result of Government's inability to give a concrete direction to the economy as shown this year reference tourism when they have been making statements and I think it was, in fact, the 14th November as regards the thrust being given to tourism, we have the report which has just come out which I will not comment on the fact that in his opening speech the Chief Minister said: "For the moment, I will simply say that the report has been written after close consultation with all sectors and I will shortly be making a statement", he said when he was referring to tourism. I will not comment on the meaning of the word 'shortly', I think this has already been described by the Hon Mr Baldachino but certainly, Mr Speaker, it appears to me that shortly in that term - and I take it that this means this financial year as was already explained.

HON CHIEF MINISTER:

If the Hon Member will give way. It is a completely different interpretation of 'shortly'. Certainly within this financial year it would be ridiculous not to mention that but, unfortunately, and this is only fair and I have kept the report at the date as at which I had the first draft. It has taken physical time and additional time to complete the report. When I spoke I had the draft report. If you see the report is dated the 17th February and it has only been made available now because it has only been finished now, in one sense. I do not want to apportion any blame but the person who is doing the report and producing the report and completing the report has got twenty other things to do and that was the Administrative Secretary. That is why at that time I didn't think that it would take so long to get the report but the word 'shortly' from now is as valid as it was when I said it.

HON J E PILCHER:

I thank the Hon and Learned Chief Minister for that. As I was saying, statistics do not reflect properly the adverse effect of the opening of the frontier because in the statistics the drop in construction industry and the fact that there has been a drop of 100 employees in the construction industry and obviously a loss of import in bricks, cement and that is not actually quantified but only mentioned and a drop in tourism as well means the figures must be considerably less, Mr Speaker. I am referring to the drop in tourism as contained in the Tourist Survey Report. Unfortunately, we only have the Tourist Survey Report of 1982 because the Tourist Survey Report of 1983 will undoubtedly not come out until May, 1984, Mr Speaker, although perhaps the Hon Minister for Tourism might have these figures already in hand and might be able to enlighten us if what I am going to expand on now is true. But taking into account the figures for 1982 we have all visitors to hotels increased by 4% but the actual tourist arrivals fell by 6% and therefore the tourist expenditure for 1981 was 10.9 and the tourist expenditure figures for 1982 was 11.4 no increase in real terms. However, Mr Speaker, this year and I am only basing myself on the Hotel Occupancy Survey which said that the decrease in tourist arrivals had been something in the region of 10.5%. If we take this into account then this is a further decrease over and above the 6% last year of at least a 4.5% or 5% which must of necessity reflect in the overall tourist expenditure by something in the region of at least 2½%. This must also be taken into account when we are looking at the adverse effects of the opening of the frontier and of the money that is staying here or going away we have to deduct all these things of money which is no longer circulating in Gibraltar. I am saying this because although I am glad to see that the Government have in no way used this as an excuse for the financial difficulties, at least they have not pointed to it directly in this House, it is not right to say that this is the case unless we quantify exactly what we mean, Mr Speaker. I think that it is a question and I take

what the Hon and Learned Chief Minister has said of giving the economy a direction, Mr Speaker, and I urge the Hon and Learned Chief Minister that if they have decided that tourism is what Gibraltar, as far as the Government is concerned, is going to look at to be the second pillar of the economy, then I suggest that a drive must be made in this area and be made soon because the figures for 1984, as far as tourists is concerned, are very, very gloomy indeed, Mr Speaker. Excuses are slowly dying, lack of airseats was the excuse used last year by the Hon Minister for Tourism and yet we find that in this year's estimates, Mr Speaker, on page 9 - Revenue - Airport Departure Tax, the Government have only estimated that the revenue in this area will be £53,000 as opposed to £67,000 was the approved estimate for 1983/84 and which came to £65,000 in the revised estimates, so there is a drop of £12,000 which the Government considers will be a drop that they will have this year in airport departure tax, obviously thinking that they will not get either the tourists, and I realise that there is an element of people in Gibraltar who will not use the airport to go on holiday as they are going across to Spain but nevertheless there is £12,000 - I was referring to the fact that the Hon Minister for Tourism cannot use the excuse this year of lack of airseats, that is what I was referring to, which he used last year in answer to an intervention by the then Hon Bob Peliza, he used this particular excuse and this excuse cannot be used this year. I think just to wrap up, I suggest that once and for all a real try is to be made if the Government in fact have decided that tourism is going to be the second pillar of the economy and let us get on with it once and for all, Mr Speaker. High falutin statements are not enough and I refer again to the Ceremonial Opening of the House where the Chief Minister said: "A particular point made in the report is that tourism, as a business, cannot be run effectively if it is to be subjected continuously to political controversy. I hope that this is one area in which the Government and the Opposition will be able to work together for the public good". Well, I take up what the Hon and Learned Chief Minister said and I am quite prepared to work with the Government in order to make if, as I say, this is the direction that the Government wants to give the Gibraltar economy to try and work together with the Government to give the economy this direction, Mr Speaker. One other minor point which I had forgotten and this is that I welcome the fact that under the Finance Bill although perhaps I should have said it then, they are omitting the expression £150,000 and substituting the ceiling at £75,000 for development aid. I think this is a welcome move, Mr Speaker, and certainly one which I have been told about when I have met people in the hotel industry and people in the tourist industry as such and although I accept that the Government has to keep control over these things and make sure that this is not abused nevertheless it is a welcome move and one which I hope will produce people with less amount of money to be able to start small businesses which will help tourism. Thank you, Mr Speaker.

HON H J ZAMMITT:

Mr Speaker, I would like to thank the Hon Mr Pilcher for his contribution, particularly on tourism. I was expecting a much stronger attack but it has been diverted elsewhere and I say that, Mr Speaker, because under normal circumstances in considering the impetus that Government has clearly stated certainly since last July upon the return of the Chief Minister from London and the announcement of the Dockyard commercialisation, since then to date the Government has constantly been making meaningful references to the impetus and to the importance of tourism towards the economy and one has to accept that in tourism it is a business and therefore I was under the impression that Members opposite who have done their homework, and I commend them immensely for this, being the first one that they have done, that they would have looked at the tourist expenditure and said: "Well, where is the impetus that they are giving?" It is, with respect to the Reverend Mr Mor a 'status quo' - Hon and Reverend since he spoke in Latin, I think. It is, Mr Speaker, and I hope Members opposite will accept this, the Government has decided to just contain the present situation pending the outcome not just of the report that is laid before Members opposite but other very important factors, staffing matters and a greater all-round study of how we can make sure that whatever we plant into tourism we will certainly reap the benefit. Mr Speaker, I will bore the House no longer on that because I think that Members opposite will accept that certainly I, as Minister, am not happy with the present state of affairs if, in fact, the meaningfulness that we are talking about on tourism is in fact meaningful and therefore there will have to be a case and in fact I think, although it has not been clearly said here, there will be certainly in this Department if tourism is to be given the impetus there will be a need to come back to the House and ask for substantial increases in expenditure. Mr Speaker, what the Government, obviously has concluded, not only from the report which I must say I think the Administrative Secretary should be highly commended because he has looked at the tourist aspect of Gibraltar in a pretty wide sense from an entirely outside view and I say that because in my experience in tourism I have not yet found either people in the trade or people affected in tourism having a similar view, everybody has diverse views on what we are doing wrong, what we are doing right or both of them put together and therefore I consider it important that somebody of the calibre of the Administrative Secretary as an outsider without any vested interest one way or the other including, may I say, a political interest, should come out with such a clear report as he has. Some of the report, I think, requires clarification and requires questions asked but in the main it appears to be quite a comprehensive report and I commend him sincerely for that because he was in his own words in the report 'verging on ignorance' on what tourism is all about but he has done an extremely good job. Mr Speaker, it is absolutely true that the Government over a period has had a number of reports, the PA Consultants Report of 1971 that the Hon Mr Pilcher

referred to, the Input/Output Study, the PAIDA Port Study and various others coming from consultants, our own advertising and public relations. I think it would be cheating ourselves if we are not at least honest with ourselves. It is absolutely true that none, or may I say, very few of the recommendations in the reports concerning tourism have been fulfilled but let us also say and accept that they have not been fulfilled because there has not been a need to fulfil them because we have been allowed or permitted or accustomed to having a defence expenditure of 60%.

HON J E PILCHER:

Lack of foresight.

HON H J ZAMMITT:

Well, I can accuse other people of lack of foresight before certainly this Government came into power but nevertheless, Mr Speaker, there was not a need for it and therefore although one of my predecessors, Mr Abraham Serfaty, was always saying that his mission as Minister for Tourism was to articulate the 40% upon the 60% defence expenditure there were very many people then on this side of the House who should have been on that side permanently, who were saying: "No, you should not do that, stick to defence, that is everlasting". Well, that is now crying over spilt milk but the AACR did have the foresight many, many moons ago to do that. But it has been difficult, Mr Speaker, because it is not easy to understand the real value of tourism and even the Leader of the Opposition with his acumen as an economist is not totally encouraged and enthused by the value of tourism unless of course, I think he mentioned in the December meeting of the House of Assembly, the last straw on the back of the official Opposition then, he was not convinced, and I agree, unless it was cost effective, what we were ploughing in and what we were recouping. It is so difficult to be able to assess with total accuracy exactly what, where, who and why but we do know that tourism even at the low ebb that we have been over the last few years has contributed over £11m to the economy, generally, and some £2m in direct profit to the Government and there are hidden profits that we sometimes tend to ignore. The Hon Member mentioned departure tax, it comes under page 9 hidden away, absorbed by our Financial and Development Secretary very nicely, but it is revenue generated by tourists, the duty free shop, basically, the profits are generated by tourists, the income of St Michael's Cave and sites, that adds up to £200,000 that comes from tourism which people very quickly seem to overlook. I do not know if the Members opposite although they have the report if they have the other five separate papers, probably they haven't I can tell them it concerns staffing matters and other ideas which, of course, have to be looked into. The thinking is that we are not looking at tourism just to spend more money on advertising or whether we should go television or what, no, we are looking at tourism to better the product,

open up - and I say this without even smiling - the treasures of Gibraltar and let me say that sometimes we seem to overlook what we have and this was seen only last week when I attended a function of a first time ever military history tour that was brought out by Both Worlds and it is fantastic the interest and the benefit that Gibraltar would get by these organised tours in looking at Gibraltar's very rich history not only military but otherwise. It is in the context of trying to convince people of the importance of tourism, of trying to convince ODA, and I pause here and I think I should clarify, where they have been saying to us constantly that they will support projects which are revenue earning and open up job opportunities, well, invariably in every report that has been written on tourism, tourism is stipulated as being the greatest investment both to the economy and for the opening up of job opportunities, so it could well become the second pillar if not the first pillar of Gibraltar's economy with or without an open frontier. That is what we are trying to get ODA to accept that we are not able, at this stage, to fill the gap, the vacuum left by the closure of the Naval Dockyard unless they are meaningful and show determination and a will to try and put the tourist industry of Gibraltar on a proper footing.

HON J E PILCHER:

If the Hon Member will give way. The point I was referring to in the contribution of the Hon Mr Canepa and now it has been repeated by the Hon Minister for Tourism and that is the fact that if that is what the Dockyard package hinges on, the fact that we have to have money coming in from ODA to tourism, then that should have been part of the package, this is what I was trying to pinpoint.

HON H J ZAMMITT:

No, Mr Speaker, that is not part of the package.

HON J E PILCHER:

Well, you have just said it.

HON H J ZAMMITT:

No, I am saying that this is the Government's feeling.

HON J E PILCHER:

This is what I am saying, it is the Government's feeling it is not part of the package but what I am saying is if this is the Government's feeling that this should be the case, then that should have been part of the package because if not you find yourselves now that you have to go back to ODA to try and get this extra money for tourism. If it had been part of the package, if you consider, and I think the Hon Mr Canepa shares your view, that it is necessary to be able to fund tourism to be able to supplement the commercial Dockyard.

HON A J CANEPA:

If the Hon Member will give way. I know the Chief Minister was going to deal with the point because I mentioned it to him. There is a new factor which has emerged even after the election and that is that the Ministry of Defence are now saying that it will be four years before they are in a position to hand over Queensway. We do not accept that because when we went to London last July and negotiated the Dockyard package there was no question of it taking four years, we would not have signed the agreement if it was going to take four years but if they are now going to talk of it taking four years then the contribution to the economy which would be made directly through the creation of jobs associated with the development and subsequently because of the tourist orientated nature of what is to come, that is going to be on a much longer timespan and against that background we think that we now have a case to say to the British Government: "The situation has changed, we need assistance of a more short to medium term nature and the assistance has got to come in the form of ODA grants", senile as I am.

HON J E PILCHER:

Senile as he is, I welcome the words of the Hon Mr Canepa but I think, Mr Speaker, we did not know specifically that the Queensway development had been pushed back four years until this very moment.

HON CHIEF MINISTER:

No, it has not been pushed back four years, it is said that it will not be available and we do not accept that, it has been said at a lower level and the point is that the thrust of the agreement was at the highest level of the Prime Minister with the Minister who negotiated it. We still have not gone up to that level to make the thing be honoured because we are trying to do it the other way but that is the difficulty that has emanated since the election.

HON J E PILCHER:

The point has been taken, Mr Speaker.

HON H J ZAMMITT:

Sir, the idea there is not just, as I say, to improve the field sales and advertising or whatever but to have a betterment, have a more touristically orientated Gibraltar than what we have today and I would like to expand further upon what Mr Canepa has said and that is that MOD must realise that they have a part to play in opening up antiquated gun positions which no longer would be used for defence and hand them over or at least, if not hand them over not to have them

secluded as top security areas because the days of the bow and arrow are now over, nor do we pour hot tar out of holes to keep the enemy away, and I think they must have a more realistic approach to their antiquated dogmatic position of the past and help themselves because by helping themselves they do not force the Gibraltar Government to have to go back to UK and ask for further assistance. Mr Speaker, I know that you are probably looking at your watch. I am afraid that I will have to answer a few other things which may require some explanation.

MR SPEAKER:

What, another ten minutes?

HON H J ZAMMITT:

Ten minutes, well, I could speak faster and then no one will understand what I am saying. Mr Speaker, I will try and make it quick. I would like to answer a couple of the points raised by the Hon Mr Pilcher particularly on field sales and advertising, the slight increase of £19,000. It was not done with a percentage increase, it is that printing costs in particular are not index related, they do not form part of the general cost of living index and that sum has come up substantially. What we found was that if we were to have kept exactly the same amount of money for the transitional period it would have meant that we would have had much smaller spaces which is already very highly criticised because they are small enough and we thought let us keep at least during the summer period that particular break of exposure. It is frightfully expensive, I think I did explain to the Hon Mr Pilcher when he very kindly called at my office just after the elections, the cost of advertising which is frightening and I think to us Gibraltarians where we see a newspaper in Gibraltar accepting an advert for X we tend to feel that the same can be done in UK and I will give one example which I have given the Hon Member and that is astonishingly that a colour page in The Sunday Telegraph Supplement costs £22,000, that is what it costs. That is just one point and I will labour it no further, I will not go into television advertising or whatever else. Probably in Committee the Hon Member may be asking specific questions, it is frightfully expensive and to us sometimes even totally unrealistic but that is the price you have to pay if you want it. Mr Speaker, the Hon Member mentioned the question of the drop in expected income from the departure tax. He is slightly wrong and he is wrong because he was not here and one could not expect him to know this. He must remember that apart from less Gibraltarians going to London because of what he has mentioned, we also abolished the departure tax to Morocco and because of that there is a slight decrease, that we did to try and help GB Airways particularly during moments of crisis. It is not that we are dropping in expectation of a greater number of tourist arrivals. Mr Speaker, it is also true that there is a slight

drop in tourists and an increased financial input. This, I am reminded, of course, is higher in real terms than in 1982. I should also say, Mr Speaker, that despite the very many words of gloom that have been spread around, I am now permitted to say that summer 1984 will be much better than summer 1983, thank God. In fact, the forward booking for summer 1984 is, I would not say exceedingly good but very good and Gibraltar, unfortunately, is way down the list for obvious reasons and the late booking pattern seems to be catching up. I think we will find for a change that there will be certainly an increase on 1982 which was exceedingly bad. Mr Speaker, when I spoke of lack of airseats, I do not think anybody will deny that. There was a lack of airseats and that is precisely why the Government of Gibraltar supported another air carrier to come on the route because there were always allegations, complaints and in fact, personal experience with whatever importance one wants to give oneself as Minister for Tourism, I could not find a seat to go to carry out trade promotions. Be it because Gibraltarians were going and coming or what have you but there was an obvious lack of airseats and it was not uncommon at all to find that great difficulty was experienced by very many Gibraltarians in particular, let alone tourists, to find a seat to satisfy their convenience be it for a week or four days or what have you. I can say, of course, that the reverse situation is now occurring, that because Gibraltarians are not going over to England with the frequency they were because they are going to Spain there is a greater avenue for tourists to find seats. Because of the Gibraltarian occupancy on aircraft the Travel Agents and Tour Operators were unable to sell Gibraltar and it is not uncommon as I have said here in this House before for Tour Operators and Travel Agents to say 'Gibraltar is full' - but the hotels were empty, I assure you. The planes were full and some Tour Operators that had interests in other countries because, of course, they could not put Mr and Mrs Brown on the Gibraltar route obviously pushed the other route. That is what we have experienced. I hope it does not occur now because we have greater competition and I think people are now somewhat more relaxed and able to find a seat which was not all that possible before. Mr Speaker, I do not want to bore the House any further. I accept totally that tourism in Gibraltar possibly has not progressed because of the political to-ing and fro-ing possibly. One of the things I will say is Government certainly wants to play and has to play its part in the fulfilment of tourism because it pays good dividends to our economy but I must urge that the private sector must also play its part be they hoteliers, restaurants, whatever, they must play their part. Finally, Mr Speaker, I think it would be timely to congratulate all those concerned with tourism over the very many difficult years that they have put up with enormous odds against them - the taxi drivers, the hotels, the restaurants, the bars and the rest - that have carried out a service with tremendous difficulties and I think it is worthy of praise. We must not forget, Mr Speaker, that despite all those difficulties, political pressure from Spain, air restrictions, all the rest, Gibraltar has been able to bring, on average,

100,000 tourists a year and I think, Sir, that the tourist industry as much as one could criticise some sectors, one can commend certain sectors for their endurance and their faith in Gibraltar in keeping things going. Thank you, Mr Speaker.

MR SPEAKER:

We will now recess until 3.15 this afternoon.

The House recessed at 1.05 pm.

The House resumed at 3.20 pm.

HON J BOSSANO:

Mr Speaker, in making a contribution on the Appropriation Bill I shall want to round up on behalf of Members on this side of the House and perhaps take up some of the points made by individual speakers on the Government side and make a general observation about the Budget. Let me just, before I do that, respond, as I have not done yet, to the announcement of the Hon and Learned Chief Minister that the Government would not be proceeding with the proposals to break the index link for Government pensions to say that we welcome this and that responding to the spirit in which the move has been made, we prefer to call it a victory for commonsense rather than a victory for the GSLP and I also think that an important result, apart from the obvious protection of those affected, is that it gives us some hope that what one says in the House of Assembly is not entirely a waste of time but it can, in fact, produce some results. Looking at the Budget as a whole we can only describe it as a disaster for the economy of Gibraltar, Mr Speaker. The estimates of revenue and expenditure, in our judgement, depict a situation which is even more serious than we claimed in the recent election campaign and certainly cannot justify the optimism expressed by the Government during the election campaign that if they were returned to office on the basis of implementing the package signed in July of last year, a package described not only as the best obtainable but a generous and a good one in its own right, that on that basis things would go reasonably well. In fact, it is difficult to believe that the Government itself can accept the validity of the figures in front of us and not be considerably more worried than they seem to be. It is possible because it is difficult for us to know how accurate are the estimates of revenue, and that is a crucial element, how accurate are the estimates of revenue it is possible that in fact they may be expecting to obtain more money than they have put in the estimates. The only area for increased revenue yield that one could possibly envisage on the assumption that we are being presented by an accurate picture, would be in a successful collection of arrears of revenue and until it is attempted one does not know what sort of results will be obtained. Let me say that on the basis of past experience,

which is all we have to go by, one cannot expect any significant results in any area that the Government undertakes, quite frankly, whether it is arrears of revenue or the impetus to tourism or any of the other things. I have the good fortune to have been given a piece of paper over the lunch break which shows that perhaps the Government is suddenly embarking on a major drive to collect arrears of revenue but if that is the case they appear to have gone from the sublime to the ridiculous, Mr Speaker, because I have got here a threat of legal action issued on the 10th April, 1984, to a particular rate payer who was in arrears ten days, that is, he should have paid his rates on the 30th March and by the 10th April he had not done so and he has had a penalty imposed of 1p on arrears of rates of 16p and been threatened with Court action. If this is the drive to collect the £3m-plus of arrears that they have we will have to see what happens to all the rest. No doubt if in fact the Minister for Postal Service had already introduced the charge for postage they would now be showing a deficit on this particular account because the postage would have taken up 33% of the collectable rates in this instance. The ideas that we have put from this side of the House, Mr Speaker, on the presentation of the accounts which have not been very well received, it seems, are not simply an attempt to find fault because if we had wanted to do that and if we did want to do that we could keep the House going for the next two days in the Committee Stage which we have no intention of doing, by trying to pick fault with every single item of expenditure, that is not our purpose. I think it is because the Government itself does not seem to be aware that they are saying one thing on the one hand which is the need for Gibraltar's affairs and I think the Financial Secretary was talking that sort of language, the need for Gibraltar's affairs to be treated in a much more rigid fashion in the sense of being perhaps more market orientated, that is, more accountability involved and this is what we have been talking about as well on this side. What we have been talking about is that in looking at Government services, the more accurate the distribution of Government expenditure to particular services the more easy it is to judge the way the people's money is being spent and the more easy it is for the Government to obtain some sort of public support for measures that they introduce because people can see where their money is going. The measures that they have announced which were described, in fact, at lunch time on the news by the Chamber of Commerce as indicating a hard Budget in spite of the fact that it is supposed to be a good one for them, will bear quite heavily on working people. I know that the Minister for Labour was saying that this business of using slogans and saying it is hitting at the working class and so on appears to use outdated language but the reality of it, Mr Speaker, is that we have been told that water charges are going to be reduced for most domestic consumers and in fact my Colleague, the Hon J C Perez, brought out the point and didn't get a satisfactory answer. He asked the Minister if two-thirds or three-quarters of consumers are going to be paying less how is it that you are going to collect £110,000

more? If the business community is going to be paying 16% less and the £110,000 yield is the net yield then, presumably, the domestic consumer will be paying more than £110,000 because that is after deducting a lower yield from the business community. The logic of that is inescapable, either it is true or it isn't true. If the total amount collected in respect of water is going to be higher in 1984/85 than in 1983/84 somebody must be paying more.

HON CHIEF MINISTER:

Unless, of course, it is that it costs less to produce.

HON J BOSSANO:

Unless it is, of course, that it costs less to produce and that we can see from the estimates of expenditure and there isn't an indication in the estimates of expenditure that it will cost less to produce. In any case, it isn't true what the Hon and Learned Chief Minister is saying, I am talking about the yield not, in fact, the balance between expenditure and income. When we are talking about the new page 5, that new page 5 shows the same level of expenditure before the measures were introduced and after the measures were introduced and it shows an

MR SPEAKER:

You have referred to new page 5, why are you referring to new page 5?

HON J BOSSANO:

New page 5 of the estimates which is the revised one.

MR SPEAKER:

I haven't been given a copy of the new page 5.

HON CHIEF MINISTER:

That was circulated immediately after my speech. Pages 5, 103, 104 and 106.

MR SPEAKER:

We have not been circulated with the new pages.

HON J BOSSANO:

They probably don't want you to find out how much more you are going to pay for your water and electricity, Mr Speaker, this is why they have kept it away from you. Again, in the

case of electricity £3m more in revenue, if it is true that businesses are going to be paying less must mean that households are going to be paying more than £3m. These are arithmetical relationships. Yes, more than £3m increase in electricity, that is what it means. If the net increase, if the net effect on the Government accounts is £3m and a proportion - and we do not know what the proportions are, there is nothing here and it is not a figure that we have obtained before but certainly it would be a useful thing to have at some stage, not necessarily in this meeting of the House, but how much of the consumption of water and how much of the consumption of electricity is going to be due to domestic consumers and how much to business consumers will give a clear indication of that. The situation, Mr Speaker, is that it is not surprising that there is in fact a reaction and a feeling that people have had their pockets hit very hard and the reason why the argument put forward by the Hon Mr Canepa that there have been bigger Budgets than this one is not entirely valid, is because we have had a situation where for the last couple of years because of the pay policy in UK, wages in Gibraltar have barely kept up with inflation as indeed has been the case in UK and therefore you have got a situation where people's real incomes are at best sticking at the level that they were two years ago so part of the way that people react to having to pay more for a particular service is determined by how much money they have got in their pocket. People become more price conscious when they have got less money so this is probably why in fact the Minister may feel that there is a lot of noise going on about the effects of the Budget when in fact other Budgets in the past have raised more in one go than this one has but I think the situation is that for the last two years, of course, the average wages in Gibraltar have simply moved in line with inflation, no better than that. I think part of the problem that Gibraltar faces is a result of that and it is paradoxical that it should be because the fears that were expressed at one stage about the implementation of parity have not only proved totally unfounded but in fact have proved that when parity has become a problem it has been not when we were getting huge wage increases, and the Abstract of Statistics provides conclusive proof of the point made by the Hon Financial and Development Secretary in this year's Budget, but which is the first time that anybody in any official capacity has recognised that fact and that is that our inflation is not domestically induced, that our inflation is imported. The proof of that is by looking at the graph in the Abstract of Statistics which shows the clear correlation, it is the first time that it has been produced in the Abstract of Statistics and it is very useful because it shows a clear correlation between inflation in Gibraltar and inflation in UK and the remarkable thing about that correlation is that it is there, if we look at page 44, Mr Speaker, we find that the UK curve which is the dotted line and the Gibraltar curve on inflation runs very closely together and if we look at 1978, paradoxically the year that parity was introduced, inflation went up in UK more than in Gibraltar. I think this is fairly conclusive proof

because in fact when we think of what was happening between 1973 and 1974 and 1975 there were periods there when our inflation rate was higher than in UK and we were getting no pay increases at all because in fact the 1977/78 settlements brought in a lot of back money. That shows that part of the problem today has not been produced by virtue of the fact that inflation has produced a cost structure impossible for Gibraltar to sustain but the very opposite, that because we have got parity with UK, because of the UK pay policy, an important element of wages in Gibraltar has been the price we charge the United Kingdom Departments for the service we provide them with and the service we provide them with is the work that our workers do for them, part of that has been paid in the last two years without any price increase, that is, for the last couple of years because of the public sector pay policy in the UK reflected in Gibraltar, the costs of the MOD as regards wages in Gibraltar have kept up with inflation but that is all. If, in fact, we had had a situation over the last couple of years where wages in UK have been going up much faster and wages in Gibraltar having gone up much faster and the ratio of employment that we still have and we will continue to have until the end of this year, the Government would have found itself with a lot of money coming in as they did in 1961 from direct taxation and they would have found disposable incomes going up, they would have found imports going up, they would have found the multiplier effect in the economy. These things have not happened since 1982 because of the UK pay policy and in the future the situation is worse because all the indications are that wage restraint is going to be the order of the day as far as the UK Government is concerned and Gibraltar's income from the UK Departments is going to be reduced by virtue of reduced employment. Which brings me back to the degree of optimism or pessimism with which one can look at the future and we have a situation, Mr Speaker, where the Government has moved from a paper reserve of £12m to a paper reserve of £7m to a paper reserve of £3.7m in a space of 24 months without the impact of the Dockyard closure. The effect on the figures of employment in the Dockyard - I was looking at them last night and the situation is that the MOD as a whole has moved from employing 1,400-odd people in June last year to employing 1,390 in December, so the loss of jobs over the last six months has been minimal and the level of employment is being maintained still because there is a full refit programme until December, due to end in November, the MOD is committed to paying people right until the end of December even if the work runs out before and, in fact, to replacing back-filling, as they call it, replacing the people who leave on voluntary redundancy in that period. So the situation is that until December this year the Government has got a secure source of income from that area of employment. 1985/86 therefore presents a much grimmer picture than 1984/85 even if everything went well. So what are the options? I don't think the Government is going to succeed in doing either of the two things that they have indicated. I think the Hon Mr Canepa said that if he had to choose between unemployment - and I think he was referring to

cutting back on Government employment levels and on Government services and taxing - then he would prefer to tax and maintain employment levels. But, of course, the problem with that is that if you have got a stagnant economy you can maintain employment levels by taxing but that is only reducing disposable incomes somewhere else and you might not be facing unemployment in your own area but it will only surface as somebody else's unemployment so the end result is still because the economy is a closed circle and the end result is still that it will show up in another area of Government revenue. It might show up in less income tax yield from the private sector, it might show up in a drop in import duty but it will show up. And on the other hand, cutting public expenditure instead of raising revenue and putting people on the dole from Government employment apart from the obvious truth that it would be resisted all the way by those employed, apart from that obvious truth, but even if they were able to do it without resistance, the economic effects would still be the same because we are talking at two sides of the same coin. When we looked at the situation before the elections and our assessment has not been altered by the results of the election, we thought the only chance Gibraltar had was to make use of the £28m of aid to do something more, a major restructuring of the economy and not simply to set up a commercial ship-repair yard which is going to provide 300 or 400 jobs and which will survive in our judgement for as long as the subsidies last. The Government cannot survive, it seems to me, even if all goes well. The Government will be in even more serious trouble next year than this year if these estimates are accurate, if all goes well, and we all know that things do not always go well. We all know that there are always unpredicted hitches that make the best laid plans go sour and they then take longer to get things done or it costs more money to get it done, things like that happen all the time in real life and it seems to me that the whole economy is on a knife edge, Mr Speaker, and I don't know how they can possibly hope to be able to go back and persuade Mrs Thatcher to produce more cash. Certainly, we didn't believe it was possible before the election, this is why we did not subscribe to that idea and we do not believe it is possible now either. If it isn't possible then the comment by Mr Pitaluga in his report, and it is almost an epitaph on the report, Mr Speaker, it is on page 70, it says: "Having read previous reports on the ways in which tourism to Gibraltar might be increased, I might well have written the following: 'If the tourist traffic to Gibraltar is to increase and the economy of Gibraltar to grow, the action recommended in this report must be put into effect. Many previous reports have suggested improvements in the tourist product and many of these improvements have not been implemented', but this is an extract from a report written by Messrs P A Consultants in 1971", says Mr Pitaluga in 1984 and he might well be saying it himself. I think we have already had an indication that he is probably saying it himself because the Minister for Tourism talked about very substantial sums of money being required and one has only to look at the dismay on the faces of some of his

Colleagues when he started talking about very substantial sums. Where are the substantial sums going to come from? The Government has suggested that the development of tourism could be an area where the two sides of the House could work together and the report talks about depoliticising tourism. I don't think it is an easy thing to put into practice although let me say that what I can promise is that there will be no attempt from us to frustrate the Government if the Government wants to go along with the recommendations in this report but, certainly, some of the recommendations in this report - and I have looked through it - this business of hiring out parts of Eastern Beach and so on, I don't think this can be depoliticised, quite frankly, I think these are things that are political. I think it is a political thing to decide that a public beach becomes a private beach open only to those who pay. I cannot say that I am particularly impressed with the report, Mr Speaker. I agree entirely with one thing that it says and that is what it says at the beginning that the writer knew very little about it before he started the report and very little about it after he finished writing it, that part I think is absolutely correct. But I do not think that the answer to Gibraltar's problems of bringing tourists is going to be brought about by having 'flying squads' carrying out a blitz and picking up every piece of paper every time we stop and drop one or by increasing dog licences or by putting heavy penalties on dog owners who do not control what their dogs do when they take them out for walkies, which is part of the recommendations of the report. It may be a very well intentioned report but I do not really see the problem being tackled and the problem is bringing tourists to Gibraltar. I do not think there is a great body of evidence to show that people are not coming to Gibraltar because, in fact, we have got too many dogs or because we haven't got enough plants. Clearly, the place could be made much more attractive for those of us who live here if all these recommendations were implemented but that does not necessarily imply that we would get a mass of tourism resulting from it but, of course, the policy decision, the first recommendation is that the Council of Ministers meet by the 16th May and formally, with presumably a lot of pomp and circumstance, goes through an act of declaring itself now committed to tourism. If it has taken since the 1971 report to get as far as finally deciding that tourism is going to be given top priority and I thought that was decided already by the election results because it was a fairly important part of the campaign of the party that won the elections and I think they have got a mandate to push ahead with developing tourism, they made that an important part of their economic strategy, they are supposed to be doing it. Obviously, the person who wrote the report is an official of the Government who has got many, many years of experience of how Government decisions are taken and if he feels that the first thing that needs to be done is that the Council of Ministers has got to meet and pass a formal resolution saying: "We are now going to bring tourists to Gibraltar", then, obviously, the sooner they get on to that bit of it which doesn't cost any money,

anyway, the better. But, anyway, we will reserve our position and wait for the supplementary estimates that will have to come along eventually to produce the expenditure that will give the boost to tourism and perhaps at that time when they come with the supplementary estimates, they might give us an indication of how their revenues are improving because we can see where the money will go in that report but we do not see where it is going to come from. Part of the problem, I think, was reflected in the justification given by the Minister for Tourism for not doing anything earlier and I think this is part of the basic difference in approach by the two sides of the House on how we tackle the problem that we face in Gibraltar. He said we did not need to do anything before because we had all that money coming in from MOD and so forth. I think what we cannot do in Gibraltar and what we must not do in Gibraltar is to say: "We are now going to move to the Royal Naval Hospital not because we want to move to the Royal Naval Hospital but because they do not want it any more but if they decide they want it then we cannot have it and then when they decide they do not want it then we will have it. If they want the Technical College we cannot have the Technical College". So we cannot have people trained as secretaries and we have to import them because until we start using the Technical College to produce the skills that Gibraltar needs we are failing to give an opportunity to our people to acquire the necessary skills but if the MOD decide that they want the Technical College, if they change their mind in six months time and they decide they are going to have to need to put much more naval work in the Dockyard and they want people trained by their own people and they are not going to get rid of the Technical College after all, that is it, forget whether we want it or we need it and I think the basic thing is that we must forget what the MOD want or do not want, we must decide what we want because otherwise all that we are doing is in fact dancing to their tune, Mr Speaker, we are in fact adjusting to a situation the tempo of which is determined by the Ministry of Defence who may be deciding the tempo for perfectly legitimate interests looking at it from their point of view. But their point of view is not necessarily Gibraltar's point of view and we must look at it from the perspective of Gibraltar's needs and look at Gibraltar's resources from the point of view of whether the use to which those resources are being put are the ones that meet Gibraltar's needs. And when I said this in an amendment to a motion brought by the Chief Minister shortly after the blacking of the MOD NATO exercise, a motion was brought to this House relating to the use of the Base, the Hon and Learned Member will remember that I was pursuing this argument and, of course, I was severely criticised for this, I was accused of being anti-British and telling them to go home and so forth and I am not telling them to go home, I am just telling them it is my home, that is all, and they are welcome to be in my home but it is my home and they are my guests and not the other way round, that is the basic point that needs to be made. But that, Mr Speaker, is a fundamental point of difference and therefore we are approaching the

problem from fundamentally different perspectives and if we do not analyse the problem in the same way we cannot come up with the same answers. I think it is nonsense for the Minister for Economic Development to try and persuade us that the multi-storey car park cannot get off the ground because there is still a problem of reallocating seven UK families. There isn't a problem because the MOD is releasing forty-odd properties to expatriate managers of the Gibraltar Shiprepair Company and if they have got forty-odd flats for forty expatriate managers, surely they have got somewhere to put seven families and let us get on with the £5m development.

HON A J CANEPA:

If the Hon Member will give way. They are included in the list of forty-six quarters and that happened two weeks ago after we have been clamouring for four years for them to give up the site so that people can get on with the development. With the MOD you never know where they stand, they work with blinkers and all the hard work that has gone in by Government Departments, Public Works, Crown Lands, myself, the developer trying to get the financial resources for the development, and two weeks ago they tell us in the Development and Planning Commission that those quarters have been included in the allocation to Appledore and when I challenged the Deputy Fortress Commander about it he said that they were given twenty-four hours notice because we wanted commercialisation. That is the attitude we are getting with the MOD and if they don't want to be persuaded they needn't but I can tell the Hon Member that we are having very serious problems with the MOD and if the MOD locally do not change their attitude something drastic may have to be done for them to realise that the people of Gibraltar have a right to survive.

HON J BOSSANO:

I am very grateful to the Hon Member for what he has said and I hope he will forgive me if I appear to be attacking him but we don't know those things, Mr Speaker, and therefore we hold him responsible and the Government responsible until he loses his patience and stands up and tells us what is really happening.

HON A J CANEPA:

I will go further. I will tell the Hon Member what I told them, that we can be quiet and we can allow the present state of affairs to continue whereby certain top MOD servicemen and officials live in the sort of conditions that we don't enjoy and we can attempt to keep the lid on matters for as long as the MOD are cooperative but I told certain people that if they continued to put obstacles in our way and our economy begins to crumble, we in the Gibraltar Government may no longer be able to keep the lid on that situation and restraining our people

who are going to be roaming the streets without a job and those are not idle threats, ~~it is a reality, it is a fact of life.~~ The MOD have had a privileged position in Gibraltar for as long as we have been able to survive economically but the moment that we are not able to do that and the moment that they are denying us the resources that we need, then the situation changes.

HON J BOSSANO:

I agree entirely with that analysis, Mr Speaker, that is an analysis that I have been preaching from this side of the House for a number of years now and, in fact, it was the reaction of my party to the announcement of the closure way back in July, 1981. We took a Memorandum to The Convent and we said: "You cannot have your cake and eat it. If you are going to put us in a situation where our survival is at stake, we are not going to stop simply at the point that you demarcate. We are going to look at the whole of Gibraltar from the point of view of developing it". So I agree entirely with the sentiments and I promise the Minister one thing, he will have the full support of the Opposition in standing up in defence of Gibraltar's interests but if, in fact, the position is that we don't know the difficulties that they face and that when we attack the ODA or we attack the British Government we are counterattacked by other elected Members as has happened before, then clearly we have to say: "Well, although we think that it is the British Government in the final analysis that is responsible, we must attack the people who defend them", it is as simple as that. Let the Minister be in no doubt because he has said a number of things in this meeting of this House which, quite frankly, in many respects are more important than anything that has been said in "official statements" that we have had of the situation. The revelation of this business of the four years before they can have Queensway. Well, quite frankly, I don't know how we expected it to take less than four years knowing that if the MOD say they have to find a place and they have to then put it out to tender and then they have to relocate from the existing place before the ones where they are now in Queensway can be developed, then we had no doubt that we were talking about that timescale. I believe the Queensway development when it came out to tender talked about the sites being available in not less than three years and I thought it would be difficult to get a private developer willing to commit himself to a development which could not start until two years from the time that he committed himself. From what I know of private sector development people want to be fairly sure that they are going to get their money back and that they are going to get the return on their investment, Mr Speaker. If you have a situation where instead of two years it is four years, I think the chances of getting anybody to put up private cash are minimal. That is what I would have thought and I would have thought that it doesn't require anything other than commonsense to come to that conclusion, that is, that people in London must be aware of that as well. In fact, the Government have said that when they agreed to the

package an important influencing factor, they said so at the time and it has been said today, was the acquisition of those sites. I never accepted that argument, Mr Speaker, because my contention was that the shiprepair yard as envisaged by Messrs Appledore was illconceived and it wasn't because it didn't provide a sufficiently big substitute for the Naval Dockyard that we are opposed to it, the argument that it needed to be added to by other activity is the argument for Queensway. The argument for the Queensway is to say: "Well, if you take away a Naval Dockyard and you put in a commercial dockyard and the commercial dockyard provides 75% or 50% of the economic input, then you need to find another 25% or 50% to provide the same economic input". But, of course, if you are saying what you are putting in irrespective of whether it provides 50% or 25% or whatever it is will not work, it will not work, period, whatever else you get on top and our argument is and continues to be that on the basis of all the information in the reports the projections will not work and I think time will prove us correct. It is a matter of judgement but the problem is, of course, that the Government is now stuck with a situation where they never said they believed it would work anyway, they only said that they accepted it because of the icing on the cake and now they find that the icing on the cake has disappeared and they have been left with a cake that they never really wanted to swallow in the first place. That is the situation and that is a very, very serious situation because here we are with a catastrophic set of estimates without any of these things happening yet. None of this has yet happened, this is all in the future. I think I have dealt with the overall situation sufficiently, Mr Speaker, I would like to deal with some of the specific points raised by Members and also with a couple of points that I want to raise myself which I imagine the Financial and Development Secretary will need to answer. On the expenditure side in the Consolidated Fund I notice that we have got Subhead 32, page 20, we are putting in £157,000 - Statutory Sinking Fund and it has a little (h) - required to redeem loan by 1985. I imagine that we are talking about the loan being redeemed in the financial year 1985/86 and not in the financial year 1984/85 but the point that I want to ask is I notice in the Statement and I think if we look at the Auditor's Report it is even better. In the Auditor's Report we have a list of the public debt somewhere which shows the total amount of debt and the amount outstanding and the sinking fund, that is page 142, Mr Speaker. This loan was issued in 1980 under the Local Loan (No. 6) Ordinance and it was £1m. In March, 1983, the Sinking Fund was £343,744.04 and we are now putting in the Sinking Fund this year £157,000 which brings it to almost £2m. If we owe £1m and we have to pay it back in 1985, how come that we only need £157,000 this year to redeem the loan by 1985? Surely, the Statutory Sinking Fund should be provided with much more money than that if we are going to have to pay back £1m in 1985. I will give way if the Hon Member wants me to.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Well, I would have to, obviously, check on that.

HON J BOSSANO:

I will go over it again so that I can get an answer. The position as I see it is, we have £1m borrowed in 1980 it has to be repaid in 1985, in March last year we had in the Sinking Fund to repay that money just over £2m - £343,000. We are adding £157,000 to the Sinking Fund and we put in last year £153,000. If at the end of 1983 we had £343,000, even if we add last year's contribution of £153,000 and we add this year's of £157,000 we are still a long way from the £1m that we need to repay in 1985. The reason why I am saying that, Mr Speaker, is because obviously if we are looking at revenue and expenditure estimates and we already have a situation where part of the burden of servicing the public debt as compared to previous years is being understated as I mentioned in the context of the Hambros loan, I think, if we look at the Consolidated Fund Charges on page 21, Mr Speaker, we will find that we have got Subhead 46 which is the Hambros Bank loan, there is just a payment for interest - £450,000 on £6m of loans. In the case of the Midland Bank loan we have got a payment for interest of £630,000 on £6m of loans as well. In the case of Lloyds Bank we have the first repayment on loans of £2.2m, the first and second, the first year because they are once every six months. If we go back to the first of these bank loans which was the Barclays Bank loan, we find that the £2m loan started being repaid fairly soon in instalments of £200,000 and if we look at previous issues of public debt we find that the usual procedure which has not been the question of repayments but the creation of a Statutory Sinking Fund has been that the Statutory Sinking Fund has been accumulating money almost from the inception of the loan so that, in fact, the cost of the loan repayment has been structured over the life of the loan. Because we have now got a situation where £12m of loans have got a deferment period at the beginning, the debt servicing cost of the loan is understated in this year's estimates as compared to what was the normal practice a couple of years ago, I think there is no question about that. If we go back over a number of years we will find that this is the case, Mr Speaker. I am not saying that this doesn't make sense from the point of view of the Government having to pay. Obviously, if they can put off paying for a number of years then they are in a better position but the point that I am making is that I am looking at the estimates of revenue and expenditure and trying to say how healthy is the position financially. Part of the problem is that deferring paying things into the future may make a lot of sense when you know where the money is going to come from in the future but what I am saying is that my judgement is that bad as the situation is today it seems to me that on present trends it is going to get worse rather than better and therefore the Government in the future and I hope it is them rather than me, when the time comes, the Government in the future

that could be faced with heavy repayment costs could find itself with very, very difficult public expenditure decisions to take because of a tight revenue situation and an element in its public expenditure which was uncontrollable, that is, the only thing you can do with public debt charges when they come up for repayment is what Argentina has done, recycle them. I wouldn't like to inherit after forty years of the Hon and Learned Chief Minister, inherit his seat as if I was inheriting it from Galtieri, that wouldn't do at all. On the expenditure side, Mr Speaker, the Government's announced increases in water and electricity presumably will bring about increases in Heads of Expenditure, it has been mentioned in other years, it hasn't been mentioned on this occasion. Is this in fact something that has been taken into account because it seems to me that we have put in on the income side in the revised financial statement on page 5 and in the accounts at the back, in the accounts it doesn't matter but in the revised financial statement we have got a situation where recurrent expenditure is still shown as £52,519,000 and the uncovered deficits are reduced by the increased yield from electricity and water but, in fact, part of that electricity yield from water presumably is based on current consumption and the cost of current consumption for Government Departments will cost more and therefore there should be a revised expenditure figure so I think if that is an omission then we haven't got £3.7m. Another point, Mr Speaker, also I think for the Financial Secretary, that puzzles me is he has on the revenue side an estimate of interest under the Consolidated Fund, on page 12, of £400,000 in 1984/85 and he had £400,000 in last year's estimates when the Government, in fact, started the year with an estimated £11.7m in last year's estimates we had £11.7m in the Consolidated Fund and, in fact, as it turns out instead of being £11.7m it was £11.984m. Looking at the estimates one assumes that the £400,000 was increased because, in fact, the amount of money was more than shown in last year's Budget but I cannot understand how they could have estimated a £400,000 interest yield from having £11.7m in the Consolidated Fund and £400,000 yield this year having £7m in the Fund and that £7m declining to £3.7m, so unless they are expecting huge increases in interest rates that does not make sense. And if they are expecting huge increases in interest rates then they need to introduce the expenditure on the Consolidated Fund because they have got a lot of loans with floating rates, so that doesn't help them either. There is another change in this year's Budget which has not been mentioned by anybody from the Government and that is the disappearance of the £100,000 for insurance of Government buildings, that has just disappeared for no apparent reason, I don't know if we cannot afford to insure them or we are over insured already or we haven't got any money or what is it? Part of that has disappeared from the Funded Accounts for Housing but the overall figure which I imagine in the estimates must be under Treasury, page 85, we had £100,000 in 1982/83, £100,000 in 1983/84 and no contribution this year. This is money that goes into a Government Fund to provide for insurance of Government properties and, if I recall, there

was talk of having a captive insurance thing and we had a report on it and so forth but, presumably, the provision that has been there over the years is required. I would have thought that the Government itself since the Government is insisting, for example, in all its tenders that the people who obtain one of these properties from the Government and they lease it or rent it or whatever it is, that they must insure the property then presumably the Government must think it is a good idea and I believe it is better to do it with an in-house insurance rather than paying somebody a premium outside. I am not suggesting that they should pay anybody but if the money is not there any more it needs to be explained and if it is that they are going to stop insuring their own properties then they need to explain what they are going to do with the money they have accumulated over the years. Another item that I would like to have some explanation on is the question of the Admiralty share of police pensions which was £152,000 on page 13 on the revenue side. I assume that when the Financial and Development Secretary put that estimate there he did it in the expectation that he was going to end index linking and that the Admiralty would only be paying a 3% increase in their pensions share this year, since he is now restoring that, is he going to increase that figure, Mr Speaker? I would like to deal now with some aspects related to development and the amount of money in the Development Fund and what the Hon Minister for Economic Development said that perhaps Members on this side of the House were not very familiar with how the Fund developed. I accept that the GSLP Members that have been newly elected are still finding their way, I think they have put in a lot of work and in some respects seem to have found their way around the estimates better than some Members on the other side, to be quite frank, Mr Speaker, but the point that we were making was that if we look at the Improvement and Development Fund the situation is that the Government is borrowing money in 1984/85 when it starts the year with a surplus in the Fund already from previous borrowing. That money, I imagine, is partly a commitment towards the completion of projects in 1985/86. I think it comes to about £1m, actually. If we look at the summary of expenditure on page 92, Mr Speaker, we have got a balance to complete of projects there coming to £3.8m almost and if we look at the ODA funded projects, that is, on page 89, we have got a balance to complete of £2.7m so one assumes that the difference between these two figures which is about £1m is a balance to complete of locally funded projects. This means that this is money due to be spent in the following financial year but we are starting the 1985/86 year with £1m in the kitty and that is as a result of borrowing in excess of required expenditure because we are starting this year with £700,000 in the kitty. If we have to borrow this year and we have to include in this year's expenditure on the Consolidated Fund charges for borrowings this year which we are not going to use until 1985/86, then it requires an explanation and if we have got the money this year then why don't we accelerate expenditure given the situation that we have in the construction industry where,

in fact, a lot of building firms are saying they are going to have to lay off people because they are running out of work, that is the point that was being made. The answer that it is an on-going process is neither here nor there. We know that it is an on-going process.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

That is, in fact, Sir, very much part of the answer.

HON J BOSSANO:

Well, what is the answer? That because it is an on-going process and you are going to spend money in two year's time you are borrowing now? That is the answer? The Hon Member, I thought, had come from the Treasury in UK, it is not the sort of thinking of the Treasury which has got a reputation of being very conservative in its thinking in these matters, Mr Speaker. Anyway, that is what we wanted clarified so perhaps the Member or the Chief Minister or somebody can answer me when the time comes. I notice, Mr Speaker, that in the list of developments that the Minister for Economic Development was mentioning, one of the non-recurring items because they are nearly all recurring items, one of the non-recurring items which disappeared from the scene was the Woodford Cottage development. Certainly that is not waiting for anybody to be reallocated anywhere, so if that is dead then we would like to know what is going to be done with the place. If the Hon Member wants me to give way I will.

HON A J CANEPA:

Out of the sixteen applicants that there were, eight withdrew and the other eight applied to the Government to be able to continue with a project that would be restricted to the southern half of the site. In the event, I think there may be another applicant bringing the number up to nine and they have engaged, I understand, Quantity Surveyors and Bills of Materials are being prepared. If they go ahead with the project on that basis, say, eight or nine units, the northern half of the site would be available, obviously, it couldn't physically become available while they were working on the other half of the site but a state, I think, would be reached when that could become available to put it out to tender for private sector development. The original idea was to have on that northern half of the site six fairly substantial dwellings but I am sure that without having a very high density you could have a few more there and it would still be an attractive project. If they were not to proceed with it, if the whole project were to be aborted, I think that it is an ideal site to put out to tender for, I would imagine, a development very similar to Buena Vista rather than Bella Vista, something that would produce fifteen, sixteen, well, for the whole of the site I think it could be more, you could

get obviously, perhaps with flats as well, you might be able to get twenty-four or twenty-five as between flats and maisonettes which could sell for around, at today's prices, somewhere at perhaps £35,000 or £40,000 and maisonettes of the order of £50,000. That, I think, would be the way that we would pursue it but we are going to give an opportunity to the eight remaining to see whether they can get something going.

HON J BOSSANO:

Well, I hope it is not in the fullness of time, Mr Speaker. I think it is important not just because it provides employment for the construction industry but because it is an area where the Government does not actually have to put down an item of expenditure.

HON A J CANEPA:

I have been at pains to impress upon the officeholders of the Woodford Cottage Association that they really have to get on with it. They have got planning permission, they have submitted a scheme, they have got planning permission, as I say, they have engaged a Quantity Surveyor and I think they must be in a position to go out to tender before very long but I would agree with the Hon Member that after being given a reasonable period of time and since eight withdrew, six months have gone by, they can be given another few months but if not I agree with the Hon Member, it is a site which I think is ideal for private sector development and there is now a demand for it and I think conditions are such that either they get on with it or the Government will have to do something about it.

HON J BOSSANO:

I think there is a connection, Mr Speaker, between the determination with which the Government presses on people who obtain places to develop them and the strength of their argument with the MOD because I honestly believe that the one single argument that the MOD does use occasionally that I have heard which holds some water is that we press for sites to be released to us, the Gibraltarians, the Government does, and then they lie derelict for years and that is the only single argument that I know of which seems to put right on their side and I don't think we should give them that argument so I think, really, that the Hon Member should bear that in mind in the context of the difficulties that he has been expressing that he has faced in another area in pressing MOD for land. The Chief Minister, Mr Speaker, was making what I take to be a light remark about the possible inscription on my tombstone.

HON CHIEF MINISTER:

I expressed the hope that it will be a very, very long time ahead.

HON J BOSSANO:

That suggests he never wants to see my economic plan, Mr Speaker. I have to say, Mr Speaker, that the Hon Member must understand that the approach that we adopt in this House cannot be and isn't that of telling the Government how to run the show from here. We have made clear that for us the process of consultation is a matter for Government initiative not for us and it isn't up to us to stop them making mistakes either, it is up to us to tell them that we think they are going wrong but it is their prerogative, they won the election, they have got a mandate, they have got the job and the responsibility so we are certainly not going to tell them how to do it but in any case we honestly believe that the degree of change that is required is one which they are not capable of doing even if we told them. Even to start making changes to the presentation of the estimates we can see is going to be something that is going to be resisted. Let me just say one thing to show the Hon and Learned Chief Minister that in fact it is easy enough to point out pitfalls if one wants to do that. The Hon and Learned Member announced in his package of measures this question of substitution as one of the areas of cutting on public expenditure. Well, there is no logic to having a situation like we have in these estimates, and we have had for many years, when you are focussing on substitution and you have supernumerary staff all over the place and have had for years and I cannot understand, I mean we are not telling the Government where to cut or what to cut, that is their responsibility and we are not prepared to share that responsibility. If we have the responsibility of being in Government and we have to do things that are difficult or nasty we will take that responsibility ourselves but I am pointing out to the Chief Minister that one obvious illogical conflict is on the one hand to look at substitution and on the other hand to have a situation over many years where you have got supernumerary staff and you have got people who are graded above their grading, that is, they are occupying a post and there is a little note somewhere that says 'personal to holder being paid on scale so and so' and yet vacancies in those scales get filled by new entrants. That is almost permanent substitution all the year round on a full-time basis. And I can tell the Hon and Learned Chief Minister that is certainly, to my knowledge, isn't the way the UK Departments or the UK Civil Service works. If you have got a certain grade and a vacancy occurs in another section or in another Department which that grade can fill, you get a level transfer, you don't promote somebody else and you keep the person on a personal to holder basis occupying a job below their grade. Well, that happens here and it happens every year and all the

Hon Member has got to do is go through his own estimates over the last six or seven years and he will find it, and he will find it in this year's estimates, too. I am not telling him what to do because it is not my responsibility to tell him what to do. I am just telling him that to talk about controlling substitution and to perpetuate that system

HON CHIEF MINISTER:

I think, perhaps, the Hon Member might give way. I don't want to deal with this matter in my general reply. My understanding of this question of substitution is really not on the basis of incapacity, it is a question of a day or two or three when somebody is away and people should just get on with the work and not have everybody substituted up to the top in the establishment, that is as I understand it, and then everybody getting acting pay. It is not on the basis of normal long absences but purely on the question of because somebody goes away for a day everybody goes up one and gets paid, that is where we thought that people should double up for a particular circumstance, that is where we hope to be able to bring in a little more sense into the machinery.

HON J BOSSANO:

Well, what the Government has in its mind the Government knows, Mr Speaker. All I know is what has been said in the House and what has been said to the unions and certainly it hasn't been explained in any detail but it is being presented as an economy measure and what I am pointing out is that . . .

HON CHIEF MINISTER:

If the Hon Member will give way. Rather than an economy measure it is an attempt at avoiding waste.

HON J BOSSANO:

Well, Mr Speaker, it doesn't invalidate the point that I am making which is that if you have got a situation where, for example, a PTO II goes away and a PTO III substitutes for him and gets the pay of the PTO II and you are going to control that to save the difference in pay, it doesn't make sense when you have got situations where you have got PTO II's occupying PTO III posts being paid PTO II wages all the year round for years and there is a PTO II vacancy somewhere else and somebody gets promoted. It is here, Mr Speaker, in this year's estimates and in last year's and in the year before. There are obvious areas that can be looked at and I am not going to tell the Government how to do its job but I am just speaking on that point to demonstrate that there are things that can be done, certainly, to streamline the Government and there are things that can be done to produce more effective control of public expenditure without cutting down on services.

MR SPEAKER:

We must not get bogged down.

HON J BOSSANO:

No, it is just a point that I wanted to make in reply because I think the implication of this obviously useful tack of the secret economic plan which constantly surfaces and is a good gimmick to get into the press, suggests that it is an invention that we have which we parade from the comfortable position of never having to deliver and I want to show that in fact even on a minimal thing like the question of substitution, there are alternatives which make more sense and that we are in a position to do things. That is the only point I wanted to illustrate, Mr Speaker, it is up to the Government to decide how they run their affairs. In the context of some of the points made by individual Members of the Opposition which I think were not adequately answered, I would just like to bring attention to them because if they haven't been answered perhaps either the Chief Minister or the Financial and Development Secretary can provide an answer. I think, for example, in relation to the Generating Station at Waterport and the third engine where the Minister for Municipal Services failed to say what was the importance of having the third engine now and I think to balance what we have said about the ODA, I don't think one can go to the ODA and say: "I want money for a third generating set", when the impression given here now is that if we can get the money from ODA we will have a third generating set because it is free. Do we need it or don't we need it?

HON CHIEF MINISTER:

When we are talking now we are talking of eighteen months or two years time and the demand apart from the question of the commercialisation of the Dockyard, the demand itself as the King's Bastion dies away and it is no longer profitable to spend considerable amount of money in repairing old machines, the demand will be there for the normal consumption of Gibraltar, a little pre-planning if you want, and one is accused of not planning ahead. When one plans ahead a little then you question it.

HON J BOSSANO:

I am not questioning planning ahead, Mr Speaker, what I am saying is that if it is needed it is needed, period. It is the same thinking as the question of the Naval Hospital and the Technical College and the Causeway and a lot of other things. Pedestrianisation was an important thing for Gibraltar and we go to the ODA for money and they say no, and we have got a report where Mr Pitaluga says that pedestrianisation can be carried out at no cost at all in

the report. We are hardly going to convince ODA to give us \$1m for pedestrianisation if the situation is that it can be carried out at no cost at all but if it is their money then it doesn't matter, we will spend \$1m on it. This is the point we were making. If we need a Station we need a Station. If we need it then the point is the Government then is saying that if they don't get the money from the ODA we will still need to find money in a year's time to put in a third set, that is the situation then. That is the question that was asked and we didn't get an answer. The other area, I think, where we didn't get an answer again to the point raised by my Colleague, Mr Perez, was on the question of the MOT when the Minister said it was starting in April which is now and I don't know whether he answered it but there was a question of whether there is going to be a charge made for the vehicles that have to be tested there and if that appears as some Head of revenue, presumably it would have to appear under departmental earnings, would it not?

HON M K FEATHERSTONE:

If the Hon Member will give way. What I said was the normal testing of commercial vehicles will start next week and of course they will be charged as they have been before but the full use of the Centre is not yet ready until we have recruited the staff and when that is done then we will come with the supplementary for that staff and put the whole thing on a proper footing.

HON J BOSSANO:

Are there new charges being introduced in conjunction with the Centre and will that appear eventually as revenue, this is the point?

HON M K FEATHERSTONE:

No, I don't think it has appeared in this year's revenue.

HON J BOSSANO:

On the question of the collection of arrears, Mr Speaker, I think reference has been made to the strengthening of the Arrears Section. Since we will be going into Committee Stage then perhaps at the appropriate time we can be shown if it is meant extra expenditure being devoted to the strengthening of the Section where that comes up. On the points raised with the Minister for Postal Services, I think he misunderstood entirely the question, there was no question of anybody suggesting merging the Philatelic Bureau with the rest, it was separating the Savings Bank from the Postal side in the same way as the Philatelic side is now separated.

HON G LASCARENHAS:

Sir, if the Hon Member will give way. I am sorry, I misunderstood completely. I was going to apologise to the Hon Member, the spokesman for Government Services, I will do so later in Committee Stage.

HON J BOSSANO:

Mr Speaker, with that welcome piece of news I think I will end my contribution because I think I have covered all the outstanding points.

HON L K FEATHERSTONE:

If the Hon Member would give way just before he does, I will answer one question that he did mention earlier on and he mentioned that I didn't answer the Hon J C Perez about the water situation. I believe I now understand more clearly what the question was and that is that if the revised estimates for water bills issued last year was £2.295m and this year we estimate to get £2.388m, how is that a reduction? Well, the answer, Sir, is as Sir Humphrey would put it 'Yes and no'. The bills issued last year contained a six month element of water at the low rate of 19p for the first 45 and six months at the rate of 25p which allowed for the surcharge. If we were to take the low rate compared with the new rate coming this year, then it would be an increase but if we take the 19p rate plus the surcharge and compare it with the new rate this year then it will be a decrease. So the answer is yes and no, Sir.

HON J BOSSANO:

Obviously, years of experience on the part of the Hon Member. Thank you, Mr Speaker.

MR SPEAKER:

I will then call on the Hon the Chief Minister to exercise his right of reply.

HON CHIEF MINISTER:

Thank you, Mr Speaker. As we enter into the last stages of the general debate I think we ought to recognise that we have had a very useful exercise, constructive and to some extent predictable in the sense that quite a number of the Hon Members had hoped or hope that there will be changes in the presentation of the Budget and each one, of course, looked towards interests in which they were concerned. First of all, I think Mr J C Perez has recognised that he was not expecting a reply to some of the proposals but all the suggestions that

have been made will be looked at in due course and now I will describe what in due course means in this context and in no other otherwise I will have to define everything I say. In due course in this case will mean, first of all, we will get a Hansard completed, which is hard work, of two or three days debate. Secondly, somebody looks at it and looks and picks out the suggestions. Thirdly, that it is prepared and it is put forward to the Minister and, fourthly, that the Minister looks at it and takes a view and, fifthly, that he takes a view from the Treasury as to what the view of the Minister should be. In the fullness of time but, honestly, quite seriously there are some which I know are non-starters from the beginning or from one's experience but that doesn't mean that one is forever tied to this form of Budget. It ought to be said now that the presentation of the Budget nine years ago or seven years ago provided for each officer and his emoluments and it was in the time of Mr Alan Collings that he produced the much more rational and proper way of setting out the establishment in numbers at the beginning and putting the scales against them and so on. The Budget itself has changed and new Financial Secretaries have got views about these matters. But, anyhow, one inherits certain things and you keep on until you yourself thinks it is right or until there is a good suggestion or a suggestion which is looked at and is found to be good. In that respect, as I say, we will look at the suggestions that have been made and see whether any of them really can help to the presentation of the Budget. There are one or two which are to some extent difficult but I won't get into the details because I would be pre-judging now what has already been argued so I don't want to deal with that but I think we have had a very good debate and it has been constructive and I think Members opposite and I don't like to say these things because I don't like to sound patronising but apart from the Leader of the Opposition, of course, who is a veteran, the others being their first Budget I really must commend them for certainly the homework that they have done on the Budget and the matters that they have raised and, as I say, I don't like to say that because I don't want to appear patronising but I think I am entitled after thirty-three years in this House to say so but I will not repeat it again until three or four year's time. Therefore, it has been very useful. I agree that some points have been raised the answer to which could not be given straightaway. I don't know whether some of the answers of the last points raised by the Hon Leader of the Opposition can be answered now in detail, certainly most of them are really not my province, the question of detailed presentation of the Budget. I want to deal with the Leader of the Opposition first because it is much clearer in my mind now that he has just finished speaking. There are one or two points of general interest that I must make and that is that the frustration that has been mentioned today by the Minister for Economic Development is shared by all his Colleagues and if, in fact, a welcome loss of temper from time to time makes him blurt out what we are suffering and you get the feedback of what we have to do, I think it is just as well. On the other hand, the same feelings are

expressed, perhaps in different ways, continuously to those who can influence matters in the way we want them. It is an on-going struggle, it is not easy, I can assure you, but it does not help either to be brandishing it all the time because then it hasn't got the effect that you want it to have but let there be no mistake that we are doing that and the point made by the Leader of the Opposition that we are given places and we do nothing with them is thrown at me many times but my answer is that the bulk of the places that we are given are worth nothing or very little like the quarters up the Rock occupied by the former members of the Gibraltar Defence Force which when they are dilapidated and so on they say they no longer want them, then we had the Gibraltar Regiment people there or their families because we have no duty to provide to the Gibraltar Regiment Officers their repair passed to our rent roll and passed on the Public Works Department to keep. So they are very ready to give dilapidated things, much more inclined then good things and that is why sometimes they are very difficult sites that are given. I agree that we have to be careful not to respond to their overtures too often, I was going to say something in Latin but in order not to attempt to overshadow the Financial and Development Secretary I will say it in straightforward English and that is that I fear the Greeks when they come with presents and that is that when they give you something you have to take it very carefully when something is offered and this is the situation with the Naval Hospital and so on at the time when it was thought they would not offer it to you, of course. But on the other hand it has to be looked at carefully because it can sometimes help but I am not very enthusiastic at taking over things for the sake of taking them if we cannot have a practical use of them and they are going to be an on-going liability, I can assure the Hon Member. I am sorry that the Leader of the Opposition has been a bit facetious in the preliminary comments about the report on tourism as I think a lot of work has been put into it and it belies his other occasional objections to payments of consultancy fees when he says: "Well, we don't need consultants from abroad, we can do it here". When we have somebody who does it here, before we even look at it, he makes rather lighthearted comments on it.

HON J BOSSANO:

If the Hon Member will give way. I think that the report does recommend a consultancy as well.

HON CHIEF MINISTER:

Yes, on areas which are specialised, but it is a report which has been done on and off and involved a lot of hard work as the Hon Member well knows on other matters of great importance, which has resulted in a lot of long hours, painful interviews, adjustments and all sorts of other things. I did not try at any time to say that the position of the Budget

was not a serious one, in fact, I said exactly the opposite. What I did say and I must say it because if the day I don't believe that we can help ourselves apart from wanting to get justice from other people, then of course we have no right to, what I did say in my last sentence: "Without wishing in any way to minimise the seriousness of the Government's financial position, I want to end this statement on a positive note. I believe that Gibraltar has the potential to overcome the difficulties", and so on. That is more an exhortation than an attempt to minimise the seriousness of the situation and I was recalling as I heard the Member's predecessor saying: "The Dockyard the first four or five years there is going to be no problem it is going to be after the four years". He was thinking, perhaps, of the chances of coming back but, anyhow, it was completely different. With regard to the question of the sites in Queensway, this quote which appeared in the paper about whether it was a question of years and not months attributed to Mr Lee, I made no apologies for Mr Lee and I said to Mr Lee as many things as anybody in my position and in our circumstances could say but I did look at this because I was very annoyed because he said he would be helpful and then when I saw this I was a bit annoyed but then I saw the text and it is very much the same as that story about the bishop who arrived in New York and he was asked what did he think about the nightclubs in New York and he said: "Are there any nightclubs in New York?" and the headlines the next morning read: "Bishop asks 'Are there any nightclubs in New York', on arrival". So I looked at this and what happened was that a questioner asked Mr Lee is the surrender of the prime sites a question of months or a question of years and he said years not months but years means one or two not necessarily three or four. I think that that must be put into the proper context. I say that because I was very annoyed after reading that and I found I have a text of the full question and answer and I looked at it and that was how the thing occurred. Nevertheless, the Minister left in no doubt that the idea mooted locally about a four year period before handing over was completely unacceptable and was not in the minds of those who signed the agreement and I would not have signed that agreement if I had thought that it was going to be four years and that has been made quite clear and if we don't get a satisfactory answer the matter will go up to the very top where the agreement was reached and that is what I propose to do but we have to go through the process of eliminating this. Four years, I am told, is the normal way in which things would move if they had to do it and I said: "This is not normal and it has to be urgent", and the sense of urgency was in the mind of the Prime Minister, I can say that with all fairness, and properly drawn attention too by Mr Stewart who said: "This has been going on for a long time, I think we have broken the back of these difficulties" and that is the spirit in which the meeting went. I want to assure Members that I certainly am not going to preside over any agreement to accept those sites in four years time, I won't be here, anyhow, but in any case I am not going to accept it and the idea that there could be a roll-on release instead of a total one which could help,

and furnish enough despite what the Leader of the Opposition said there are developers interested in looking at sites which will be available in two years time because developments of this nature do take time to materialise in the minds of developers, and so on. With regard to the point made by the Hon Mr Baldachino in his contribution which was very clear and to the point, it was accepted that there was support for this question of home ownership. In October, 1978, the Government went for a wholesale home ownership scheme by offering to sell Government flats to all their tenants at very, very low prices. As the Hon Member well remembers I think we had his full support on it, where maisonettes in Archbishop Amigo House were being offered at £6,000 and three rooms, kitchen at Schomberg at £3,495 and so on and apart from having presented that to Members, the circular that was sent to the tenants a year later said: "Last October you received a circular from this Department giving you details of Government's intended home ownership scheme. The advantages which owning your home bring are as follows: (a) it will be a valuable asset and will give you protection against the erosive effect of inflation on your savings; (b) whereas rents are likely to go up" - and they did once more in July, 1979, and how much they have gone up since then - "mortgage repayments are likely to remain relatively stable. Moreover, since you would qualify for income tax relief on interest payments, the weekly outlay on a mortgage in many cases is similar to or only marginally more than the weekly rent payment; (c) the price of your flat is substantially below its market value, and (d) home ownership undoubtedly improves the quality of residential environment". I agree that there is a difference between buying a flat and buying a semi-detached or a detached house but there was a very good opportunity and having regard to the interest that has arisen as a result of the tenders and, generally, the awareness that there is now that there wasn't in 1978 when the response was absolutely poor. We are trying to make a selective re-hash of this and do the same exercise because yesterday somebody told me that he had been offered a flat in one of the Tower Blocks but we had been asking for £15,000 and that is why I looked at the papers and I said we had never asked for £15,000 and in any case the Tower Blocks were not put out for sale for the simple reason that we have had to spend £1m and we did not want to give up flats in a condition that required considerable money to be spent on them. And then, as the Hon Member knows, we had a number of exchanges in letters about home ownership schemes and so on. As far as we are concerned we have always felt that this was the right solution and I know the Leader of the Opposition has always warned of the difficulties for the future finances of the colony if we go on increasing the housing at subsidised rents which cannot be kept and for which now we have to pay heavy charges on them.

HON J ROSSANO:

I thank the Hon Member for giving way, Mr Speaker. I think he mentioned in passing that there was support from us for the home ownership scheme. Let me make it quite clear that we are opposed to selling Government housing to sitting tenants. We support specific purpose built home ownership schemes which is what we assume is being planned for the Gasworks, we think in fact that to attempt to sell to sitting tenants is the wrong way to deal with the Government housing stock and one of the major difficulties is that I think people who want to be home owners want to be home owners and select their neighbours, quite frankly.

HON CHIEF MINISTER:

Of course, I quite agree, I was coming to that. I may have misrepresented his view about it. He was not against home ownership and in fact he offered - I won't get into that - but he offered to do a study on it as part of his offer at the time. Unfortunately, the thing did not materialise but I agree that one of the difficulties is that if you go into a scheme with other people you know who you are going to live with but I agree that a lot of people may be very happy with their tenants but we all know how difficult it is for many people to live with their tenants and the on-going problems that they have with the dogs or with radios, whatever it is and it is not easy. That is why I said earlier that it was different to have a home ownership scheme when you have a semi-detached or a detached house or whether you have to live next to or below or above Mariquita whom you don't get on well with or your wife doesn't get on well with so that is a reality but there was at least the germ of the idea and in fact there may be places which by reputation we will be able to find may have a willingness of at least the conditions which were let before was 75% of them had to be purchased in order for the scheme to go through. The contribution by Mr Feetham and the response by Mr Canepa I think fit in very well and I would put them together as being a reasonably good area of consensus on the attitude on the question of our relations with the United Kingdom but I cannot allow one or two of the remarks made by Mr Feetham to go without comment because I do not want by my silence to accept allegations that he has made. One of the things which I took a note of quickly when he started to go over the pearls of wisdom in his contribution was 'Government fails to anticipate change in attitude' and 'influenced by the Foreign Office thinking in respect of Spain'. That, I can assure the Hon Member, is not the case in either of those statements. There has been certainly in my experience, not a change of attitude towards Gibraltar, there has been a reality which I think was brought forward earlier than this, it was brought forward in the Hattersley Memorandum and that was the fact that once Spain changed the regime it was not that their attitude to Gibraltar changed in the essentials but that they wanted to encourage Spain to consolidate the democracy at the time after the

rather soft change and that their attitude in respect of that inevitably brought the question of Gibraltar into play but it is not that there has been a change of attitude towards the principle and I would say it is certainly not at the political level. I don't care about the "Sir Humphreys" of this world though they may wield a considerable amount of influence. I am talking about the political will in respect of that and I have always said, and I say so again, that if I find a dramatic or any change, perhaps the word dramatic is not the right word, if I find any substantial or significant change in the attitude of the British Government towards the people of Gibraltar I will proclaim it and I will say so because I have a duty to do so. Equally, I have a duty to say that I have not detected any deliberate attitude on the part of certainly the Head of the Foreign Office and one or two of the Ministers with whom I have dealt in any other way than in the most correct fashion of trying to see our difficulties to some extent having regard to their own constraints and so on, how they could help us. He said: "The policy towards Gibraltar is still highly questionable". Well, I don't find it questionable. I find that of course in the United Kingdom the question of Gibraltar is looked at in the context of the world responsibilities of the British Government which cannot be the same as ours because to us it is our world, to them it is one of a number of problems and a number of difficulties but I have not detected any change of substance to the repeated commitments that have been given to the people and I have not stuck out my neck for the British Government, I have stuck out my neck for the people of Gibraltar, this is another of the points I had here that the Hon Member had made reference to. I have a note here that he said: "How can we attack the British Government when the election was won? Renegotiation alternative package of £28m. Manipulation by the British Government". Well, the renegotiation was the ticket on which the other party lost the election completely so there was no question of renegotiation at all. The package at the time when it was made of course made sense and it does make sense today and we will make it make sense. The Hon Member may be cynical and we may differ, time will tell, it is very difficult, we are dealing with very important matters and we can only try and address ourselves honestly and to the extent to which one's mind works intelligently or otherwise towards the problem. That is why the last paragraph in my original statement said that if there is a will we can make it. It is true that the position, as I said before, is serious. There are many factors that can take place during the course of next year. I do not share the views expressed by the Hon Member that from the beginning the whole concept of the commercialisation is wrong but we are entering into a subject that has been discussed over and over again and I need not do that in reply because that has been the subject of motions, the subject of discussions and so on but we do have a situation which we have to face and I hope that despite all the objections and so on that the Hon Leader of the Opposition and his Colleagues feel about this matter as politicians that his own role as a trade unionist will give an opportunity

to the people whose jobs are at stake - I don't want to enter into a controversy about this - to see what we all can do and that is why I said in my statement not just the acme of folly and nonsense that in the end only the people who are being made redundant in the Dockyard should pay for any difficulties that Gibraltar has to suffer. That would not make sense and one could hardly live with that situation in the future. Therefore, going away from the more controversial matters to the matters that have kept us going through this Appropriation Bill in the way we have done this this year, I hope that it will be the first of many discussions and suggestions and so on will help to make the situation of the territory a happier one to live in.

HON J C PEREZ:

If the Hon Member will give way. I wouldn't like to press the Hon Member but when I was pressing the Minister for Municipal Services yesterday about the Coopers and Lybrand Report on water and electricity, he told me that you would be dealing with it in your own contribution. If the Hon Member wants I can refer to what I said yesterday.

HON CHIEF MINISTER:

I am sorry, I will come back later on. I have a note here on Coopers and Lybrand but I don't know what it was for.

MR SPEAKER:

Perhaps we can take another opportunity at Committee Stage to deal with it.

HON CHIEF MINISTER:

Yes, I will try and do that. I have a note here 'Coopers and Lybrand available to previous Opposition'. That is what I have here as having been said by the Hon Member. Well, I have to confirm that, I have not done it, I am sorry.

MR SPEAKER:

We shall now recess for tea.

The House recessed at 5.15 pm.

The House resumed at 5.55 pm.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, I hope not to take too long in replying to the various points raised by Members of the Opposition during the debate because words are like leaves and where they most abound much fruit of sense beneath is rarely found - Alexander Pope. The Hon Members opposite have asked a number of detailed questions which, obviously, I must answer. One theme which ran through the comments of Hon Members opposite was, if I can paraphrase, that the accounts should show in greater detail, the estimates and the accounts, the real cost of services or the economic cost of services and I take it that by that they mean that services provided, well, I think they mean several things because the theme was illustrated by different Members in different ways. The Hon Mari Montegriffo referred to maintenance of buildings and the figure of £700,000 showed in the Public Works estimates and also the question of rates on Government buildings was raised by several Hon Members. I think the Leader of the Opposition himself. Post Office services was another point raised and the true cost of the Savings Bank whether it should be known separately and the division between Philatelic services, Post Office and Savings Bank. I think the case for the Post Office services is rather different from the others. I think Postal Service could very well be established as a Funded Service rather like the Telephone Service and the use of Postal Services by Government Departments would then be shown as the Electricity and Water Charges are shown. One would have to identify the amounts, that is to say, the service provided for each Department and unless one were to install, shall we say, stamp cancelling machines or franking machines in Government offices, this would have to be based on some form of estimate, possibly envelopes used by Government Departments or OHMS labels, this was a device I have seen used in the past. I think my point here is that there is an administrative cost to that sort of development and before one were to change the present arrangement, I think, one would have to be satisfied that the benefits were going to outweigh the costs, I think that is a fair point to make although, as I said, I think the case for doing it for Postal Services is different in degree from the others. As far as the Savings Bank is concerned, the Government do produce memoranda of accounts, it is on page 95 of the Annual Accounts and there we show, amongst other things, the management charges and rents, rates and maintenance, lighting and heating and so on which is regarded as appropriate to that particular activity, that particular responsibility centre or cost centre, whatever one likes to call it. We don't do that in the estimates.

HON J C PEREZ:

If the Hon Member will give way. The point on this that I made was that out of the costs in the Auditor's Report there is £30,000 which is the first four headings as from services rendered by sundry departments in respect of salaries and

pension liabilities which appear on page 13 of the estimates as revenue but that then the £2,357 which is overtime payment one is presuming is being charged to personal emoluments under the Postal Services and that was one of the points which I stressed could not accurately reflect the position of the Postal Services since some of the costs of the Savings Bank was being charged to the Postal Services and was not equally separated.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I understand the Hon Member's point, Mr Speaker, and I think that is a matter of opinion. Some of the costs shown rest on apportionments and apportionments are, of course, apportionments of time and resources and they rest on conventions, they rest on estimates of the time which one individual may spend on one activity or on another. To measure again more precisely the amount of time which is spent on different activities, one could of course, in theory, introduce a system of time sheets or job sheets but always at administrative costs, I think this is the point. All apportionments are, by and large, and to strive for greater accuracy can only be done at a cost.

HON J BOSSANO:

If the Hon Member will give way. I think he is going at a complete tangent. It is a straightforward question which requires a factual answer, it is not a matter of opinion. If there is an item on the revenue side of reimbursements, on page 13, which says actual revenue 1982/83 - £30,000, which is reimbursement from the Post Office Savings Bank to the Government, Management Expenses. The question is, is that £30,000 the £30,000 that appears as expenditure in the list quoted by my Colleague Mr Perez and if it is then why is it that the other items do not appear here as well as part of the reimbursement? Why doesn't the cost of the overtime appear as reimbursement here?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, I thank the Hon Leader of the Opposition for clarifying that point. The cost of the overtime is included as a direct charge because that overtime was incurred specifically on Savings Bank activities.

HON J BOSSANO:

Surely, so do the rest of the £30,000 according to the accounts of the Auditor.

MR SPEAKER:

I think this is a point that can rightly be looked at in Committee.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Certainly I will look into that further in Committee Stage, Mr Speaker. The Minister for Public Works has replied, I think, already on the question of maintenance of buildings and he has given an answer to the questions raised by Hon Members on that. I would like to refer again to that point but if I could also deal with rates where it was suggested that the amount of rates shown in Head 12 - £361,000, this should be attributed to the various Government Departments because this is an item for Government buildings. I think one could do that but my query about it is really what the purpose for that would be, whether in fact it would lead to - it might I think in this particular case, it might give greater accuracy in presentation terms, in terms of the presentation of the accounts one would be able to see separate assessments for each Government Department but it wouldn't in any sense improve management control because the Heads of Departments concerned, and they are the accounting officers, would not thereby be in a better position to control the amounts of rates shown as an item of expenditure for the Department for which they are responsible, for the Head of Expenditure for which they are responsible, because it is not under their control so they cannot really be called responsible for it, whereas they are, in theory at any rate, responsible for the consumption of electricity and the consumption of water by their department. I think there is an important difference there as they would be responsible for other real resources including the Moroccan workers which we were talking about. There is a difference there between what a department and, indeed, what a Minister can control and what he cannot and I think the question of whether one has it in a central account and/or split up between the various departments can be answered in that sense. I think one can distinguish, too, between information in estimates, the estimates for the start of the year which have been presented to the House, and the information which is included in an account at the end of the year which is subject to audit as the estimates of course are not because they are not intended as financial accounts. They don't have the completeness of financial accounts and I think if one, reverting to the general theme of Hon Members comments that there should be greater accuracy, greater apportionment, more precise allocation of costs, I again would answer that in terms of the points I have just made referring to the Minister's £700,000 expenditure on maintenance of buildings again. As you know, the estimates process lasts over a relatively short time, it is possible to make various judgements about the amounts of expenditure, the amount of resources which can be devoted to maintenance in total, so to speak, in the light of conflicting restraints on resources, generally, of other services but I think the sort of fine tuning which was implicit in the general tenor of their remarks is really incompatible with the estimates stage where the Government might have to decide: "Well, we can only spend £600,000 on maintenance this year because of pressure on resources" or

they might decide that because of a general need for increased expenditure on maintenance it would be £800,000. I think that sort of decision can be taken by Government at the estimates stage but the fine tuning and the presentation of information which says so much can be spent on whatever it may be, one building, one estate, another estate, at that stage is not really possible.

HON J BOSSANO:

If the Hon Member will give way. It isn't just a question of estimating. Once we have voted in the Committee Stage, the approved estimates of expenditure will be in fact money appropriated by this House and what we are saying is that instead of the House appropriating £700,000 to be spent on whatever building the Government or the Minister in their wisdom decide to spend it on, we think it is better to say: "We are going to spend so much money on maintaining our Hospital, so much money on maintaining our schools", and so forth, and also we think it is easier from the point of view of politically defending a vote to say: "We are spending so much money on maintaining Hospitals and schools", than saying: "We are spending so much money on Public Works". I think part of the Public Works criticism is because it is all under one umbrella.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I take the Hon Leader of the Opposition's comments and again I think that that is also a matter of opinion rather than fact and I think there is a penalty when that sort of commitment is included in what I might call the rigid framework of parliamentary accounting because, of course, it then becomes a matter for detailed scrutiny, for detailed reconciliation during the course of the financial year, possibly at supplementary estimates stage, if one were to have supplementary estimates, and this of course adds to the cost without necessarily improving the control and certainly at the cost of reduced flexibility. There is just one further point I ought to make on rates of Government buildings which does in fact support the point I made a short while ago about the desirability of having the expenditure on rates in a central vote rather than split up and that is that we are in fact bound by a statutory requirement which states that all the former City Council buildings or property pre-1969 do not pay rates so the Telephone Service and the Electricity Service, inter alia, would be caught by that statutory restriction and, in any event, I imagine the problem of identifying rates on telephone cables, telephone ducts, electricity cables, way-leaves and so on, that would itself present a quite formidable burden and again would mean a striving after accuracy, yes, possibly, but at a cost which might outweigh the benefits of that increased accuracy. I have referred to another aspect of accounting and here I think I would distinguish between Government estimates and, indeed, Government accounts which are financial accounts on the one hand and management accounts

because I think the information which Heads of Departments need for purposes of control of expenditure, for management purposes, is not necessarily and should not necessarily be presented in the same form as the financial estimates and accounts at the end of the year which the House of Assembly looks at and scrutinises. I did in fact say, Mr Speaker, during the debate at the last meeting of the House when we were discussing the Supplementary Appropriation Bill, I said: "The difficulty of using financial accounts for management purposes by which I mean purposes of control of expenditure. The Government accounts are accountants' accounts" - is the phrase I used - "and they do not readily yield information about variations in labour, material, goods and services nor distinguish fully between price and volume variances. Information which is important for monitoring purposes, especially at a time when the financial situation may call for a rather stringent control of expenditure and close monitoring", is really required and, as I said, I would be exploring further with my Colleagues in the Government to see what improvements in systems of internal control might be necessary but that, I think, is very much an internal management point separate from the question of estimates. There was not entire unanimity, I think, amongst the Members of the Opposition on this question of greater detail of more precise apportionment of expenditure to individual Heads because the Hon Mr Mor in his contribution to the debate did argue that personal emoluments in the Education Department, for example, should form part of a central vote.

MR SPRAKER:

No, with respect, I do not think that Mr Mor said that. Mr Mor was talking about the attributable expenditure on the particular vote, attributable exclusively to educating the children and this expenditure went to the general administration of the Department, I do not think he went further than that. I stand to be corrected.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

In that case I apologise to the Hon Mr Mor. Thank you, Mr Speaker, for putting me right. I think I have said enough on the general question of accuracy in the Government accounts. There were a number of detailed points which were raised during the course of debate. The Hon Mr Perez drew a distinction between the 8-year repayment period for the money borrowed in connection with the introduction of IDD and new equipment and the book life of the equipment which is, of course, fifteen years and he suggested, I think, that there might be a hidden element of subsidy here. That is not so, Mr Speaker, because the two repayment periods are, in fact, discounted and the discount rates varies as between the repayment life for the expenditure and the book life of the plant. There is a different discount rate which ensures that the Telephone Service does pay the economic rate. Distillers; I think there was a question about the cost of the distiller

plant and that has been financed by ODA and will not be a charge on the I&D Fund, that is to say, there is no capital charge in connection with that plant. There were a number of questions about the I&D Fund and I think it was suggested that too much money was being borrowed or that we should be spending the money in 1984/85 rather than in 1985/86. It is a difficult question to explain simply because the answer really depends on the interaction of two factors. In the first place the timing, at which various projects which have been approved by the Government go live in the sense that when this money is spent when disbursements in connection with that project have to be made, on the one hand, and the Government's needs for cash to finance those projects on the other, and getting these two in conjunction from an accounting point of view, that is to say, from an estimating point of view, for the purposes of the Government estimates is not always easy but in cash terms it does not make a great deal of difference, it may make some difference but it is a marginal difference and the reason for that statement is that even if the Government were, shall we say, to take the hypothetical situation that the Hon Member has raised, even if the Government were to get the cash too early and were left with a balance, well, it is earning interest on that cash so there could at the most be a marginal rate of 1% perhaps between the amount being borrowed too early and the amount which we would earn on cash in the bank or with the Crown Agents in London but I think if I can develop the points in the context of the estimates, it was always assumed that there would be a deficit in the Improvement and Development Fund, when I say always I mean, I apologise, I mean my predecessor personally assumed that there would be a deficit in the Improvement and Development Fund of just over £3m at the end of 1983/84 - £3,063,000 - and it was therefore assumed that the Improvement and Development Fund would, insofar as there was a need for a cash payment in that year, borrow in effect from the Consolidated Fund, that is, it would use up cash which was available and brought to account in the Consolidated Fund Balance for that purpose because it was known or it was planned at that stage to borrow money from a combination of a commercial loan and of course sale of debentures to finance the project as the need for cash developed during the course of 1984/85 and as the Consolidated Fund's need for its own cash also developed. I hope I have explained that in general terms. There was, of course, a loan agreement which I signed with Hambros Bank in November. The first tranche of cash under that loan agreement for £6m has already been taken up, it was taken up in the last financial year. The second tranche we can take up at any time up to the 31st December. It is conceivable, as I said earlier, that that might be too early but those were the terms of the loan agreements, one obviously has to plan these things in advance, indeed, I think the discussion on the £6m loan facility has gone on for the best part of twelve months and it is not, of course, always possible to change the terms of an agreement like that at the last minute because you get pretty well downstream and the banks, of course, have got to make their own arrangements for borrowing the money on the market and there was an occasion in the early hours of, I

think it was the 27th January, Mr Speaker, I had in fact signed the agreement the day before with Hambros and it suddenly seemed the smartest piece of business I had done in a long time. If I can just conclude, as far as the £1.5m which is shown outstanding at the end of the year, as I said, the projects are on-going. £1m of that is already allocated to projects and the remainder, £½m, is there as a contingency margin for the increases in cost which are encountered from time to time. I think it was the Hon Mr Baldachino who asked about the Varyl Begg roofs and why that should be amortised over a period of sixty years. I imagine his alternative would have been to include these as maintenance in the appropriate subhead under recurrent expenditure. Well, I think the point there and I apologise if it seems a rather doctrinaire one to him. First of all sixty years of course is the life of the building, that is the amortisation period, but the money to finance this particular improvement and development has been borrowed at a commercial rate.

HON J L BALDACHINO:

If the Hon Member will give way. I was not referring only to the Varyl Begg roofs. What I said was to such things as the Varyl Begg roofs, the repairs of the external walls of the Tower Blocks and things like that. I did not mention specifically the Varyl Begg roofs, I meant things that would not have a sixty-year life, that is what I was referring to.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

At the Committee Stage we can go into that in more detail, I thought it was in fact the question of Varyl Begg roofs or other things which are amortised over sixty years. The Hon Mr Pilcher asked me a question. He suggested that I had given him an undertaking to provide him with information about the terms of the consultancy - no, not the consultancy fee but the terms and conditions of the management agreement and I did say that I would make these available outside the House or at least make them available in due course, Mr Speaker. I am not quite sure what the Chief Minister's 'shortly' means but my 'in due course' means not yet and I would envisage that that ought to be after I have been replaced by what some of my Colleagues call 'a proper Chairman' of GSL, the suggestion being that I am an improper Chairman, of course, and that will I hope be in the not too distant future. The point being of course that the Chairman and the Board when we have a full Board will or ought to have an opportunity to comment, I think, before these are revealed more generally and the second point is, of course, which explains why I said in due course although I hope this will be shortly, is because it will take place downstream of a successful resolution of current negotiations leading to a speedy entry of the management company on the question of the Dockyard operation.

HON J E PILCHER:

If the Hon Member will give way. As Chairman of the GSL, although only temporarily, he should make sure that they do run speedily, Mr Speaker.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am bending all my best efforts to that end, Mr Speaker. I now come to the points raised by the Hon Leader of the Opposition about the Dockyard and I would simply make this point and it really goes back to some of the things I said in my opening speech. He mentioned that there was a full programme of work in the Dockyard - I think I am quoting him accurately there - for the time being because of the MOD commitment to paying wages till December. He then used the rather revealing phrase 'even if there is not the work for them to do' and to my mind this illustrates a certain imperfection in the Hon Member's thinking about this.

HON J BOSSANO:

I will explain the position because perhaps the Dockyard management does not keep the Hon Member as well informed as it does me, Mr Speaker. The refit programme is supposed to end sometime in November. The commitment is that the employees will be given six months notice running from June to December irrespective of their length of service and that if in fact the refit programme is completed on target, say, in the middle of November, then people are not going to be kept coming in for six weeks without having anything to do but they will still be paid.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am grateful to the Hon Member so that particular exchange does not illustrate imperfections in his economic thinking. Mr Speaker, if I can return to his other points. He did raise the question of the debts in two points. He raised particular points about the 1985 debenture and if I can quote his figures. He noted that there was a figure of £343,000 at the end of 1983, that there would be further repayments of about £150,000 or thereabouts or there had been in 1983/84 and would be in 1984/85 and I think the Hon Member added up these figures and said: "Right, at the end of 1984/85 you have only repaid some considerably less than the total of £1m which was borrowed. There would, of course, be a further tranche of payment, another £150,000, but that again would leave one some way short of the million". The answer to the Hon Gentleman's query on that is that of course these payments as soon as they are made into the Sinking Fund they attract interest and not only do they attract interest but they attract interest at a compound rate. So the Sinking Fund is credited with the interest earned on the repayment and that is how the full debt of £1m is paid at maturity.

HON J BOSSANO:

If the Hon Member will give way. Will not, in fact, the figure in the Auditor's Report of £343,000 include the value of the investments in the Statutory Sinking Fund including accrued interests from those investments?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

To that date, yes.

HON J BOSSANO:

I will do some checking, Mr Speaker, but it seems to me that there is still a shortfall even after his answer.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Again, I think this is probably something we can usefully check over a glass of beer some time. The other points which the Hon Member made on debts, generally, was, I think, if I am right in paraphrasing again, that there were these various loans and I think he said that he would not like to be around in a few years time or possibly he would not like to be Financial and Development Secretary in a few years time.

MR SPEAKER:

I think he said he would not like to be Chief Minister.

HON CHIEF MINISTER:

The only time that he wouldn't like to be.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think the answer is that certainly we do not see any major increase in future repayments because of new loans since a number of other loans with varying redemption dates will be redeemed by the time the Hon Member does not become Chief Minister. The public debts and indeed the servicing charges do peak in 1985/86 or will peak in 1985/86 and 1986/87 and thereafter they will fall sharply. That is, of course, on present dispositions and naturally I cannot commit the Government or say anything to the House of what those commitments might be at varying times in the future. Of course that is why we structured the Hambros loan with a five-year grace period before we began repayment of the debt. The Hon Member also raised a point on interest and I think this is on page 12, Head 7 - Interest, Consolidated Fund and again I think his point was why that interest had gone down. The reason why the figure for interest has remained relatively constant in relation to the Consolidated Fund Balance of £11m and then £7m is really in part or lies with the explanation I gave a

short while ago about the fluctuations in cash terms between the two Funds and the fact that there was a book deficit in the I&D Fund at the end of the financial year did not, of course, reveal the true cash situation. So it is really the cash available during the year at any time and not the projected book balances in the Fund which determine the amount of interest which is earned on the cash or investments which are in the Consolidated Fund.

HON J BOSSANO:

But, Mr Speaker, even taking that into account, isn't it true to say that if we discount the deficit in the Improvement and Development Fund in March, 1983, we have over £8m in the Consolidated Fund Balance and that if we look at the £7m with which we are starting this year we are looking at a reducing balance this year on the one hand, and on the other hand we are looking at the level of accruals or arrears or outstandings, whichever it is, which is bound to be higher now than it was twelve months ago so that in fact the cash balance is going to be considerably less?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Well, part of the answer to the Hon Gentleman's question, the answer to what he said in the first part of his question he gave in the second part of his question because, as I said, we are talking in terms of cash and so when there was a balance of £8m in the Consolidated Fund, a credit balance, plus a deficit of £3m in the I&D Fund, he also must take into account the actual position on arrears as he suggested which I think he would find would bring the figure down more towards one of £4m which at a going rate of 10%

HON J BOSSANO:

Mr Speaker, I am afraid the Hon Member takes my argument and then turns it on its head. What I am saying is that if in fact his estimating last year £400,000, and let us take a figure of 10%, that represents £4m of cash which means that instead of having £12m there was really £4m in cash because £3m-odd was an advance to the I&D Fund and the rest was arrears or accruals or outstandings, this year we start off with £7m which is less than the £8m of last year after the I&D Fund and the accruals, arrears or outstandings this year are higher than last year and therefore if he had £4m last year he certainly has got less, he has got £3m and if he has got £3m to start off with he is going to have nothing by the end of the year.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think the only additional point the Hon Member has introduced beyond the one to which I think I gave a reasonable answer is the position at the end of the year. The forecast we are producing for the Consolidated Fund in these estimates is, of

course, an end of year position which is to say that we now have a figure of £7m in the Consolidated Fund, we have also had an injection of cash from the Hambros loan facility and also, of course, the sale of debentures which have improved the Government's cash position so I do not accept that as far as the average of the year as distinct from what the entry might be at the end of the financial year, the position is as the Hon Member has suggested and not as we have estimated. But I would say, of course, that estimating cash flows, Mr Speaker, and therefore the interest one may earn on cash balances is not subject to precise estimating which is why of course amongst other reasons it is a Consolidated Fund charge. I think the Hon Member's next point was on insurance and he asked why under Head 26 - Treasury, we were making no provision for insurance. First of all, I should say that the Government has provided money in previous years for the insurance fund and the figure is I think £670,000, speaking from memory, shown in the accounts, and it was felt that the figure has of course mounted and as part of the general drive for economy this was something which it was reasonable for the Government not to provide at this stage. It would be very unfortunate if one were proved wrong but one has to make a judgement of these things and clearly the Fund has been growing and we think that it is a risk which is reasonable to take in the circumstances. I think, Mr Speaker, those were the only specific points raised by the Hon Leader of the Opposition. I seem to recall that at an earlier stage the Hon Mr Feetham made some comments about my expatriate mentality which I certainly did not take in a personal sense because I am sure he did not intend it in a personal sense. If I am a 'giri' then I am a 'scouse giri', Mr Speaker, and they are very robust creatures, at least I hope so, but I would merely say that I think my value to the Chief Minister, indeed, to Gibraltar would be diminished if I were to simply articulate in exactly the same form as my Ministerial Colleagues or, indeed, other Members of the House a view which they can probably put more eloquently than myself, so in my opening speech to the House where I may have made some comments giving my analysis, I was doing so in that spirit. I think the only other point I would say is that I certainly agree wholeheartedly with the comments made by the Minister for Economic Development and Trade on the question of land and I note that my predecessor, Mr Wallace, last year in his speech to the House on the occasion of the Budget said much the same sort of thing. He said that the problem of land is not confined to the free handover of lands and assets surplus to defence requirements in the Dockyard since these, on their own, are inadequate to close the gap which will be created in our economy. The Ministry of Defence will need to release other land and assets to give scope for diversification and I think the underlying principle there, Mr Speaker, and one which I would certainly endorse although I will not endorse it in the same way as Ministers otherwise the Chief Minister may find that he has three instead of just two GSLP Members of his team, the principle is, to my mind, a fairly simple one and that is that political self determination is of course meaningless without economic self determination and therefore

the means to survival. I think I have spoken long enough, Mr Speaker. I am afraid the House of Assembly and Gibraltar may have to put up for a few years longer with my curious combination of Treasury thinking, scouse humour, accruals and quotations from Shakespeare. I commend the Bill to the House.

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

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I beg to move that the Committee Stage and Third Reading of the Bill be taken at a later stage of the House which may be tonight.

This was agreed to.

COMMITTEE STAGE

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Sir, I beg to move that the House should resolve itself into Committee to consider the Finance Bill, 1984, and the Appropriation (1984/85) Bill, 1984, clause by clause.

This was agreed to and the House went into Committee.

THE FINANCE BILL, 1984

Clause 1

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move that the figure "16" in line one of subclause (5) be deleted and the figure "14" be substituted therefor. This is a consequential amendment following the decision on pensions announced by the Chief Minister earlier in the debate. I will be moving substantive amendments to Clauses 12 and 13 at the appropriate time.

Mr Speaker put the question which was resolved in the affirmative and Clause 1, as amended, was agreed to and stood part of the Bill.

Clause 2

On a vote being taken the following Hon Members voted in favour:

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon M K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammitt
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members voted against:

The Hon J L Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

Clause 2 stood part of the Bill.

Clause 3

On a vote being taken the following Hon Members voted in favour:

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon M K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammitt
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members voted against:

The Hon J L Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

Clause 3 stood part of the Bill.

Clauses 4 to 9 were agreed to and stood part of the Bill.

Clause 10

On a vote being taken the following Hon Members voted in favour:

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon M K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammitt
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members voted against:

The Hon J L Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

Clause 10 stood part of the Bill.

Clause 11

On a vote being taken the following Hon Members voted in favour:

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon M K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammitt
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members voted against:

The Hon J L Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

Clause 11 stood part of the Bill.

Clause 12

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move that Clause 12 be deleted and there will be some consequential renumbering, of course.

Mr Speaker put the question which was resolved in the affirmative and Clause 12 was deleted.

Clause 13

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move that Clause 13 be deleted and that Clauses 14, 15 and 16 be renumbered 12, 13 and 14.

Mr Speaker put the question which was resolved in the affirmative and Clause 13 was deleted and Clauses 14, 15 and 16 were accordingly renumbered Clauses 12, 13 and 14.

Clause 12 (old Clause 14) was agreed to and stood part of the Bill.

Clause 13 (old Clause 15) was agreed to and stood part of the Bill.

Clause 14 (old Clause 16) was agreed to and stood part of the Bill.

The Long Title

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move that the words "The Pensions (Increase) Ordinance, 1973, The Pensions (House of Assembly) Ordinance, 1979", be deleted from The Long Title of the Bill.

Mr Speaker put the question which was resolved in the affirmative and The Long Title, as amended, was agreed to and stood part of the Bill.

THE APPROPRIATION (1984/85) BILL, 1984

Clause 1 was agreed to and stood part of the Bill.

Schedule

Head 1 - Audit

Personal Emoluments

HON J BOSSANO:

Mr Chairman, why is the typist Specialist?

HON CHIEF MINISTER:

She does audio.

Personal Emoluments was agreed to.

Other Charges was agreed to.

Head 2 - Customs

Personal Emoluments was agreed to.

Other Charges

HON J BOSSANO:

Mr Chairman, I think one point that the Hon Member didn't answer, in fact, was whether there would have to be consequential amendments in the approved estimates as a result of the increases in water and electricity tariffs which we have just passed in the Finance Bill?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, Mr Chairman, in due course it will be included in the revised estimates but it has not been the practice when tariffs have been raised to do it in the same meeting.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 3 - Education

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 4 - Electricity Undertaking

Personal Emoluments was agreed to.

Other Charges

HON J C PEREZ:

On the question I raised yesterday with the Hon Minister for Municipal Services in relation to the fuel cost where notwithstanding the fact that the capacity of the new Waterport Station is being increased and the King's Bastion one is being run down, there is a higher proportion of fuel being voted for the King's Bastion one rather than for the Waterport one. Could the Hon Member explain that?

HON DR R G VALARINO:

Yes, Mr Chairman, let me answer back in two parts. First of all, the estimate 1984/85. The amount at Waterport is less because No. 1 engine at Waterport needs a 9,000 hour overhaul so it will be out for two weeks and it will also need a major overhaul so it will be out between five to six weeks during the year. No. 2 engine at Waterport will need a 9,000 hour overhaul and it is likely that it will need a major overhaul which is the 12,000 hour sometime during this financial year. This is why there is a difference in this between the fuel at King's Bastion because they will be working more than the ones at Waterport. As far as the approved estimates for last year are concerned, this is due to the fact that No. 13 engine which is the largest engine at King's Bastion had a major overhaul last year and, in fact, No. 13 engine was out of commission for sixteen weeks and the fact that we have got three other engines. That is why the figures are different in that respect.

HON J C PEREZ:

Can the Hon Member explain then why it is that the increased oil which is reflected on the overhaul of engines on the King's Bastion one is not reflected in the decrease of money allocated to fuel in the Waterport one whilst the overhaul is being carried out? You are putting more money into the King's Bastion one because you need more fuel because the capacity will increase but, surely, when the capacity of the King's Bastion one is increasing whilst the overhaul is taking place the capacity of the Waterport one has decreased and therefore not so much money should be allocated to fuel on the Waterport one since there is more money allocated to fuel in the King's Bastion one.

HON DR R G VALARINO:

Yes, Mr Chairman, there is certainly not a great deal of difference between one and the other except that the price of oil tends to differ and, in fact, the ratios carried out for pricing indeed are different in both Stations.

HON J C PEREZ:

I am not asking that, Mr Chairman. I am asking the Hon Member if the amount that we are being asked to approve for the Waterport Station reflects less fuel than would have normally been used because there will be a period when engines at Waterport Station are being overhauled which is the reason why we are being asked to approve more fuel for the King's Bastion?

MR SPEAKER:

What you are being told is that the cost of fuel for Waterport is cheaper due to the different quality of fuel.

HON DR R G VALARINO:

Mr Chairman, I can see the Hon Member's point but he is talking about the approved estimates. If he looks at the revised estimate 1983/84 he would then see the real state of the picture.

HON J C PEREZ:

So what the Hon Member is saying is that, yes, it has been taken into account?

HON DR R G VALARINO:

Yes, Mr Chairman.

HON J C PEREZ:

Can I now ask the Hon Member what extra expenditure there is? Why are we being asked to approve £47,000 for the overhaul of engines, is it that we employ some services from outside the Government which we pay whilst we overhaul the engines and could he also explain the period between the overhaul of engines in the new Generating Station and whether that is going to recur annually or half yearly or whatever? What are the periods in which the engines are to be overhauled?

HON DR R G VALARINO:

Let me answer both of them and, in fact, I have the figures here. The engines are overhauled periodically, in fact, we have certain guidelines by which we renew certain parts of the

engines. A top overhaul is done at 9,000 hours and a major overhaul is done at 12,000 hours so it really depends on the amount of time that the engines are running. Sometimes it is difficult for me at this early stage to predict when, say, engine No. 2 at Waterport will need a major overhaul. That is one. Then he has gone down to subhead 25 - Overhaul of Engines at £47,000. The engines at Waterport, in fact, the 9,000 hours overhaul of engine No. 1 at Waterport is being undertaken at this very moment and it is done partly by us, the men working at Waterport, and by engineers from Mirrlees and this overhaul take into account some of the help that we got from Mirrlees.

HON J BOSSANO:

Is this at all affected by the fact that the Waterport Power Station is still being operated by Hawker Siddeley which we are opposed to, or not? Would it be the same if in fact the Station was now being operated by the Government employees?

HON DR R G VALARINO:

No, Sir, it is not affected by the fact that we have not taken Waterport completely. In fact, the Hon Leader of the Opposition may remember No. 13 engine was overhauled last year and we had some engineers from Mirrlees doing the work here in helping our own people. This is a continuing process whereby both the manufacturers and ourselves repair or maintain the engines. This has been done in the past, this is not an innovation.

Other Charges was agreed to.

Special Expenditure

HON J C PEREZ:

Mr Chairman, there are two things here, one which I stressed in my own contribution in the Appropriation Bill which is that we will be voting against the £110,400 for Hawker Siddeley. I think the reasons have been expressed already in the House and I wouldn't want to keep the House unnecessarily prolonged with that. The other thing I would like to ask the Minister is about this consultancy service, what is it?

HON DR R G VALARINO:

The consultancy service which is subhead 80, is the consultancy with BEI that has arisen in various discussions we have held and covers that vote.

On a vote being taken on Special Expenditure, Subhead 85 - Running of Waterport Power Station by Hawker Siddeley Power Engineering, the following Hon Members voted in favour:

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon M K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammit
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members voted against:

The Hon J I Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

Subhead 85 of Special Expenditure was accordingly passed.

Special Expenditure was passed.

Head 5 - Fire Service

Personal Emoluments

HON J C PEREZ:

Just to say, Mr Chairman, something which I missed out yesterday and the Hon and Learned Chief Minister was confused as to whether I was actually shadowing the Fire Service or not. I found no fault in the estimates of the Fire Service so I saw no reason why I should mention it and keep the House unnecessarily.

HON DR R G VALARINO:

Mr Chairman, if I may, the only thing I would like to say is that I am impressed that the Hon Member has changed his tie today.

HON J C PEREZ:

They are all members of the union.

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 6 - Governor's Office

Personal Emoluments was agreed to.

Other Charges was agreed to.

Head 7 - House of Assembly

Personal Emoluments was agreed to.

Other Charges was agreed to.

Head 8 - Housing

Personal Emoluments was agreed to.

Other Charges

HON J L BALDACHINO:

Mr Chairman, under subhead 8. Is the estimated amount under subhead 8 for provision for lighting of new Estates?

HON MAJOR F J DELLIPIANI:

Mr Chairman, this is for all the Housing Estates.

HON J L BALDACHINO:

Mr Chairman, I have got another one on subhead 9. Is the increases of £11,700 under this Head because the Government expects an increase of people applying for rent relief in 1984/85?

HON MAJOR F J DELLIPIANI:

Yes, Sir.

HON J BOSSANO:

Mr Chairman, could I just follow a point here that the Government might want to give some thought to although it might be an increase in expenditure. This is that quite often in UK, for example, there are substantial numbers of

people in need of assistance who are unaware of their entitlement, I think it is important, and I think the Government should give some thought particularly in a situation where rents are going up as fast as they are and where the economic climate, to put it mildly, is a not very healthy one, whether people are fully aware of the sort of the income levels around which rent relief operates? I just want to mention this because I think it is something that should be given some thought. I know that in UK there is a lot of documentary evidence suggesting that there are in fact many, many people entitled to who never take up the benefits.

HON MAJOR F J DELLIPIANI:

Mr Chairman, in my other capacity as Minister for Labour, we do inform people of the facilities that we have for rent relief but it might be a case in point where we could compile some kind of leaflet.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 9 - Income Tax Office

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 10 - Judicial

(1) Supreme Court - Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

(2) Magistrates' and Coroner's Courts - Personal Emoluments was agreed to.

Other Charges was agreed to.

Head 11 - Labour and Social Security

Personal Emoluments

HON J BOSSANO:

May I just make a point in relation to personal emoluments, Mr Speaker? When the Minister brought in legislation, in fact, to ensure more effective supervision by his Department of the requirements under the Work Permit Regulations and so forth were being complied with and that we didn't have a situation where there were people working without proper documentation and contracts and so forth, we talked about strengthening the Department. Could we have some indication from him as to how that is working because I remember we introduced very stiff penalties in the law and we were told that the inspectorate was going to be strengthened and there has been no indication that there have been any prosecutions. I don't know whether that means that the inspectors have been on top of the situation and found no infringements or that the machinery has not really got working yet?

HON MAJOR F J DELLIPIANI:

Mr Chairman, certainly we have strengthened the inspectorate and they are doing what we want them to do but I think the Hon Member should appreciate that as a Minister I do not get myself involved with the different cases that they report but if he wants information I shall certainly give it to him on a personal basis. But it is something that I want to keep out of as a Minister and leave the inspectors to work on their own initiative.

HON J BOSSANO:

The establishment is shown as being down from 72 to 69 in spite of the fact that we strengthened the inspectorate.

HON MAJOR F J DELLIPIANI:

We have managed to redeploy our personnel because we had a considerable number in the Key and Anchor and we have managed to redeploy but I agreed to this on condition that if anything happened we would have them back.

Personal Emoluments was agreed to.

Other Charges

HON M A FEETHAM:

Mr Chairman, will the Minister please state whether he will be coming back to the House for further money other than the £46,000 he has earmarked this year for the Construction

Training Centre in the light of the recent statement he made on youth employment requiring to pay youth who are unemployed six months wages and so on as an incentive to employers? Will he be coming to this House for further money or does he consider £46,000 is what he has got earmarked for this year?

MR SPEAKER:

Which subhead are you referring to?

HON M A FEETHAM:

Subhead 6 and the difference it has on the revised vote. It is £144,700.

HON MAJOR F J DELLIPIANI:

Mr Chairman, this appears as a new item because we have combined the two. In actual fact it is not an increase of £46,000, the increase is not meant for that. In the £80,000 of last year we catered for 45 trainees in our youth training scheme so in the £80,000 there is already money for the training scheme which will continue plus the excess now of £46,000 which would also form part of the scheme that we had in mind, so in actual fact we have already increased this for last year. We are going to deal with greater numbers.

HON M A FEETHAM:

Does the Minister think that that is enough money?

HON MAJOR F J DELLIPIANI:

Mr Chairman, I feel that we have money under the present way that the scheme is going. If the scheme is a success and we need more money I will come for more money but I am not going to ask for more money and then find that the scheme has not had the response because this scheme is really dependant on the attitude of the youngsters and their parents.

HON J BOSSANO:

Mr Chairman, I only saw briefly a report on television about what he said when he went down to talk to the youngsters, but wasn't he talking about expanding the thing and in fact introducing new courses which have not existed in the past? I think what we want to know is whether with £144,000 he reckons he has enough provision for all his plans or whether in fact that is still to come?

HON MAJOR F J DELLIPIANI:

The £14,700 has been given to me on the condition that I can juggle about with it to make the best use possible for the scheme and I hope that it is a success and I need more money. We are not dealing with a full year, of course.

HON J BOSSANO:

There is under Training Courses a token vote of £100. Is that related to this or is it something else?

HON MAJOR F J DELLIPIANI:

It is a token vote which relates to the different industries as was the case when we had, for example, a catering course and it is related to charges to the industries concerned. It is just a token vote.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 12 - Crown Lands

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure

HON J BOSSANO:

I think we are going to get very fast through the estimates, Mr Chairman, we might leave some of us behind. It is unusual I think to have a vote and have a note at the bottom 'reserved' in the estimates. I have only seen that happening before in the Improvement and Development Fund. We have got here purchase of micro-computer reserved. Do we need a micro-computer or do we not need a micro-computer? We have just voted it, yes.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think there is a general point about a number of computers, Mr Chairman, that it was thought appropriate to vote appropriation for the funds but this will be subject to a cost benefit appraisal of each individual project.

Special Expenditure was agreed to.

Head 13 - Law Officers

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 14 - Medical and Health Services

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure

HON MISS M I MONTEGRIFFO:

Mr Chairman, I would like the Minister to say what sort of new equipment he has purchased this year for the Hospital.

HON J B PEREZ:

It seems, Mr Chairman, we have another Mr Restano, but I am grateful to the Hon Member because she did give me notice this morning. We are buying the following items: In the Theatre we are buying an anaesthetic gas extractor; drip stands; cystoscope, a cerclage wire; instruments and hip screws and extra prosthesis removal instruments. In the Physiotherapy Department we are buying some ultrasound apparatus; a Westminster pulley apparatus, a muscle stimulator, a short wave apparatus. For the Dental Department we are buying a falcon drill unit and an ellipsopantogram. In the Endoscopy Unit we are buying a colonoscope, that is, visualisation of the entire colon, biopsy and removal of small tumours, cost £6,000. We are then buying the usual supply of pace-makers and electrodes, cost £3,000, an oscillator and a digital multimeter. In the Children's Ward, dripstand, childrens wheelchair and an air conditioner unit which will be very welcome by the Department. In the Intensive Care Unit we are buying an automatic infusion pump and again another air conditioner and I have got here in brackets for the 'Burns' room, whatever that may be. In Napier Ward we are buying a suction apparatus and in the Ophthalmic side we are buying a photo-coagulator for the treatment of patients with diabetic retinopathy ten to fifteen years, and many other general items.

Special Expenditure was agreed to.

Head 15 - Police

Personal Emoluments

HON J BOSSANO:

Mr Chairman, I remember when we had a supplementary estimate in the last House of Assembly increasing the number of policemen and we could not find why it was necessary to increase them and I think I raised the question of civilianisation then and I note that it says that there has been civilianisation of four posts. Is this the beginning of the process or has the process now began and ended?

HON ATTORNEY-GENERAL:

Mr Chairman, I would have thought the process is on-going but I don't want to commit myself to that. This is the first stage. I suppose if any other posts can be civilianised they will be.

HON CHIEF MINISTER:

The present form is that there are five posts to be civilianised in the first place. I think only three have as yet been identified, the other two depend on promotions and movements within the Force.

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 16 - Port

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 17 - Post Office, Savings Bank and Philatelic Bureau

(1) Post Office and Savings Bank - Personal Emoluments

HON J C PEREZ:

I come back to the point that has been raised already a couple of times, Mr Chairman, and which I am afraid I do not think the Hon Financial and Development Secretary quite understood

us on this side of the House and that is, I would like to ask whether the Hon Member can confirm that the £2,357.39 that appear as overtime payments for the Gibraltar Savings Bank in the annual accounts are included in the part of overtime of personal emoluments?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, they are not.

HON J C PEREZ:

Where does that sum of money appear in the estimates this year?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, it is not in the estimates, it is in the accounts. You are not being asked to vote the money.

HON J C PEREZ:

I know, but I am talking about the 1982/83 figures which appear on the expenditure, Mr Chairman, and there are four Heads in the annual accounts which appear on page 13 as revenue to the Government. I am talking about the accounts in relation to the estimates, Mr Chairman. There are four Heads in the annual accounts of the Gibraltar Savings Bank which added together total £30,000 which appear as revenue to the Government in page 13 of the estimates. What I am asking is, why doesn't the overtime payments of £2,357 appear with that and if not where does it appear as 1982/83 revenue or expenditure?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Well, I have answered the Hon Member, Mr Chairman. He keeps asking me why the figures for overtime payments relating to 1982/83 or rather where does it appear in the estimates. The answer is that it does not appear in the estimates because it is not being voted and it does not appear nor is it taken up in the figure of reimbursements on page 13 and it is no use asking me where the figures of overtime for 1982/83 appears in the 1984/85 estimates because I am saying we are not asking the House to vote.

HON J C PEREZ:

You are not asking the House to vote either any other Head and still the figure of approved estimates 1983/84 and the revised estimate 1983/84, what I am asking is under what Head in the revised

MR SPEAKER:

It is purely for information. I accept the fact that what I think Mr Perez is asking is why hasn't the normal procedure been followed?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am sorry, Mr Chairman, but I do not understand.

MR SPEAKER:

In other subheads you do show the extra expenditure for 1982/83 and in this subhead you have not shown the extra expenditure for 1982/83.

HON G MASCARENHAS:

Mr Chairman, the Hon Member is querying the £30,000 and the overtime which is not included but I think he will find in the revised estimates it is £32,000 so I think it is detailed on page 13, under subhead 4.

HON J BOSSANO:

Let me first perhaps take a point up with the Hon Financial and Development Secretary because I know like some of the people on our side it is his first Budget but, of course, as you well know, Mr Chairman, when we come to the Committee Stage of the Budget we do have your leniency in allowing us to ask questions about things that are not there like I have asked him about the £100,000 non-existent in this year in respect of insurance. He could have told me then that he did not have to give me an answer because I was not voting £100,000 but of course he didn't, he gave me an answer. The question that we are asking is perfectly legitimate one since what we are doing is as a matter of general policy not scrutinising the detail of who gets paid what but the detail of how accurately the figures that we are given reflect the reality of the situation. If we have £30,000 as income to the Government reimbursed by the Gibraltar Savings Bank, is the explanation that it is a purely arbitrary figure where if he decides next year to make it £20,000 he will just make it £20,000 and he won't include heating and lighting because he decides not to include heating and lighting. Why is it that £30,000 is being reimbursed and shows up as revenue out of an account in the Auditor's Report, Statement 19, page 95, which includes a series of figures which total £30,000 which we are assuming is the same £30,000 but which includes additionally a payment of £2,357 in overtime and a payment of £811 in stores which could only, presumably, for consistency of treatment, not have to show up as revenue if they were actual cash payments made to outsiders but if it is part of the cost of the Post Office and Savings Bank and you are allocating costs specifically to the Savings Bank to establish to what extent

the Savings Bank is a profitable operation for the Government and putting a management cost and you are charging £29,000 for services rendered in respect of salaries then, surely, if you charge for the salaries you charge for the overtime?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, perhaps I can explain that the Savings Bank Fund is a special Fund and therefore the expenditure which is shown in page 95 is not included in the Post Office vote. There is, of course, a management charge for Post Office expenses and also lighting and heating, sorry, a management charge for various staff expenditure and this is shown on page 95 as services rendered by sundry departments, it is an apportionment, and also lighting and heating, etc. The item from Services rendered by Sundry Departments down to Passage and Travelling Expenses, these are subject to reimbursement. The other items are, I might call it, direct charges on the Savings Bank Fund and do not appear in estimates, that is the convention which has been followed, so the overtime which was incurred was a direct charge on this Fund and would not be subject to reimbursement because the money is allocated directly and not certainly to any reapportionment and the Savings Bank Fund is a special Fund, of course.

HON J BOSSANO:

Well, I know it is a special Fund, Mr Chairman, so is the Housing Fund and so is the Electricity Fund and so is the Potable Water Fund and in their case the overtime is voted by the House in the estimates. He is saying that the £2,357 of overtime payment in the special Fund has not been approved by the House, is that what he is saying, and is not included in personal emoluments, actual expenditure 1982/83? Well, that is a very unusual practice.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think it is the practice which has been followed in other years, Mr Chairman.

HON J BOSSANO:

But it is probably unique, I would say, Mr Chairman, in the whole of the £52m?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Well, as the Hon Member has just said, Mr Chairman, this is my first Budget and obviously there are things I have to learn as well as Hon Members of the Opposition.

HON J BOSSANO:

If it hasn't been voted that is the explanation, it is not reimbursed because it hasn't been voted, fair enough.

(1) Post Office and Savings Bank - Personal Emoluments was agreed to.

Other Charges

HON J C PEREZ:

Mr Chairman, could I ask the Hon Member under subhead 11 - Losses of Public Funds, what does that exactly mean?

HON G MASCARENHAS:

Mr Chairman, we make an allowance in the estimates for losses at the counter. We manage a lot of money at the counter and it is very difficult to balance every day. There are instances where the counter clerk do not balance and therefore we need that vote in order to be able to cover that in case. It happens in my office every day and when you have four or five people selling at the counter, units as small as that, stamps and all that you have to make an allowance. Our discrepancies are very, very small, I can assure the Hon Member. I know where private companies make a lot of losses out of cash that is lost, misplaced and mistakes, especially under the pressure that they work at the Post Office.

HON J C PEREZ:

But I notice, Mr Chairman, that the revised estimate for last year was £1,000. Does that mean that there was £1,000 loss in that way last year?

HON G MASCARENHAS:

Yes, I imagine so, I wasn't responsible then but I would imagine so, an exceptional loss at one particular moment. You could have lost social insurance stamps or they could have been stolen, I don't know.

Other Charges was agreed to.

Special Expenditure

HON J C PEREZ:

Mr Chairman, the £3,600 required for the purchase of private letter boxes. What exactly is the private letter boxes and what use will they have?

HON G MASCARENHAS:

Mr Chairman, I made a statement in the last House of Assembly particularly on that item. We find that we do not have any PO boxes available for hire, these are the small black things you see in the back entrance, and the Director had already included this in the estimates as there is a lot of demand for it, I think we have about 60 or 70 people on the waiting list and I think that the Public Works will be providing the assistance that we need. That is the cost of the actual boxes that we are purchasing and these are 240 in number which will see us through for the next few years.

Special Expenditure was agreed to.

(2) Philatelic Bureau - Personal Emoluments was agreed to.

Other Charges was agreed to.

Head 18 - Prison

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 19 - Public Works

Personal Emoluments was agreed to.

Other Charges

HON J C PEREZ:

Mr Chairman, the Hon and Learned Chief Minister said in his contribution in the general debate to the Appropriation Bill that Members opposite would be looking at the suggestions that we had made and considering whether to adopt some in relation to the presentation of accounts and since I think that the Hon Minister for Public Works said yesterday about the £700,000 on maintenance of buildings he put across a few obstacles saying that perhaps the allocation of maintenance costs to each different Head would not allow him the flexibility he has at the moment. Perhaps the point made by the Minister yesterday could be overcome, for example, by not allocating all of the £700,000 to the other Heads and perhaps maintaining a small sum for the flexibility which he mentioned such as unpredictable things where one has to use that amount, would the Hon Member consider applying this procedure next year if he could overcome the problems that he mentioned yesterday?

HON M K FEATHERSTONE:

With great respect, Sir, aren't we still on Head 19, that is almost a Head 20 question? When we come to Head 20 I do have an answer for that but I thought we were still doing Head 19.

MR SPEAKER:

We are still doing Head 19, I see what you mean, yes.

Other Charges was agreed to.

Head 20 - Public Works Annually Recurrent

HON M K FEATHERSTONE:

I would just like to inform the House that of the £700,000 which is put for Offices and Buildings, £401,000 are actually already allocated to the different Departments and the balance is used for the other various buildings such as the Secretariat itself and what have you. A very quick breakdown. We have, for example, the Magistrates' Court - £3,500; Supreme Court - £10,000; Post Office - £11,000; and so it runs through until you get to the total of £401,000. So £401,000 of the £700,000 is tentatively mortgaged for those Departments as such but should some emergency crop up as it can do during a year, then it might be needed to move just a little from one of these Departments to the other areas or if one of these Departments needs some extra money then less will be spent, say, on the Secretariat building or on the Treasury or what have you.

HON J C PEREZ:

Following on what the Hon Member has said, Mr Chairman, I would certainly prefer that if, for example, £400,000 of the £700,000 has already been allocated that we should be asked to vote on what it is being spent and that that should be reflected in the accounts on what it is spent which is the argument that I put yesterday and in support of my argument you can keep the £300,000 for anything else that happens but at least that vote is more controlled and we are being asked to vote specific money for a specific thing. What I would like to avoid, and I am not saying that it is happening, but since we are being asked to vote £700,000 without exactly knowing for what it is being voted is that a decision taken in the middle of the year that money which might have been allotted by you now on the Medical Services is used, for example, to paint an office and we might be objecting if that were the case so if it is allotted to the Medical Services we know that so much maintenance is being allotted to the Medical Services that year and if there are complaints from people that the Children's Ward is not being painted then we can know whether there is money allotted for that in this financial year or not.

HON M K FEATHERSTONE:

Each Department is informed of the amount of money allotted to them and I can assure you that they keep a very good check on what is spent for them. I am willing to give a copy of this allotment to you should you so desire it but the position is, as I have said, that if you were to specify the amounts exactly in the estimates and then, as usually happens, the Department overspends their allotment, then we will have to be coming back for umpteen supplementaries for each and every Department and the flexibility that we have to do it without having to come for such supplementaries would be lost, but we are willing to look at it.

HON CHIEF MINISTER:

In the whole estimates, before we started to pay for bigger works from loans and so on, there used to be two Heads in the Public Works, one was Annually Recurrent and the other Non-Recurrent. I don't know why it should carry on being called Annually Recurrent because it is Annually Recurrent, it should be called Public Works Recurrent Account because if the Hon Member will remember we had them for the bigger works and now, of course, the bigger works are financed from loans except that every year the present taxpayers have to pay a little otherwise if you put it all on loans you are putting on to other people when the people here are getting the benefits. In capital works it is the other way about, you cannot burden the taxpayers of today for the benefit that they will receive in the future. Subject to that, apart from looking at the matter, generally, I think the undertaking by the Minister and I would hope when we look at this to take away the Annually Recurrent because there is no other one that is not Annually Recurrent.

HON MISS M I MONTEGRIFFO:

Mr Chairman, can I ask the Minister responsible about the £5,000 for the GASA swimming pool because if I remember rightly he said it was under the Public Works vote and I would like to know under which subhead it comes?

HON M K FEATHERSTONE:

Yes, under the heading that I started reading out, at the end of it I stopped, item 21 - GASA swimming pool, £5,000. We will be in contact with GASA and ask them how exactly they want that spent.

Beaches was agreed to.

Maintenance of Buildings was agreed to.

Emergency Service and Stores was agreed to.

Gardens was agreed to.

General was agreed to.

Highways

HON J C PEREZ:

Mr Chairman, on the question of the Pay Car Parks, could the Hon Member state whether the £54,000 we are asked to approve includes this clamp which we saw in the press for cars over-staying in the car park?

HON M K FEATHERSTONE:

Those clamps have actually been designed and manufactured in the PWD Garage. The cost of each clamp is approximately about £30. I presume for accountancy purposes they will be charged to the pay car parks in due course.

HON J C PEREZ:

The Hon Member is expecting to get £80,000 of revenue this year. Is the last increase in the car park fees estimated in that figure of £80,000?

HON M K FEATHERSTONE:

No, Sir, that was based on the figures that we were obtaining from last year. I can give the figures from last year, we actually had the car park operating for 253 days. We took a total of £60,000 which was roughly £237 a day. We were therefore estimating on 365 days at around the £237 a day, £80,000-odd. With the increase we have had a somewhat diminution in the number of cars actually attending but that we consider will probably only be a temporary decrease as once people start to get used to it again they will be paying the larger amount so that it is quite possible that instead of the £80,000 estimated we may get £120,000.

MR SPEAKER:

Purely by way of information once you have told me who is going to be charged for the clamps. Who will take the benefit of the fines and charges, will it be the Police?

HON M K FEATHERSTONE:

The Consolidated Fund, Sir.

Highways was agreed to.

Mechanical

HON J C PEREZ:

Mr Chairman, on the question of Mechanical, I notice a decrease in the Workshops and Garage, is that in materials?

HON M K FEATHERSTONE:

No, it is mainly a decrease in the amount of work that is done for other Departments. The Garage has done a large amount of work over the last few years in preparing and repairing parts of the distillers. With the new distiller it is hoped that we will have less repairs at least for the first few years.

HON J BOSSANO:

I wanted to ask about the Vehicles and Plant, Mr Chairman. For a number of years I have been stressing the long term benefit to the Government of bringing in plant which they own because quite often they seem to have to go out and hire from private people quite a bit of mechanical plant, we have seen that happening. It is a fair amount because it is going up from £75,000 last year to £120,000 which we support, we think it is a good idea, but is this in fact an indication that more plant is being provided for the Public Works? What sort of plant are we talking about?

HON M K FEATHERSTONE:

I am very grateful for that question, Sir, because I would like to tell the House what is my policy and what I have been trying to convince Financial Secretaries for the last six or seven years should be the policy with regard to plant and equipment. We have valued our plant and equipment, it breaks down into two sections - the mobile section, that is, mainly vehicles and compressors, etc and the static plant such as lathes, milling machines and what have you and we have estimated that the mobile plant should have a life of from eight to ten years and therefore should be replaced at that rate. The other equipment should have a life of twenty-five years and should be replaced over a twenty-five year period. If we have therefore £1m worth of mobile equipment being replaced over a ten year period, we should spend roughly £100,000 a year on replacements. This is the policy I have tried to work to. Last year I was asked could I make specific cuts in that year to try and get the amounts we were spending. We were able because we had some plant that we could manage to keep going, perhaps at rather high repair cost but this year we have put it back to the normal 10% ratio. That is the proof that we do a little economic planning, Sir.

Mechanical was agreed to.

Pumping was agreed to.

Sanitation

HON J C PEREZ:

Mr Chairman, under Cleaning of Highways if I may, the Hon Member in the last meeting of the House told me that the street cleaning campaign was being undertaken by people who were normally allocated to the beaches. I found that question strange and I didn't follow it up because in fact I thought of it later, since in my view people working in the beaches are dismissed in the winter and taken on in the summer. If this is not the case and they are kept on then since they will be in the beaches in the summer has the Hon Member made some provision for the scrubbing of the streets during the summer which was so well received by the general public and which I presume in the context of tourism would be more important in the summer than in the winter?

HON M K FEATHERSTONE:

It is not a fact, Sir, that the people are dismissed from the beaches in the winter period and taken on for the summer. What happens is that during the summer a certain number of the cleaning labour force are used for cleaning up the beaches and when the beaches are not in operation then they come back into the general pool and are used for extra cleaning on the roads. We are spending a little more money this year over last year but basically the purges that we have been able to do during the winter period will not be able to be continued through the summer period until we get the results of the Pitaluga Report on tourism which does suggest a special flying squad for such work.

HON J C PEREZ:

I will ask the Minister later on when we come to the report, if we ever do, whether he will be supplying the flying squad with aeroplanes and all that, but would the Hon Member agree that the Pitaluga Report, as he calls it, seems to be more a report on the cleanliness of Gibraltar than on tourism?

HON M K FEATHERSTONE:

I think the cleanliness is one of the things which is intimately connected with tourism. Many tourists do comment about certain untidiness and uncleanness in Gibraltar. It is one of the things that I have put my mind to on many occasions and I have said in this House the cleanliness of Gibraltar is not simply a task for the Public Works Department, it is a task for every citizen of Gibraltar, it is up to us to keep Gibraltar as tidy as possible, the Public Works can only do a certain measure of cleaning as the Pitaluga Report does comment in one place, Main Street is

immaculate between 9 and 10 in the morning and then it reverts to its usual state. Well, I would hope that the public would take it into their hearts to see it does not revert to the usual state but the usual state is the immaculate state that it is left from 9 and 10 when the sweepers have been down there.

HON R MOR:

Mr Chairman, one point on the Cleaning of Highways. The actual expenditure on this in 1982/83 is very similar to what is now proposed to be spent in 1984/85 and yet the most noticeable effort in the cleaning of highways has been during the year which has just gone by, 1983/84. What is the reason for this?

HON M K FEATHERSTONE:

There was a measure of overtime that was given in 1982/83 which was diminished to some extent in the 1983/84 period. This was mainly the cleaning on Saturday mornings, Saturday afternoons and Sunday mornings. We made an agreement with the unions that a certain measure of overtime would be given but not quite as much as was done before. I would be happy to have a larger amount of overtime but I have been asked to keep my figures down as near as possible to 1983/84 figures with the allowance for the usual yearly inflation.

Sanitation was agreed to.

Salt Water Supply was agreed to.

Potable Water Supply was agreed to.

Cemeteries was agreed to.

Head 21 - Recreation and Sport

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure

HON MISS M I MONTEGRIFFO:

Mr Chairman, we will be abstaining on subhead 80 because we do not agree with the decrease in contributions to sporting societies and moreover, Mr Chairman, we cannot understand how the Minister for Sport yesterday said that he thought that the £10,000 in any case was a waste of money and I cannot understand how he is now asking the House to vote for that money.

HON G MASCARENHAS:

Mr Chairman, I said that I was reviewing the policy. What I found was that the money given to certain Associations last year was a waste of money, that is what I meant. I have seen certain Associations which present their accounts - they will be doing so in one month's time - and what we are doing is propping them up because they cannot make their own ends meet and I do not agree that we should contribute to Associations who cannot finance themselves. What I will do is that we have to maintain the commitment that we have to the Collegians Hockey Club who will be representing us in Europe and I think that they merit the help from this vote but what I cannot understand is how money can be given to Associations to finance themselves, they can organise a dance or anything, but we are giving here £200 and £150 to Associations who do not help themselves and I will not provide joy rides for certain Associations, that is all. But, of course, I need the vote for the Collegians and for the Cricket Association who want to go out and represent Gibraltar. I think they merit that.

HON J E PILCHER:

And the £3,000 cut is you are cutting back on all these Societies and Associations who are taking a joy ride, as you say?

HON G MASCARENHAS:

Yes, that is my opinion.

HON J E PILCHER:

Is it not true, Mr Chairman, that although there was an approved estimate last year of £13,000 and although the actual expenditure the year before was £11,500 last year it was increased and now it has been decreased just for that specific reason?

HON G MASCARENHAS:

I have a new policy and we had to make cuts somewhere, I think I mentioned this yesterday, we had to make cuts somewhere and I accepted the cuts on that vote rather than on anything else because I felt that I could cut on that.

HON H J ZAMMITT:

Could I also explain one thing, Sir, the difference between 1982/83 and 1983/84 was because we found ourselves with a hockey team that found itself participating in a second round within Europe and we had to make particular provision for it.

HON G MASCARENHAS:

Can I just add that this year particularly we have Special Expenditure, as Hon Members will see in subheads 81, 82 and 83 which will not recur next year. The resurfacing of the Stadium, for example, subhead 81, that takes place every four years and if we don't do that eventually it will be more expensive and we have managed to get that through this year and they wanted to cut it.

HON CHIEF MINISTER:

I hope I didn't hear the Hon Lady saying that she was voting against it because it isn't enough.

HON MISS M I MONTEGRIFFO:

We are abstaining.

HON G MASCARENHAS:

Mr Chairman, I did omit something yesterday which I want to say now and that is on the question of sportsmen from Gibraltar going abroad to compete. On their return in the past they have been charged duty on trophies when they have come back to Gibraltar by the Customs. We have done away with that and now any sportsman in Gibraltar if they are competing outside in bona fide sport and they return with a trophy, and a lot are doing that, duty will not be charged but we do ask sportsmen that when they do go out of Gibraltar they advise the Customs Department that they are going to compete and that they could win. Thank you very much, Mr Chairman.

On a vote being taken on Special Expenditure - Subhead 80 - Contributions to Sporting Societies, the following Hon Members voted in favour:

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon M K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammit
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members abstained:

The Hon J L Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

Subhead 80 of Special Expenditure was accordingly passed.

Special Expenditure was passed.

Head 22 - Secretariat

Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure

MR SPEAKER:

Can I ask how the History of Gibraltar's Population during the War Years is getting on, I am rather interested in this?

HON CHIEF MINISTER:

I think the point is a lot of work had to be done locally at no extra expense by the Archivist and I think perhaps this year it is the time when Mr Ewan-Hughes who had been here, a welfare officer, and who has done the same thing in Singapore is collating all the information that he is being given particularly by people who can remember what happened during the war. There are less and less people of that generation. I think the material has been provided and I think he is getting on with the work.

HON J BOSSANO:

Mr Chairman, is this not where in the revised or in the actual expenditure, in one of the two or possibly part in one and in the other, is where some of the charges were being put which should have been, according to the Auditor, allocated to the Electricity Fund, this is for Departmental Enquiries, I think it was originally charged here. This £3,000 has nothing to do with the Chairman of the Steering Committee on this occasion?

MR SPEAKER:

Putting your question a different way, you are asking whether we are voting any money for the Steering Committee Chairman, is that correct?

HON J BOSSANO:

I am asking for confirmation that in fact in the revised £72,000 or alternately in the £71,000 of the previous year, that is where the money was put because I seem to remember a comment in the Auditor's Report that in his view it had been charged incorrectly to this subhead.

HON DR R G VALARINO:

Yes, Mr Chairman, this finalises the account should we need Mr Ray Edwards to come and finalise the agreement.

HON J C PEREZ:

Mr Chairman, I take back what I said yesterday that it wasn't in the accounts and we will be voting against this for reasons already obvious.

On a vote being taken on Special Expenditure - Subhead 81 - Enquiries into Departmental Functions and Efficiency, the following Hon Members voted in favour:

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon M K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammitt
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members voted against:

The Hon J L Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

Subhead 81 of Special Expenditure was accordingly passed.

Special Expenditure was passed.

Head 23 - Telephone Service

Personal Emoluments was agreed to.

Other Charges

HON J C PEREZ:

Mr Chairman, only a couple of minor points. One is could he possibly explain the decrease in the vote for the Training of Apprentices and the other one the increase for Printing and Stationery which I find does not include the Telephone Directory, it is separate, that is what I mean.

HON DR R G VALARINO:

The increase in the Printing and Stationery is because there has been an increase in the number of trunk call tickets the average use of which is 100 per day and we require new forms for requirements of telephone subscribers for next year, new application forms. This is one that we do periodically and we have a stock and we review it every three years. The one on Training of Apprentices is because this year we have recruited just one apprentice and no more.

HON J C PEREZ:

Do you mean to say that last year you had two apprentices and you were paying them £5,700 and this year you have got one apprentice and paying him £4,400?

HON DR R G VALARINO:

No, there is obviously an overlap between previous apprentices and the new one. In fact, of the £4,400 the wages are £2,350; training is £800; Technical College training £700 and sundries are £500 so there is an overlap there of the apprentices.

Other Charges was agreed to.

Head 24 - Tourist Office

(1) Main Office - Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

(2) London Office - Personal Emoluments was agreed to.

Other Charges was agreed to.

Special Expenditure was agreed to.

Head 25 - Trading Standards and Consumer Protection

Personal Emoluments was agreed to.

Other Charges was agreed to.

Head 26 - Treasury

Personal Emoluments was agreed to.

Other Charges was agreed to.

Subventions

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, as I previously indicated when announcing the revenue measures, I beg to move that the provision under subhead 30 - Contribution to GBC be reduced by £70,000 to £530,000. I also move that the consequential amendments be made to this Head of Expenditure.

Mr Speaker proposed the question in the terms of the Hon Financial and Development Secretary's amendment.

HON J BOSSANO:

We are not too happy about this, Mr Chairman, because it seems that in fact what we are doing now is, having raised television licences, the money is not going to go to television, really, because all that it is going to do really is go to the Consolidated Fund which as a result will be saving the £70,000. The amount of money the television gets is going to be exactly the same as if the television licences had not been raised. If the contribution is being decreased by the same amount as the licences produces then the television will get the same amount as if the licences had not gone up and therefore people are going to be paying more for their television licences but getting, presumably, the same service since the resources available to television are not going to be improved and we, as I have mentioned previously, do not support the cuts that have been put on GBC before and if we look at last year's estimates it was revised to £607,000, we have got a situation here where the £600,000 itself represent no improvement, it represents slightly less in an inflationary situation and I would have thought that the least the Government could do was, if they were not prepared to put the whole

of the £70,000 into television that some of it should have gone towards television and perhaps some of it towards the general reserve but not to try and keep the whole of it themselves. At the same time I would like to raise now that I have got the opportunity of talking on television, the question of the coverage of the House by GBC. I know that the question of television coverage has been a matter under study for some time but I think the least that we could do would be to move to radio coverage and I can tell the House that the live coverage that was obtained in the Official Opening of the House was something that a lot of people listened at their work places and so on and I think it is important in extending the participation of the people of Gibraltar in their democratic institutions, and we cannot expect people to sit here all day listening to us, but it is important that they should have an opportunity of listening to debates and finding out from the Government their justification for the policies that they adopt and from us when we disagree with them why we disagree with them. I think it is an important extension of democracy and of public support and respect for the House of Assembly as an institution that we should make it easily accessible to people.

MR SPEAKER:

I think if I recall properly the position of the coverage by GBC Radio of the proceedings of the House is at a stage when GBC informed us that they were in a position to give the service required and that the Chief Minister and that the then Leader of the Opposition were meeting to take decisions on the matter.

HON CHIEF MINISTER:

In the first place, I think the Hon Member has got it somewhat wrong and that is that the £600,000 is the amount of money that has been agreed with the television with an element of cuts, of course, they put in a bid. The point is that television have their own means of revenue, advertising mainly and so on and we have been paying up the difference between the cost and their revenue and this year the figure agreed with the Corporation was £600,000. That is a constant figure for the Corporation and that envisaged already their getting the money out of the licences at £20 a year but now that the licences are going up then they get an extra £70,000 a year from licences and therefore our contribution is correspondingly less. The reason why last year the revised estimates was less was because they had been able to obtain further income from advertising and they have other ideas of advertising and using time that may make this figure unnecessary.

HON J BOSSANO:

No, last year it was not less. The Hon Member was right, if they had been last year more successful or less successful in advertising you wouldn't have the same figure. You have got practically the same figure as last year, £600,000.

HON CHIEF MINISTER:

Yes, but they were able to manage with the bigger cuts that we have given them this year. We cut them more last year than we did this year and they were able to make up from advertising. The figure agreed, £600,000, with the Corporation, as far as they are concerned that is what they expect from us taking into account the fact that licences are at £20 a year. Now the licences will go up to £30 by Order, it doesn't require a resolution of the House, but we give the House information of it, and therefore to make up what they need they have already got £70,000 more than they had when we agreed on the figure of £600,000 so that the whole thing is for the benefit of television, so is the £600,000. We only pay the difference, the television ideally from licences and advertising they should get it all, hopefully, but because they don't and because we have always thought that we ought to have a television station for many reasons and particularly for reasons of our own identity and everything, we pay the difference but they manage their own accounts and they run their own Corporation and they come to us and ask us what they want. If we come to terms with them in giving them what they want and then they get more through a measure which is done through us in order that our subvention should be less otherwise there would be no economy for the Government in its subvention which is what we are trying to achieve and they are trying to achieve by, perhaps, hiring time to BFBS which is a matter which has been in the offing for a long time, a couple of hours at times when they are not required. That would give them an extra and that would mean not that they were going to have more money to spend but in order to be able to have less subvention. I think the sooner that television is free from subvention from the Government the better and the more independent it can be. I will come to the other question later on.

HON J BOSSANO:

I think its independence is not entirely governed by the subvention, Mr Chairman, I am sure that the Hon Member doesn't think it is less independent because it is getting a subvention, that would run contrary to his defence of its independence in the House in the past irrespective of the subvention.

HON CHIEF MINISTER:

Yes, I agree but, ideally, they would not have to come at all.

HON J BOSSANO:

Fine, but I mean, we assume that irrespective of the size of the subvention they are equally independent.

HON CHIEF MINISTER:

Yes, and you accept that, your predecessor did not.

HON J BOSSANO:

I feel that they gave me only five minutes after speaking for three and a half hours, Mr Chairman, so it is not that I am nappy with the coverage they give me but I do not think that because I stand up in defending them it necessarily follows I am going to get six minutes the next time round, they may even give me less time so I do not accept that our views in any way condition what they think as professionals they have to do in covering the work of the House. I am afraid I do not accept the Hon Member's argument because the point that I am making is that his way of looking at it can be defended as he has done but the television viewers are being asked to pay more for their licence. The result of that is more revenue for GBC from licences compensated for by less revenue from the Government subsidy so the net beneficiary of the increased licences is the Consolidated Fund and not GBC. So in fact it is one more tax as far as the viewer is concerned because his money in increased licence fees is not going to go to television towards improving the service he is getting for his licence. It isn't the same as saying GBC is free to improve its revenue through selling advertising or coming to an arrangement with BFBS or anything else because I accept that in that case it is a different situation in the sense that that is something they take on their own initiative and, of course, if they do not need the subsidy we would not say to the Government: "Give them £600,000 because we like them", there are many more important things and these £600,000 can build quite a few houses, so we are not saying: "You have got to keep on giving GBC £600,000 whether they need it or not". What we are saying is that there is greater acceptability in having to pay more for your licence if in fact the situation were that it would be going to GBC and you would be getting a better service but in the context of the Budget, really, if all that happens is that GBC has got the same amount of money coming in whether their licence goes up or doesn't go up, it is no skin off their nose, it doesn't make any difference at all to GBC and they are not free agents, they cannot say: "Well, we are going to quintuple the licence". It is a political decision because people do not hold GBC responsible for the licence increase, they hold the Government. We are not happy with the fact that the money should be taken off and I think certainly from my knowledge of the situation there, it isn't strictly true either to say that the Government simply makes up the difference because on occasions the Board there has said that it is the ceiling put by the Government on the contribution that they are prepared

to make which has had to make them pare expenditure in areas where they might not have done and I accept the argument that you cannot say to GEC: "Right, you can spend whatever you like and we will foot the bill. Send us the bill and we will pay a cheque", it cannot be that way either. But I would say at least what we would like is an indication from the Government that if there is a shortfall in expenditure because their projections do not materialise, that they won't be asked to stick to the ceiling of £600,000.

HON CHIEF MINISTER:

That is an on-going process and they have come occasionally for equipment and so on and it has been given to them but the measure was a measure in order that those who use television should pay more for it since we were asking other departments to cut their expenditure and it was not fair that if that was justified, in our view, that it should be really for the benefit of the totality of taxpayers and not for the benefit of the viewers of television. I want to deal with the question of broadcasting. The point we had reached, as Mr Speaker has mentioned, the point we had reached just before the election was that GBC told us that they would be ready to make arrangements for broadcasting the proceedings of the House, no decision has yet been taken for it being broadcast although there has been a long delay in getting to this stage. I think, if I remember rightly, that they needed some special equipment. We will have to look at that and I will certainly consult with the Hon Member. Let me say that though I am not a great enthusiast of broadcasting, not because I am against broadcasting but because if it is going to be meaningful it has got to be properly done. Unless you have a channel for the proceedings all the time and not as it is done in the House of Commons where you record everything and then you add bits and pieces into the news and you have the voice of the Prime Minister and everybody shouting at her and so on which is one of the reasons why the late Speaker Thomas

HON J BOSSANO:

We are prepared to shout at the Hon Member if that would help.

HON CHIEF MINISTER:

Well, I am coming to that, I was going to tell you that my reluctance to radio has been considerably decreased by the manner in which the present Opposition carry on their business because I was certainly not prepared to have television time allowed for Major Peliza to come from London every six weeks and bore everybody with every subject under the sun. This is a reality, it is a fact of life but I shall be in touch with the Hon Member.

Mr Speaker put the question in the terms of the Hon Financial and Development Secretary's amendment and on a vote being taken the following Hon Members voted in favour:

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon L K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammit
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members abstained:

The Hon J L Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

The amendment was accordingly passed.

Subventions was agreed to.

Special Expenditure was agreed to.

Head 27 - 1984 Pay Settlement was agreed to.

New Head 28

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move the inclusion of a new Head of Expenditure, Head 28 - Contribution to Funded Services. This gives effect to the budgetary contributions shown in the revised Financial Statement and it is proposed to provide as follows: Subhead 1 - Electricity Undertaking Fund - £608,000; Subhead 2 - Potable Water Service Fund - £45,900 and Subhead 3 - Housing Fund - £947,600. I also move that the consequential amendments be made.

MR SPEAKER:

First I would like to ask you should there not be a total to the Head and, secondly, what are the consequential amendments, if it is just the adding of a Head?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

The total, Mr Chairman, is £1,601,800.

MR SPEAKER:

I have no doubt but what I am saying is that that is the sort of thing that has to be presented because all that the Speaker proposes is what is being moved by the Mover.

Mr Speaker put the question which was resolved in the affirmative and New Head 28 - Contributions to Funded Services, was agreed to.

IMPROVEMENT AND DEVELOPMENT FUND

Head 101 - Housing

HON J L BALDACHINO:

Will the Hon Financial Secretary be prepared to answer the question I asked before when he said that he was going to answer in Committee Stage? I am referring to the one about the 60-year life on houses.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I am not quite sure, perhaps the Hon Member could repeat his question. I answered the question in connection with Varyl Begg. The 60-year amortisation period applies to all buildings. I am not quite sure what else the Hon Member wishes me to say.

HON J L BALDACHINO:

Mr Chairman, during my speech I made reference to the Financial Secretary's Budget speech in 1981. He announced, Mr Chairman, that "the cost of houses would be passed on to the Housing Fund by a charge which reflected not the actual interest of repayment of the loan but a depreciation on new buildings over a 60-year period", and I am asking, Mr Chairman, if he doesn't think that the basis on the applying of this thinking to such things as the replacement of the Varyl Begg roofs, the repairs to the external walls of the Tower Blocks and the modernisation of all property, none can seriously be considered to be capable of a 60-year life. Shouldn't he think they should be based on a different basis?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think it depends on the nature of the repairs or possibly a definition. If the alterations are sufficiently substantial to be regarded as major structural works then - we are

assuming, of course, funding here as well - but I think it is proper for the cost to be amortised over the same period as a building. If I can illustrate that for the Hon Member. Improvements to a house, for example, which would be regarded as eligible for mortgage relief, if one adds to one's mortgage, like the addition of a room, a major improvement of that nature I think that is a capital work and so rather than treat it as maintenance and charge it to recurrent expenditure, I think it is quite right that it should be charged to capital and therefore it would be subject to be amortised over 60 years as other capital projects are.

HON J BOSSANO:

Mr Chairman, we are not saying it should be charged to recurrent expenditure, it obviously is not recurrent expenditure. I think what we are saying is, if a building has got a 60-year life and if you do something to it when it is 20 years old and you give a 60-year life to the roof, by implication you are saying the roof will be there 20 years after the building has disappeared, surely. If you have got £45,000 for demolition of Engineer House, does the Hon Member then say that the cost of demolishing Engineer House will now be amortised over 60 years and that is a reasonable accounting procedure, is it?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, in the case of Varyl Begg I do not think that applies. The Estate was not built 20 years ago. I agree in the circumstances which the Hon Leader of the Opposition has hypothesised, if the estate were about to be, shall we say, knocked down and rebuilt but for some reason you say for the remaining 5 years you would do something to the roofs, then I think in those circumstances it would be proper to regard it as maintenance.

HON J BOSSANO:

We are not talking about regarding it as maintenance, Mr Chairman, what we are talking about is that the policy that was announced in 1981 of amortising new construction, new property, over a 60-year period, we are saying is that being applied to all the expenditure under Head 101 and if the answer is yes, does the Financial Secretary think that there is no difference between building new property, modernising old property, putting new roofs on old property, putting new walls on old Tower Blocks and demolishing Engineer House, it is all the same, 60 years for everything.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

I think the Hon Leader of the Opposition is putting words into my mouth. I could illustrate the problem in a different way, possibly, Mr Chairman, by saying that a new roof in

year 20, shall we say, or the housing estates could conceivably expand the life of the house by 20 years to 80 years so in those circumstances amortisation of that particular expenditure over 60 years would not be inappropriate. These are matters for judgement and one has to apply certain conventions.

HON J BOSSANO:

The Hon Member's arithmetic is very faulty. If he puts a roof on a house that is being amortised over 60 years, what he amortises the roof for may be the difference between the time he puts the roof in and 20 years hence but it doesn't give the building another 60 years.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, I said another 20 years to 80 years.

HON J BOSSANO:

But then the roof would not be amortised over 60 years from the time it was put otherwise it would be giving the building another 60 years not another 20 years.

HON FINANCIAL AND DEVELOPMENT SECRETARY:

No, I think the Hon Gentleman and I are having one of our periodic differences on arithmetic, Mr Chairman, and I will tread very warily.

HON CHIEF MINISTER:

May I say that part of the settlement of the much disputed Varyl Begg roofs was an element of improvement and for that account was taken in the settlement we arrived at with the builders for which they accepted a considerable amount of negligent work, that the buildings were going to be worth more after the roofs were put than when they were new with the old roofs which didn't work. So to that extent the value of the buildings were enhanced by the roofs. Whether that applies to other buildings or not I am only talking about Varyl Begg.

HON J BOSSANO:

We are not specifically referring to how the value of the Varyl Begg Estate increased by putting in new roofs or not. The point that we are making is, a policy was announced in 1981 which was a departure from existing policy until then in that until then the cost to the Housing Fund, to a Special Fund, had been based on actual repayments and it was thought that this was front loading the Fund and in the 1981 Budget the Financial Secretary said that it was thought it was more

realistic when you are building new houses, and that this was practiced in UK local authorities, that you fund the cost of new property over its expected life which is 60 years, which is in fact similar to the agreement done by the Government of Gibraltar with MOD that they depreciate the property over 60 years, it is funding it over 60 years. What we are saying is, does the Financial Secretary, first of all, can he confirm that this isn't just being applied to new property, it is also being applied to modernising property which cannot so justifiably have a 60-year life because if it is logical to say modernising a property gives it 60 years then a new property ought to have more than 60 years. If putting cladding on the Tower Blocks is going to give the Tower Blocks another 60 years of life and if demolishing Engineer House is going to be amortised over 60 years, if the policy is applied straight through irrespective of whether it is being spent on something that should depreciate over 10 years or something that should depreciate over 60 years, does he agree that that is the correct way to do it and is it in fact being done like that?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Well, all building projects, new buildings which are funded with money which has been borrowed commercially, the cost is amortised over a 60-year period, that is the policy. I find it difficult to illustrate the point in a different way but it is, of course, an accounting convention and one can sometimes find with accounting conventions as we were talking, of course, of the telephone plant which you might want to replace at an earlier period in which case you would, I think, write off your remaining years unexpired life of the asset so obviously we would have to change ones approach to adjust to the reality of the situation. Obviously, one cannot allow accounting conventions to rule over reality when it confronts one in terms of, shall we say, a building which has to be demolished for some other reason.

MR SPEAKER:

We are engaging in what perhaps is not quite an academical discussion but one which is not going to take us any further in any way.

HON J BOSSANO:

Well, presumably the answer is, yes, all the expenditure is amortised over 60 years and, yes, the Financial Secretary thinks that is the correct way to do it?

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Yes, I am sure that is what I said.

HON J BOSSANO:

Probably because I haven't got used to his literary turn of expression did it take me so long to find out what the answer was.

Head 101 - Housing was agreed to.

Head 102 - Schools was agreed to.

Head 103 - Tourist Development was agreed to.

Head 104 - Miscellaneous Projects was agreed to.

Head 105 - General Services was agreed to.

Head 106 - Potable Water Service was agreed to.

Head 107 - Port Development

HON J BOSSANO:

On the Causeway. We haven't had the benefit of having seen the Port Study, I raised it some time ago and we still have not seen the Port Study, I have not seen the Port Study and nobody else has on this side of the House.

HON CHIEF MINISTER:

We are trying to get it back from your predecessor to give it to you.

HON J BOSSANO:

It is a fair amount of money that is going into this area and I have always thought it strange that we should be spending so much money in building a Causeway when the intention is subsequently to reclaim land on either side of the Causeway particularly when we are talking about a situation where ODA is limiting the amount of money. I have heard people who work in that area who question the wisdom of this like they question the wisdom of the amount of money that went into filling in between the two jetties which was also a very expensive exercise. We know that the work done by the Public Works in reclaiming land in that area has proved very, very cheap by comparison - where the distillers are being built. In view of all the difficulties the Minister for Economic Development has mentioned, are we so tied to this project that it is now irretrievable, we cannot do anything else except spend the £1½m?

HON M K FEATHERSTONE:

The basic need for doing the Causeway is that as far as we have been advised from the MOD, the actual Viaduct Bridge only has a very limited life insofar as its ability to carry traffic and since without the Viaduct Bridge and without the Causeway the whole of the North-Mole area would be completely isolated from the rest of Gibraltar, it is considered essential that some means of communication from one side to the other must be made. It has to be done in such a way that it can carry heavy lorry traffic and therefore that was the intention of a Causeway to do it.

HON J BOSSANO:

And the fact that the Government, I don't know to what extent they are still committed to that, to reclamation on both sides which certainly was part of the development plan originally. There was going to be, as I remember, reclamation on the one side with a roll-on roll-off thing and on the other side it was the FWD that was planning to reclaim up to the edge of the Varyl Begg Estate, wasn't it?

HON A J CANEPA:

We are committed as a matter of policy. It is one of the projects that we would hope to have included in a future Development Programme and we would hope that we can convince the ODA, having regard to their attitude towards projects of an infrastructural nature. If in the meantime there is a change of thinking in ODA we might have difficulties but at the time their general reaction to the proposals in the Port Development Study and what we included of that in the 1981/86 Programme in principle seemed to be quite good.

HON J BOSSANO:

But it won't be in the 1981/86 Programme now?

HON A J CANEPA:

No, the money for 1981/86 is committed, I think that in a new situation if there is a programme to follow after 1986 particularly in the context of a fully open frontier with our neighbours in the EEC and the prospect of traffic through Gibraltar, the project, I think, would once again become quite important.

Head 107 - Port Development was agreed to.

Head 108 - Telephone Service was agreed to.

Head 109 - Public Lighting was agreed to.

Head 110 - Electricity Service was agreed to..

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, Sir, I beg to move a consequential amendment that in Part I of the Schedule the provision made for Head 26 - Treasury, be reduced by £70,000 to £2,039,900 and a provision of £1,601,800 made under a new Head of Expenditure, Head 28 - Contribution to Funded Services and that the sum of £43,600,300 be deleted in the total and the figure of £45,132,100 be substituted therefor.

Mr Speaker put the question which was resolved in the affirmative and Part I of the Schedule was amended accordingly.

The Schedule, as amended, was agreed to and stood part of the Bill.

Clause 2

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, Sir, I beg to move that the words "forty-three million six hundred thousand three hundred pounds" in the last two lines of Clause 2 be deleted and the words "forty-five million one hundred and thirty-two thousand one hundred pounds" be substituted therefor.

Mr Speaker put the question which was resolved in the affirmative and Clause 2, as amended, was agreed to and stood part of the Bill.

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

Clause 4

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move that in lines 2 and 3 of Clause 4, subsection (1), the words "forty-three million six hundred thousand three hundred pounds" be deleted and the words "forty-five million one hundred and thirty-two thousand one hundred pounds" be substituted therefor.

Mr Speaker put the question which was resolved in the affirmative and Clause 4, as amended, was agreed to and stood part of the Bill.

Clause 5 was agreed to and stood part of the Bill.

The Long Title

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Chairman, I beg to move that in The Long Title the words "fifty-two million three hundred and three thousand six hundred and forty-four pounds" be deleted and the words "fifty-three million eight hundred and thirty-five thousand four hundred and forty-four pounds" be substituted therefor.

Mr Speaker put the question which was resolved in the affirmative and The Long Title, as amended, was agreed to and stood part of the Bill.

MR SPEAKER:

May I congratulate the House on the speediest Committee Stage of any Appropriation Bill that I have presided over in the last fifteen years.

THIRD READING

HON FINANCIAL AND DEVELOPMENT SECRETARY:

Mr Speaker, I have the honour to report that the Finance Bill, 1984, and the Appropriation (1984/85) Bill, 1984, have been considered in Committee and agreed, with amendments, and I now move that they be read a third time and passed.

On a vote being taken on the Finance Bill, 1984, the following Hon Members voted in favour:

The Hon A J Canepa
The Hon Major F J Dellipiani
The Hon M K Featherstone
The Hon Sir Joshua Hassan
The Hon G Mascarenhas
The Hon J B Perez
The Hon Dr R G Valarino
The Hon H J Zammit
The Hon E Thistlethwaite
The Hon B Traynor

The following Hon Members abstained:

The Hon J L Baldachino
The Hon J Bossano
The Hon M A Feetham
The Hon Miss M I Montegriffo
The Hon R Mor
The Hon J C Perez
The Hon J E Pilcher

On a vote being taken on the Appropriation (1984/85) Bill, 1984, the question was resolved in the affirmative.

The Bills were read a third time and passed.

ADJOURNMENT

HON CHIEF MINISTER:

Mr Speaker, I have the honour to move that the House do adjourn sine die.

Mr Speaker proposed the question in the terms of the Hon the Chief Minister's motion.

Mr Speaker then put the question which was resolved in the affirmative and the House adjourned sine die.

The adjournment of the House sine die was taken at 9.00 pm on Thursday the 12th April, 1984.